

From: Tom Horne
To: [Public Involvement \(UTC\)](#)
Subject: Docket U170970 Sale of Avista to HYDRO ONE
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Attachments: [Letter to UTC.pdf](#)

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

Subject: Comments regarding the proposed sale of Avista to Hydro One, Docket No. U-170970 – Joint application of HYDRO ONE LIMITED and AVISTA CORPORATION

Dear Sirs and Madam,

I have been an Avista customer for 41 years and expect to be one for the rest of my life. I have no complaints with the service and rates I have had for those 41 years. I am concerned about the proposed sale of Avista to a Canadian company controlled by the Parliament of Ontario. I believe that this sale is short sighted and not in the long term interest of the customers of Avista. I find the arguments in favor of this sale to be unconvincing. Below are my objections to this sale and my rebuttal of the case in favor of this sale made by the Washington State Attorney General's Public Council Division.

My objections are based in large part on the clearly stated intentions of members of the Government of the Province of Ontario to maintain control of HYDRO ONE by the way they structured the partial sale of HYDRO ONE. The following YouTube videos show this clear intention.

Here is a 2-minute YouTube video of Ontario Premiere Kathleen Wynne discussing why they are selling HYDRO ONE and their plan to maintain control.
<https://www.youtube.com/watch?v=ijwo2N5FWnE&t=3s>

Here is a 3-1/2 minute YouTube video of Ontario member of Parliament Daiene Vernile explaining Ontario's sale of HYDRO ONE and Ontario's plan to maintain control of the company: <https://www.youtube.com/watch?v=TALKLwaonfl>

OBJECTION BASED ON UNFAIR COMPETITION WITH A GOVERNMENT BACKED AND CONTROLLED COMPANY, WHOSE POLICIES WILL BE WHIP SAWED BY ONTARIO POLITICS. IT IS QUITE LIKELY THAT THE NEW PREMIERE OF ONTARIO, AS OF THE JUNE 7, 2018 ELECTION, WILL FIRE THE HYDRO ONE CEO, AS HE HAS VOWED.

YOU MUST CONSIDER ONTARIO POLITICS IN YOUR DELIBERATIONS. IT SHOULD NOT BE A FACTOR, BUT IT IS.

We are a capitalist country. Free enterprise and competition, animated and constrained by the profit motive have made us prosperous.

Hydro One is controlled by a political entity – the Canadian Province of Ontario.

There are two problems with that.

Hydro One is not constrained by the profit motive in the purchase of AVISTA, being backed by the assets of the taxpayers of Ontario – what private entity could compete with Hydro One on price due to their taxpayer backing?

For that reason, this purchase is fundamentally anti-free enterprise and thus anti-capitalist.

The other problem is that Hydro One may not be constrained by the profit motive in its operation of AVISTA. Hydro One could operate AVISTA with political motives. They could follow a radical green agenda, which currently animates the politics of Ontario energy policy – using AVISTA to somehow fulfil Ontario's green energy agenda. They could operate AVISTA as a market for wind and solar generating equipment made in Ontario that would not be economic without mandates and subsidies, thus milking rate payers and tax payers. Statements below, of Ontario's current Premier, Kathleen Wynne, raise this concern.

It does appear that Hydro One is at least partially animated by the profit motive, judging by this quote from their CEO Mayo Schmidt **““Our shareholders will see stable, strong, forward-looking returns on equity. For the people of Ontario, who are also shareholders, this means a growing income stream to help fund public programs like hospitals, schools and transit.””** So their major shareholder, the Province of Ontario wants to fund their “hospitals, schools and transit” with our Avista power bill. I don't want to fund Ontario with my power bill.

This is the Mayo Schmidt letter I am referring to:

<https://www.hydroone.com/about/corporate-information/subsidiaries/avista>

It also appears that the Hydro One purchase of AVISTA is partially animated by the political ideology of the current super green Ontario government. Utility customers in the Interstate 5 corridor may be OK with paying a premium for green considerations, but AVISTA customers are not those people. Here is a quote from Ontario's Premier and a YouTube video of her making the statement:

“Premier Kathleen Wynne is defending Hydro One's takeover of an American utility that owns a coal plant after years of Liberal boasting that Ontario has [banned](#) the plants to cut pollution and greenhouse gases.

She suggested the \$6.7-billion purchase of Avista, based in Washington state, heralds the spread of Ontario’s clean-energy push beyond the province’s borders.

“As you all know, Ontario has shut down all of the coal-fired generation in the province. Hydro One has made a business decision to acquire a . . . company that has a small minority share in a coal plant,” Wynne said Friday in Ottawa.

“Let me just say this: you won’t find another jurisdiction — pretty much around the world — that has gone as far in terms of renewable clean energy as Ontario so I see this as a real validation of our opportunity to take that influence elsewhere.””

