

DONALD D. PERKINS  
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LYNDEN, WASHINGTON 98264

July 15, 2018

Washington Utilities and Transportation Commission  
P.O. Box 47250  
Olympia, Washington 98504-7250

Re: Proposed Sale of Avista Corporation

To: Members of the Commission

This letter is to protest in the strongest possible way the proposed sale of Avista Corporation to Hydro One of Ontario, Canada

Hydro One markets virtually all of the electricity for consumers in the Province of Ontario, Canada. Formerly, wholly owned by the Province, privatization has reduced the share owned by the Province to 47%, which is still enough to give the Province total control. The Provincial Government through a Cabinet Minister appointed by the Premier, is directly responsible for all aspects of Hydro One's management and operation. The three major political parties, the NDP, the Liberal Party and the Conservative Party have very different views relating to privatization. This fundamental issue, along with other ongoing issues relating to Hydro One are always controversial topics in ALL Provincial elections.

**CURRENT SITUATION** In the recent June election, the ruling Liberal Party, which had proposed the buy-out of Avista by Hydro One, was defeated and displaced by the Conservative Party. During the election the buy-out became a serious public issue. How can Hydro One spend billions of dollars on this acquisition while historically high rates of electrical power to consumers have been ignored by whatever Government is in power?

**PUBLIC OPINION:** My wife, originally from Ontario, has a sister still living in the Province. She has provided me with the enclosed articles and opinion pieces from the Toronto Star and the Toronto Globe and Mail. These provide an insight into what people think of this buy-out. Since they are outraged by the high cost of electrical power, they wonder how their Government through Hydro One can spend this amount of money on a foreign acquisition. What will the New Conservative Government do?

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If this buyout is approved, electrical power in eastern Washington will be controlled by a foreign government. This government is transitory in nature, subject to removal, and cannot assure any long term plan of management. Will rate payers in Washington simply be providing cash to a Province in Canada that is 10 times its size? What about costs of infrastructure and maintenance?

Generating electricity in Ontario is substantially more costly per kilowatt hour than it is in the State of Washington. This is primarily due to our access to abundant water power. Avista Corporation is simply the current name for the company that started out as Washington Water Power. Rates, charged here reflect this big difference in cost, but in the future, could Hydro One be subjected to political pressure to make them more equal?

Except for the bonanza to be derived by the current stockholders of Avista, there seems to be no reason for this sale. The proposed sale price is almost 40% in excess of the real value of Avista as it was on the stock market before this buyout was offered by Hydro One.

Thus, I most strongly urge your commission to vote against this buyout.

Yours very truly,



Donald D. Perkins

Enclosures

MARKETPLACE, B5

Lovvnta  
Star

Heart rebrands as Bausch Health  
distance itself from scandal, B3

WHAT'S IN A RENAMER?

# Is Hydro takeover in public interest?



Jennifer Wells

OPINION

“Please don’t sell us to Canada.” That refrain, or versions of it, is on full display at the Idaho Public Utilities Commission, which admittedly isn’t everyone’s go-to entertainment site. But it is vitally important for this reason: the first big test of the expansionist dreams of the politically tempest-tossed Hydro One rests with its successful acquisition of Avista Corp., provider of electric generation, transmission and distribution to retail customers spread from Oregon to Washington to Montana and Idaho and up into Alaska.

The proposed deal – announced last summer, but not yet consummated – marks the first time the publicly traded Hydro One has embarked upon the acquisition of a U.S. utility. And if Idahoans spread from Boise to Coeur d’Alene to Hayden are any indication, they are not at all happy with the idea of foreign ownership. Here’s Lisa McCumber, resident of Hayden: “I am stating my objection to this outrageous merger/takeover. Hydro One charges excessive fees to the people it provides for, this is a monopoly beyond even what we are used to. I, in no way, support or as a customer, agree with the merger of this multibillion-dollar, foreign, company.”

WELLS continued on B6

# CEO unable to quantify savings

OPINION: WELLS from B1

Or here's Debra Bentley from Coeur d'Alene: "Fewer things have more control over a nation than its power source. In an age where we are desperately trying to bring American companies back home and 'Buy American' is somewhat of a battle cry, how is it even possible that it would or could be allowed for this vital necessity ... to be controlled by a foreign entity?"

