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*The Case for Optimism*

*Check Against Delivery*

Good afternoon everyone. I'd like to thank all of you for taking the time from your busy schedules to get together today. I hope to offer something to the conversation we've all been having over the past year at this important forum hosted by the Ontario Energy Network. There is certainly no shortage of topics we need to address as a sector!

In my remarks today, I want to share with you my optimism that while this is a challenging, transformative period in our history, a time when the headlines are not always positive and relationships are put to the test, THE FUTURE REMAINS BRIGHT.

## CONTEXT

When Premier Bill Davis retired from office, he was asked this question: If you could give Ontario one gift, what would it be?

Without a moment's hesitation he answered "Oil under Hudson Bay."

What a gift that would have been!

But we don't have oil to drive Ontario forward and fire our economy. Instead, what we do have is a robust electricity system. And sometimes, as I often do, we lose sight of that because we're so focused on our individual businesses. But when you look at the collective picture, our industry and our companies – we collectively - power Ontario - and have done so for more than a century.

And over that century, I'm sure that previous leaders felt exactly as we do today – overwhelmed but optimistic! In fact, I know that. We were tearing out some old walls in our home and found a scrap from the front page of the Globe and Mail dated November 5, 1931. The headlines talked about the issues of the day for the Hydro-Electric Power Commission, including many of the same issues we face today. "Purchase of Power Attacked, Defended; Probe is demanded. C. Alfred Maguire maintains that Sir Adam Beck (and he was already dead at that point) sought power from Quebec Interests at \$15 per horsepower." A second article went on to say: "Judicial investigation is needed into Hydro administration. The canker of conspiracy and political intrigue has been busy at the very roots of Hydro and half the story has yet to be told." And finally, all still on the front page, we find this quote: "The policy of the Commission today is that we have a network of wires over which to send power wherever development takes place. Our

objective is to be able to interlock all these developments from the north and the east and the west so we can properly take care of the industry of Ontario.”

So we can stop feeling sorry for ourselves and get on with it - just as they did back in the early part of the 20<sup>th</sup> century. We / want / Ontarians - 50-100 years from now - to look back at the news clippings of today and be able to look back on the past with pride - *and to the future with optimism.*

#### ONTARIO ENERGY NETWORK: YEAR-IN-REVIEW

Coming back to the present, we’ve had a number of very interesting speakers at these OEN luncheons, on a variety of subjects. Tom Mitchell spoke to us in December about how critical it was for us to demonstrate value to our customers. I completely agree with Tom’s views on this subject and believe that we do not do enough to explain the value proposition to our customers.

We have long held the view that our customers expect and deserve to know the value they receive in return for their rates. They tell us how important our product is when we undertake our biannual customer satisfaction survey. And while I’m not satisfied that we’re doing a good enough job in this arena, we have made a start.

This past fall, Hydro One's *"Understanding Your Power"* road show took our value story to fall fairs across Ontario. I know that many of our fellow LDCs undertook similar initiatives to reach out to our respective customers. Face-to-face engagement between our companies and our customers will build understanding and, hopefully, trust. In this area, we believe strongly in the role our employees play in delivering this message and demonstrating that there is value in what we do.

Then, last month, Brian Bentz spoke to us about the important role Ontario's distributors are playing in the transformation of the province's electricity system. Brian's remarks built upon Tom's message about the value proposition.

As Brian pointed out, all of us in the distribution sector interact with the customer. We send out millions of customer bills every billing period. And while we each act independently, you heard from Brian that we also understand our collective impact on customers, particularly through the Electricity Distributor's Association. What I hope you took away from Brian's remarks was the important role played not only by the province's LDCs individually but their collaboration on behalf of customers through the EDA. This is not a small job and we support the role of a strong association to speak on behalf of its members.

I've only touched on two of the speakers you've heard from but I believe all the speakers have rightfully focused on the importance of our customers. They have also reflected a message of optimism - even though we have a lot of work to do and challenges to overcome in order to better serve the people of Ontario.