Here is a link to the article containing the above quotes about extending policies :
<https://www.thestar.com/news/queenspark/2017/07/21/premier-wynne-defends-hydro-one-purchase-of-us-utility-that-owns-a-coal-plant.html>

Here is the link to the YouTube video showing Kathleen Wynne making this statement. <https://www.youtube.com/watch?v=527VJqu0PHI>

OBJECTION BASED ON FAILURE TO MEET THE “NET BENEFIT” TEST REQUIRED TO WIN UTC APPROVAL

Meeting with the Utility and Transportation Commission April 23

On April 23 I attended a meeting at the Spokane Valley City Council Chambers regarding the sale of AVISTA to HYDRO ONE, a Canadian company owned 49.9% by the Province of Ontario. The meeting was put on by the Washington Utilities and Transportation Commission, (UTC).

The UTC is holding hearings on whether to approve this sale. The UTC is expected to issue decision by August 14, 2018. The public comment period closes at some point. As of 5/16/18 the UTC could not tell me when the public comment period ends.

The Public Counsel Division of the Washington State Attorney General’s Office “advocates on behalf of customers before the UTC and courts regarding utility rates, mergers, business practices, service quality, energy efficiency and policy matters”

Below are quotes and rebuttals from the information sheet prepared by the Public Counsel Division that was handed out by the UTC commissioners at the April 23 meeting. (I can’t find a link to this document)

Excerpts from the “2017 AVISTA / HYDRO ONE MERGER INFORMATION SHEET with Rebuttal comments.

Question on the Info sheet: “What criteria will the Commission use to evaluate whether to approve, reject, or modify the Settlement?”

Answer from the Info sheet: The Commission will evaluate whether the proposed settlement is in the public interest and whether the merger between Avista and Hydro One will product tangible net benefits for Avista’s customers.

Question on the info sheet: "Why does the Public Counsel believe the settlement is in the public interest and meets the "net benefit" standard?"

Answer from the Info sheet: Public Counsel believes the settlement is in the public interest and meets the "net benefit" standard because the Joint Applicants make several commitments that mitigate the transaction risks and produce tangible benefits for Washington customers. Among the commitments, Public Counsel believes the following provide benefit to Avista's Washington customers and satisfies the "net benefits" standard:

1. Customer Rate Credit: \$30.7 million in rate credits will flow to customers over five years. The credits will be applied to customers' monthly bills.

REBUTTAL: Keep in mind that AVISTA's annual net income is around \$137,000,000. It is not quite clear how many customers AVISTA has. They talk of 600,00 in some places and they list 379,000 electric and 342,000 gas customers in other places, which in many cases are the same customers. Taking the 600,000 number as correct, do the math. That works out to \$51 per customer over 5 years, or just over \$10 per year, less than \$1 per month per customer. AVISTA could reduce our bills by \$1 per month for 5 years without partnering with HYDRO ONE. This is virtually no benefit at all. It is laughable to include this.

Please elaborate on why the Public Counsel believes that this \$1 per month for 5 years is a significant benefit to customers.

2. Low income benefits: The settlement includes significant low income benefits including about \$11 Million in commitments for manufactured home replacements, additional low-income weatherization, commitments to build or purchase renewable energy resources to benefit low-income customers, and a goal to produce significant resources to low-income transportation electrification projects. Avista will eliminate security deposits and will refund security deposits to customers who have had deposits held for longer than 6 months. Avista will not disconnect service for nonpayment when the National Weather Service predicts regional temperatures below 38 degrees or above 100 degrees, providing stronger customer than currently exist.

REBUTTAL: Keep in mind that AVISTA's annual net income is around \$137,000,000. The \$11 Million covers all the "benefits" listed. This amounts to \$18 per customer, total, over what period? Again, this is chicken feed. AVISTA could institute these policies tomorrow, without HYDRO ONE. "low-income transportation electrification projects"? Low income people are unlikely to be buying electric cars any time soon. What is this about? This again is a laughable amount of money for AVISTA alone. It is not a significant benefit. As for treatment of customers vis a vis security deposits, AVISTA could do this tomorrow without HYDRO ONE.

Please elaborate on why the Public Counsel believes that this \$18 per customer in support for low income people, spread over ?

years is a significant benefit to customers.

3. Colstrip: Summarizing – Colstrip units 3 and 4 will continue to operate for an undefined period but will eventually close. They will utilize provisions of the new tax laws to recover the costs for these plants two years earlier than planned. The “Joint Applicants”, Avista and Hydro One, commit to providing at least \$3 Million to the Colstrip Community Transition fund to help Colstrip Montana absorb the economic impact of the plant’s eventual closure. The Joint Applicants and not customers, will provide the transition funds.

REBUTTAL:

- a. First, how is using the new tax law to write off the plant cost anything but a normal act of a business? This is claimed as a benefit?**
- b. Over what time period will the “Joint Applicants” provide the \$3 Million?**
- c. “The Joint Applicants and not customers, will provide the transition funds”. This flies in the face of reality. All “funds” come from the customers. They may not be used to justify a rate increase, but all income comes from customers.**

4. Environmental Benefits: “To the extent Avista needs new electric generation to meet customer demand, Avista will seek to acquire 50 average megawatts (aMW) of cost-effective renewable energy and an additional 90 aMW of renewable energy within a year of when Colstrip eventually goes offline. The settlement also includes funding for free home energy audits for 2,000 customers. “

REBUTTAL:

Colstrip 3 and 4 provide 222 aMW available 24/7/365 that is going to be replaced with 140 aMW of “renewable” energy.

