



Ministry of Energy, Ministère de
Northern l'Énergie,
Development du Développement du
and Mines Nord
Office of the Minister Bureau du ministre
February 13,
2019

Mr. Tom Woods
Board Chair
Hydro One
Limited
483 Bay Street, 8th Floor South Tower
Toronto, Ontario
M5G 2P5

Dear Mr. Woods,

I am writing with respect to the proposed Hydro One compensation framework that was provided to our government on Friday, February 8, 2019. As you are aware, our government was elected on the commitment that we will clean up the hydro mess and restore accountability and trust in the electricity sector,

We have reviewed the submitted framework in detail, specifically on the proposal for:

- CEO maximum compensation of \$2.775 million
- Executive vice president compensation between \$875,000 and \$1.856 million • Board compensation of \$140 000 for board members and \$169,500 for the board chair

Unfortunately, the proposed framework as submitted indicates a significant divide between the views of the Hydro One board and the largest shareholder, the people of Ontario. Cabinet was profoundly disappointed to receive a compensation framework that is higher than the desired maximum cap of \$1.5 million for the CEO.

For several months now we have worked with the board of Hydro One to develop an executive and board compensation package that is reasonable and in the interests of shareholders. Despite this work, Hydro One's board has delivered a framework that we do not believe adequately addresses the interests and concerns of Ontario's ratepayers.

We are also disappointed that it has taken this long to initiate a public consultation on CEO compensation at Hydro One.

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Despite clear communication from the province on our expectations the board has still failed to take measures to reduce their own compensation as board members and that of their executive team in a way that is acceptable to ratepayers.

This is unacceptable to the people of Ontario who, through the Government of Ontario, are the largest shareholder of Hydro One.

Our government made a promise to the people of Ontario that we would clean up the hydro mess, and we intend to keep this promise. We take our responsibility to the people of our province seriously and cannot accept anything resembling further out-of-control and out-of-touch salaries at Hydro One.

I am writing to inform you that our government does not accept the compensation framework as proposed by Hydro One. I want to reiterate that the decision on who will serve as the next CEO remains the exclusive prerogative of the board and that our government will play no role in your hiring decision.

With that said we take our responsibility as a shareholder and as a protector of ratepayers seriously. As is clearly detailed in the Hydro One Accountability Act, cabinet retains the authority to approve your compensation framework.

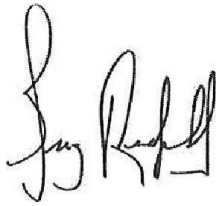
To that end, we ask that you return by Thursday at 5 p.m. with a proposal that meets the following requirements:

- e CEO total target compensation not to exceed \$1.5 million
- Executive compensation not to exceed 75% of CEO
- Board member compensation not to exceed \$80,000

If Hydro One refuses to bring the compensation framework in line with these requirements by Thursday February 14th at 5:00 pm, our government is prepared to take any and all action necessary.

We expect that Hydro One will use this opportunity to align its thinking with that of the people of Ontario and put forward a framework that is fair and accountable to Ontarians.

Sincerely,



The Honourable Greg Rickford

Minister of Energy, Northern Development and Mines

- c: Cherie Brant
Blair Cowper-Smith
Russel Robertson
Anne Giardini
David Hay
Timothy Hodgson
Jessica McDonald
William Sheffield
Melissa Sonberg