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There are legion of similar emails from concerned consumers.

The rationale for the deal? Last fall Hydro One CEO Mayo Schmidt testified before the Idaho commission, which regulates all gas, water and electricity providers in the state.

"Hydro One is a pure-play transmission and distribution utility located solely within Ontario," Schmidt told commissioners. "It seeks diversification both in terms of jurisdictions and service areas. The proposed Transaction with Avista achieves both goals by expanding Hydro One into the U.S. Pacific Northwest and expanding its operations to natural gas distribution and electric generation. The proposed Transaction with Avista will deliver the increased scale and benefits that come from being a larger player in the utility industry."

Translation: now that it is a publicly traded entity, Hydro



DANIEL ACKER/BLOOMBERG VIA GETTY IMAGES FILE PHOTO

Hydro One CEO Mayo Schmidt claims the Avista deal could allow for cost savings over time.

needs to demonstrate a growth curve to the investment community. The value to you and me? Arguable. This is a transaction framed as a benefit to shareholders, one that won't cause harm to customers.

Premier Kathleen Wynne is feeling the pain of selling off control of an essential asset. In his testimony to the commission, Schmidt noted that the Avista acquisition would take the province's Hydro ownership to under 45 per cent. (The Electricity Act technically prevents the sale of shares that would take the government's ownership position below 40 per cent, though acquisitions appear to allow further dilution.)

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Should the acquisition of Avista be approved, amendments to the CIC, or change in control agreements, for certain named Avista executive officers will allow them to voluntarily terminate their employment without "good reason." That includes Scott Morris, the company's CEO, who will exit with severance of \$6.9 million (U.S.) and additional benefits taking the total to a potential \$15.7 million.

Back to the deal: cost savings over time could be achieved, Schmidt continued in his testimony, though he was unable to quantify those. The integration between the two companies, he promised, will be "seamless." Retail customers in Idaho, Washington and Oregon would benefit from proposed "Rate Credits" equalling an estimated \$15.8 million across five years. Idahoans would see a 1-per-cent rate decrease through that period.

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Will that meet the test? It's up to the commission to determine whether the proposed transaction will keep a lid on rates and is "consistent with the public interest." Hydro One is hoping for a decision from regulatory agencies in all the named states by mid-August and a closing date by the end of September. The Federal Energy Regulatory Commission granted its approval in January, followed last week by the Federal Communications Commission. Washington and Alaska have reached settlement agreements. These too are pending final state approvals.

The \$5.3-billion deal (or \$6.7 billion Canadian) is subject to ongoing hearings in Idaho. Members of the public are encouraged to have their say. The public comment deadline is June 27. [jenwells@thestar.ca](mailto:jenwells@thestar.ca)

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**WORKING OR NOT**

# Blame political meddling, not CEO pay, for Ontario's dysfunctional hydro market

High cost of electricity a legacy that goes back decades – and all parties promise more of the same

BARRIE  
McKENNA

OPINION



OTTAWA

There are many reasons why electricity rates are rising faster in Ontario than virtually anywhere else in North America.

How much Hydro One chief executive Mayo Schmidt and the company's directors get paid is not one of them.

The high cost of electricity has very little to do with Hydro One, Ontario's partly privatized electricity

transmission and distribution utility.

The main culprit is a long legacy of costly government decisions, including the shutdown of dirty but low-cost coal plants, the multibillion-dollar rebuilding of the province's nuclear reactors, long-term commitments to expensive wind and solar purchases, the cancellation of new gas plants and a surplus of new generating capacity.

At a more basic level, Ontario's dysfunctional electricity market is the product of serial meddling by politicians. Successive Liberal, Progressive Conservative and NDP governments are all to blame, going back decades. Unfortunately for Ontario voters, all three parties are promising more of the same in the current election campaign – big rate subsidies and plenty of political micromanaging of the electricity market.

