

From: Tom Horne
To: [Public Involvement \(UTC\)](#)
Subject: Public Comment on sale of Avista to Hydro One -- Docket U-170970
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May 21, 2018

Washington State Utilities and Transportation Commission
P.O Box 47250,
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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 request that the UTC cancel or delay the sale of Avista to Hydro One because this sale has been negotiated in bad faith. A very rash charge.

There are two indicators of this bad faith negotiation.

1. It is almost certain that the CEO and Board and policies of HYDRO ONE are about to change as a result of the June 7 Ontario Provincial election.

If this sale were being negotiated in good faith, the progress of the sale would be delayed by one or both parties because one of the major conditions material to the sale is about to change, drastically, due to the June 7 Ontario Provincial election. Hydro One was owned 100% by the Ontario Government until the Liberal Party decided to sell up to 60% of the company in a manner that allowed the Provincial Government to maintain control. The Ontario Government now owns about 47% of Hydro One.

The Liberal Party is out of favor now and will certainly lose this election and become a minority party.

The two parties now contending for the Ontario Parliamentary majority are the New Democrat Party and the Progressive Conservative Party.

The New Democrat Party was, and is, outraged by the partial Privatization of HYDRO One and wants to buy the shares back. To do so they will necessarily sack the Board and CEO of Hydro One.

The Progressive Conservative Party Leader Doug Ford is OK with HYDRO ONE being private but outraged at the \$6 Million salary of the CEO Mayo Schmidt and the pay of the board. He has vowed to fire Mayo Schmidt.

By law, the Ontario government cannot fire the CEO. They can fire the Board of Directors and appoint a new board that will fire the CEO. This will potentially take 3 or 4 months.

If Avista and Hydro One were acting in good faith, they would delay approval of this deal until the new direction of HYDRO ONE policy and management is sorted out in six months or so. Instead, Avista and Hydro One are pushing for approval of this deal to get it done before the board and CEO can be replaced.

Hydro One's failure to delay this deal until the imminent changes in Hydro One's management is resolved is breaking faith with it's major owners, the people of Ontario. I don't know why.

2. The \$50 Million severance package that will be shared by Avista executives, and other possible compensation is so generous that it amounts to a bribe. They are acting in bad faith, looking out for their self interest.

Considering their self interest in this deal, nothing Avista executives say can be taken at face value. There are several types of compensation that are listed in this Securities and Exchange Commission filing that will accrue upon the closing of the deal, the end of 2018, or upon severance.

The most easily understood benefit is the severance benefit for the top executives which totals over \$50,515,000. Avista's CEO Scott Morris will get almost \$17 Million of that. Here is a link to the Securities and Exchange Commission filing. The stuff about executive benefits attendant to this sale starts on page 53.

https://www.sec.gov/Archives/edgar/data/104918/000119312517301020/d430599ddefm14a.htm#tx430599_34

To be eligible for this severance the executives must leave as a result of the sale or at any time prior to three years after the sale provided that they give proper notice.

Named Executive Officer	Severance	Value of Accelerated Equity	Health Benefits	Outplacement	Section 280G Gross-Up	Total
Scott L. Morris, Chairman, President & CEO	\$6,392,751	\$5,851,960	\$32,949	\$25,000	\$4,692,976	\$16,995,636
Mark T. Thies, Senior Vice President, CFO & Treasurer	\$2,478,889	\$1,860,008	\$43,760	\$25,000	\$1,558,549	\$5,966,206
Dennis P. Vermillion, Senior Vice President & ECO	\$1,502,909	\$1,894,636	\$43,760	\$25,000	\$0	\$3,466,305
Marian M. Durkin, Senior Vice President, General Counsel, CCO & Corporate Secretary	\$2,143,597	\$1,453,399	\$32,520	\$25,000	\$1,280,965	\$4,935,481
Karen S. Feltes, Senior Vice President & CHRO	\$2,020,932	\$1,453,399	\$32,520	\$25,000	\$1,239,266	\$4,771,117
Other Executive Officers						
Aggregate for Eight Other Executive						

Officers \$7,445,351 \$5,505,892 \$324,554 \$200,000 \$905,204 \$14,381,001

Total
executive
Severance

\$50,515,746

This severance package has provoked the fury of the leader of the Progressive Conservative Party, PCP. He knows it amounts to a bribe. If the PCP comes to power with a majority then they will act to cancel the purchase of Avista if they can make the needed changes to the Board of Directors of Hydro One fast enough. Below is the PCP reaction when they discovered this severance package. The title is a live link to the article.

Please consider this evidence of bad faith when considering this proposed sale.

Best Regards,

Tom Horne

Progressive Conservative Party of Ontario



Progressive Conservative Party of Ontario

[HYDRO ONE SIGNS DEAL TO MAKE \\$50 MILLION PAYOUT TO U.S. ENERGY EXECUTIVES](#)

Published on May 04, 2018

Kathleen Wynne once again missing in action as latest hydro rip-off occurs

Ontario PC Leader Doug Ford today revealed the latest twist in Kathleen Wynne's ongoing Hydro scandal. Buried in a series of US securities filings is evidence that the executives and board at Hydro One could be making \$50 million worth of payouts to US energy executives.

"We've already learned that Kathleen Wynne allowed a network of connected hydro executives to pay themselves millions of dollars from your hydro bills, including the \$6 million being paid to the Hydro One CEO," said Ford. "Now we have learned that the \$6 million dollar man — having helped himself to your money — has decided to spread even more of it around to his American friends."

The US securities filings uncovered by the Ontario PC Party reveals that the Hydro One management and board have authorized more than \$36 million in payouts to the top five managers of US energy company Avista as part of Hydro One's attempt to acquire the company. An additional \$14 million in payouts were authorized to another eight Avista executives as part of an arrangement that is explicitly referred to as a 'Golden Parachute'.

"The worst part of this scandal is that Hydro One has no problem mailing out disconnection notices that threaten seniors and families who struggle pay the bills while, at the same time, paying out millions of dollars to executives and insiders," said Ford. "And once again, Kathleen Wynne is nowhere to be seen. She could have stood up; she could have spoken out; she could have acted — but instead she chose to do nothing while this latest Hydro One rip-off took place."

"Mark my words, we are going to clean up this hydro mess," Ford concluded. "If you elect an Ontario PC Government on June 7, we are going to fire the \$6 million dollar man and his cronies. And we are going bring your hydro bills down."

Backgrounder – "Golden Parachute" Compensation

In July 2017, Hydro One Ltd. signed a deal to acquire U.S. energy company Avista Corp. for C\$6.7 billion in an all-cash deal that would create one of the largest regulated utilities in North America.

As part of the deal, Avista must file information with the US Securities Exchange Commission. The filing lays out what is expressly called "golden parachute" compensation for executives as part of the acquisition of Avista by Hydro One.

The document shows the total compensation that executives at Avista could be eligible for in connection with or following the consummation of the merger:

<https://www.sec.gov/Archives/edgar/data/104918/000119312517301020/d430599ddefm14a.htm>, Page 63).

Under these circumstances, the five top executives are eligible for \$14,539,078 in severance and \$36,134,745 in total compensation as “golden parachute compensation”.

An additional eight executives at Avista are eligible for \$7,445,351 in severance and \$14,381,001 in total “golden parachute compensation” as a part of the deal.

The total severance for Avista executives will be \$21,984,429 and the total golden parachute compensation for Avista executives will be \$50,515,746.

Share