- a. RCW 19.285.030 precludes new dams counting as renewable energy. Efficiency improvements at existing dams would count, along with wind, solar and biomass. What mix of renewables are contemplated? How much of this “renewable” will be available for base load as was Colstrip? How much of this “renewable” energy will be wind and solar, available only when the sun is out and the wind is blowing? Generating capacity will be decreased by 82 aMW. How does this decrease in 24/7/265 generating capacity provide a benefit to the customer?**
- b. “Free home energy audits for 2,000 customers”. Over what time period? Over the years AVISTA has had these programs without HYDRO ONE. They can do it again without HYDRO One.**
- c. Point of background information: In the grand scheme of things, if the environmental benefits of closing 222 aMW of Coal Strip coal fired plants are considered a benefit, these facts make that “benefit” ludicrous: The scale of the increasing energy use of the 1.3 Billion people in China who have just enough freedom to expect to live better is amazing. Here are facts that make all our CO2 reduction plans a waste of time:**
 - a. China added 39 gigawatts of coal-fired capacity in 2014 — 3 gigawatts more than it added in 2013. That is equivalent to three 1,000 megawatt (1.3 Million HP) units every four weeks.[v]**

b. At the peak, from 2005 through 2011, China added about two 600-megawatt (800,000 HP) coal plants a week, for 7 straight years.

c. China is expected to add the equivalent of a new 600-megawatt (800,000 HP) plant every 10 days for the next 10 years. These new coal plants that China is constructing are more efficient and cleaner than their old coal-fired plants.

[vi]

d. China consumes more than 4 billion tons of coal each year, compared to less than 1 billion tons in the United States and 600 million tons in the European Union.

e. The above figures on China Coal are from:

<http://instituteenergyresearch.org/analysis/as-u-s-shutters-coal-plants-china-and-japan-are-building-them/>

5. Service Quality: AVISTA will maintain its Service Quality Metrics for 10 years.

REBUTTAL: AVISTA is a vital utility. I have been a customer for 41 years. Maintaining its Service Quality Metrics for 10 years is not a benefit to the customer, it is fulfilling the accustomed normal level of service.

6. Bankruptcy Protection: There are several robust provisions that shield AVISTA and its customers from financial issues or bankruptcy at the parent-company level.

REBUTTAL: This is an unsupported, unconvincing assertion. Please explain how AVISTA will be protected in the event HYDRO ONE goes bankrupt. Who will take over the AVISTA asset in the event HYDRO ONE goes bankrupt? How will AVISTA's independent character be maintained under the new post-bankruptcy owners? Who is it that will hold the "Golden Share" spoken of in Attachment 3, Appendix A, page 14.

The whole "Ring-Fencing Commitments" section of Appendix A is a jargon filled word salad to anyone but a mergers and acquisitions lawyer, and maybe to them as well. I have spoken about this provision to an old stock broker and an old senior Bechtel account and they concur. It is so vague that it means nothing.

Without entering into this merger there would be no worry about the bankruptcy of Hydro One. A nebulous claim of protection from this worry is not a benefit.

HYDRO ONE is a company in flux. They are just finding their feet after transitioning from being wholly owned by the Province of Ontario until starting to become a privately held company with their first IPO only in 2015. Ontario politics is intimately involved in the management of HYDRO ONE since the Province of Ontario still owns 49.9% of Hydro One and has plainly stated, quoted above, that following Ontario's green agenda would be part of

their management decisions regarding AVISTA.

ONTARIO is a Province in flux. The government is about to change, with the June 7 election, due in large part to their poor handling of energy policy. “The Progressive Conservatives under Doug Ford continue to hold a commanding lead in the polls and are well-positioned to secure a majority government. The New Democrats have surged ahead of the Liberals in the popular vote, but have been in a better position to win more seats — and thus form the official opposition — for some time. Kathleen Wynne’s Liberals have dropped to new lows in both popular support and potential seat wins, and could be decimated.” <https://newsinteractives.cbc.ca/onvotes/poll-tracker/>

Doug Ford, the leader of the party that will probably take power has vowed to fire the CEO of HYDRO ONE. This problem may be about to solve itself.

Having AVISTA tied to a company that will be whip sawed by Ontario politics is clearly detrimental to AVISTA customers.

7. Most Favored Nations Provision: Under the settlement, the Commission may consider agreements made by the Joint Applicants in other jurisdictions evaluating the proposed merger. If additional commitments are agreed to or ordered in another jurisdiction, customers in Washington may receive similar benefits.

REBUTTAL : This is not a benefit, just a feature of the deal.

My conclusion from looking at the “2017 AVISTA / HYDRO ONE MERGER INFORMATION SHEET” is that the 7 benefits claimed are not significant. “Benefits” 1 through 5 are well within AVISTA’s capability to do without HYDRO ONE and are not significant in any case. “Benefits” 6 and 7 are not benefits but features of the agreement.

Best Regards,

Tom Horne

(Attached pdf file is this same letter)