Take Progressive Conservative Leader Doug Ford. He has vowed to fire Mr. Schmidt and the entire board

of Hydro One, which was privatized three years ago. And he'd cut hydro rates by 12 per cent, sticking taxpayers with the \$800-million per year bill.

NDP Leader Andrea Horwath wants to renationalize Hydro One and magically reduce hydro bills by 30 per cent. Both proposals would stick taxpayers with billions of dollars in costs.

Liberal Leader Kathleen Wynne is also taking shots at Hydro One, while touting her government's Fair Hydro plan, under which the province is borrowing \$26-billion to lower hydro rates by 25 per cent.

If the leaders were serious about reform, they wouldn't be so preoccupied with Hydro One. Transmission and distribution are not the main cause of high rates in Ontario. And chopping the salaries of their executives and directors won't make electricity any cheaper.

McKENNA, B5

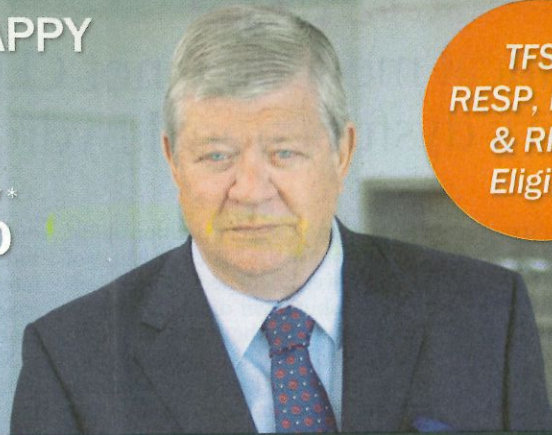
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## McKenna: Ontario needs to address its hydro oversupply problem

■ FROM B1

All three parties want to subsidize rate discounts – a proven economic and environmental loser. Just look at oil-rich Venezuela, which has bankrupted itself by massively subsidizing domestic gasoline prices. Subsidizing rates in Ontario encourages overconsumption, making it harder for the province to meet its carbon emission reduction targets.

From an economic perspective, it matters little whether taxpayers or consumers pay the price of high rates. At the end of the day, society bears the cost. If the government is concerned about the affect of high electricity rates on the poor or on vital industries, it should provide targeted tax breaks to those groups.

There are other sensible things that could be done to fix Ontario's troubled electricity market. But they aren't getting much air time in a campaign of slogans.

For starters, forget about the past. It's too late to reverse the decisions to stop burning coal and refurbish nuclear plants. And it's not clear these moves were wrong in the first

place. It would not be easy to find alternatives to the 60 per cent of Ontario's electricity that comes from nuclear. And going back to coal is a non-starter.

Secondly, high rates are likely unavoidable. The province has committed to long-term power purchases through provincially owned Ontario Power Generation and private producers. Unwinding those contracts would drive rates even higher.

The province needs to get a grip on its oversupply problem.

Ontario's continued push to expand wind and solar means backing up these intermittent sources through private purchases from gas-fired plants. This has created duplication, inefficiency and oversupply. In recent years, Ontario has been selling surplus clean electricity at a loss to Manitoba, Quebec and several U.S. states. At other times, it must pay electricity suppliers not to produce. This perverse situation cost the province more than \$1-billion in 2016 and 2017, according to an analysis by the Ontario Society of Professional Engineers.

Central government planning of the electricity market has become the norm in Ontario. And it's not working.

Home hydro bills in Ontario rose 71 per cent between 2008 and 2016, or more than double the national average, according to a recent report by the Fraser Institute. Industry rates have also risen much faster in Ontario than elsewhere.

The province needs less government and more free market in its electricity market. That may mean downloading responsibility for signing power-purchase contracts to regional authorities.

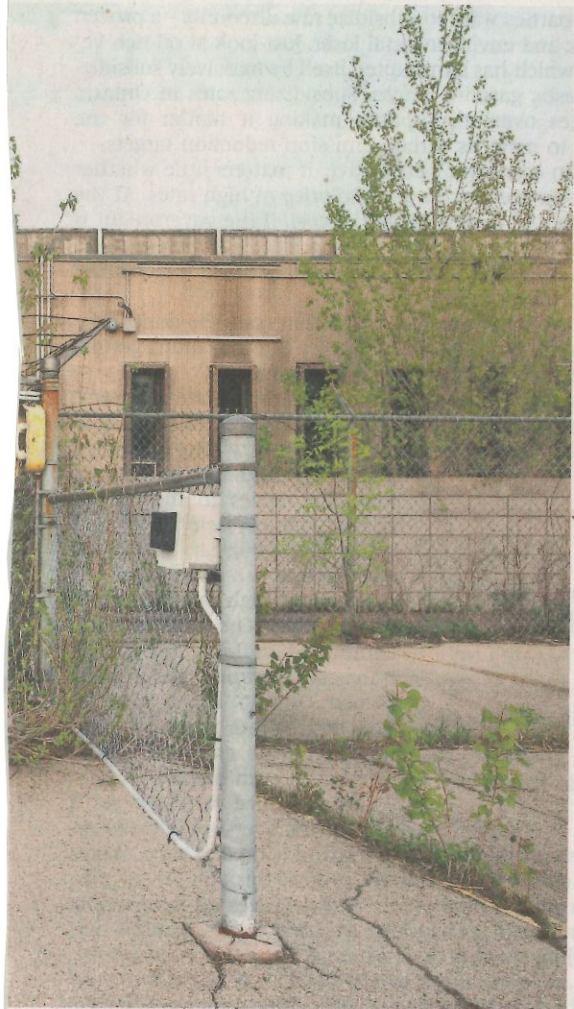
Making future generations pay for today's electricity is crass vote-buying. So is grandstanding about executive pay.

Neither is a substitute for good economic policy.

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# those 'stuck' ch for answers

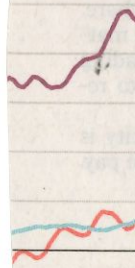


of life in the rust belt. TARA WALTON/THE GLOBE AND MAIL

people. Metro Toronto, which accounts for less than half of the province's population, nabbed 80 per cent of those jobs. Ottawa accounts for another 10 per cent. The rest of Ontario, with millions of people from Cornwall to Thunder Bay, accounts for the remaining 10 per cent.

In Toronto, job gains have largely gone to three sectors - finance, real estate, health care and professional services - reflecting both the city's entrenched position to seize services positions, along with spinoff jobs from the red-hot housing industry.

The situation is hardly perfect in To-



THE STAR

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## Hydro One's takeover of U.S. utility sparks customer backlash: 'This is an incredibly bad idea'

By **JENNIFER WELLS** Business Columnist

Wed., May 9, 2018

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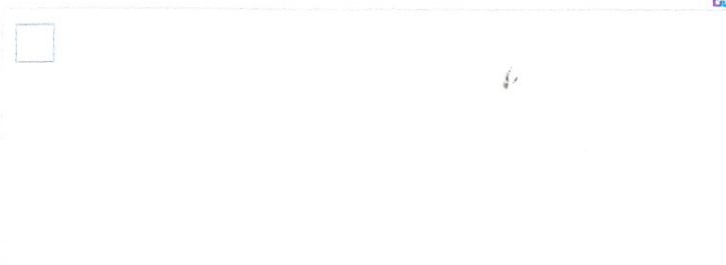
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[jenwells@thestar.ca](mailto:jenwells@thestar.ca)

**Read more about: [Hydro One](#)**





# Ontario's hydro: some unwelcome truths

The Liberals' performance on hydro is underwhelming, and the other parties offer voters little better. To avoid past errors, a long-term strategy is needed.

[Mark Winfield](#)

May 23, 2018

**W**ith the announcement in late April by Ontario Progressive Conservative Leader Doug Ford of his [plan to reduce hydro rates](#), electricity costs have emerged as a central question in the upcoming Ontario election. However, Ford's less-than-one-page solution has the potential to make the situation worse than ever. An effective long-term strategy for reducing electricity costs requires some deeper reflection, including the recognition of some unwelcome truths.

The first of these truths is that substantial increases in electricity costs, relative to where they stood a decade ago, were inevitable. Ontario's electricity system went through a long