#### OPTIMISM ABOUT THE FUTURE – THE RECENT PAST

So why am I optimistic? Well, it has to do with looking at our recent history.

When I was appointed interim President and CEO of Hydro One back in 2006, optimism for our Company would have seemed misplaced.

Aside from the corporate issues that vaulted me into leadership of the Company, it was a period fraught with risks.

We were about to embark upon the largest transmission expansion project in 25 years, the 180 km Bruce to Milton line expansion – one of the largest infrastructure projects in North America. Yet, the Company's most recent attempt to expand a transmission line in York Region, a much smaller, more straightforward project,

had gone poorly in the public consultation period. Public opposition to this project was so strong that the project was eventually withdrawn.

Bruce to Milton, with more than 400 property owners directly impacted, as well as a number of First Nations and Métis communities - environmentally sensitive wetlands - and multiple levels of approval, was several orders of magnitude more complex than the York Region project. And yet, we were about to announce that we were moving ahead with this much bigger and bolder project.

At around the same time, the Province of Ontario had launched the Smart Meter program and Hydro One had 27,604 smart meters installed and only a mere 1.2 million left to go. The number of meters Hydro One and the rest of the province were to install would be on the level of world-beating. In our service territory alone, much of the work to design and build the necessary communications infrastructure was not even developed. And then, we were to transition customers to Time-of-Use rates so that we could put the real smarts into a smart meter.

Again, at the very same time, we had only just begun to appreciate the technical challenges of connecting renewables to a power system that was designed for one-

way power flow. We tackled those technical issues as quickly as possible as proponents were becoming increasingly anxious about connecting their projects.

Add to this the need to rebuild and re-engage a workforce at Hydro One faced with many challenges, not the least of which was the growing demographic and skills shortage problem.

#### OPTIMISM ABOUT THE FUTURE – WHAT LIES AHEAD

It sounds like I'm painting you a bleak picture and you're probably wondering how they convinced me to take the job...in fact, these were and remain the very challenges that excited me about the job.

And why is that?

Because, as an industry, WE GET THINGS DONE. Who wouldn't want to be a part of that picture and make a contribution to a dynamic and growing industry??

Need examples? Over the last four years alone, the companies and organizations in this room have served the public interest and the province by accomplishing some impressive feats.

Just over four years later and the Bruce to Milton project is on schedule and on budget. We learned from our past experience and changed our approach to consultation and managing the interests of property owners. On this matter, I am entirely grateful to the many, many people who worked with us in the Bruce x Milton area. It took a lot of villages to raise this baby and we could not have done this project without their unsung efforts.

We listened to landowners, respected and engaged First Nations and Métis and, with these partners, looked after the natural environment. In this regard, I'm proud to share with you that the Canadian Electricity Association recognized Hydro One for our work in enhancing biodiversity along the Bruce to Milton corridor. Again, this was a true collective effort with the impacted communities and particularly, the First Nations, to take a much more holistic approach to biodiversity. This award goes well beyond Hydro One and is but one example of how cooperation and collaboration with those impacted by a project like this can create optimism about the future.

Turning now to smart meters, as of last Friday, we had installed 1, 185, 783 smart meters and built out the required communications network. And our partners at the IESO have done their part by enabling 750,000 of our customers to be billed on

time-of-use rates. Our customers now have visibility to their consumption data online. I think that's a great example of how we and the other LDCs are providing value to our customers as transparency around usage will contribute to more efficient usage.

And the former RESOP distributed generation program has been transformed into the wildly-popular FIT program. We have connected approximately 3,000 microfit projects and a further 3,000 are moving towards connection.

In addition, since 2003, we have connected more than 2,000 megawatts of renewable generation and more than 4500 megawatts of natural gas generation. And the numbers are growing – again room for more optimism.

## WE GET THINGS DONE

Across our sector, time and again, we get things done.

Ontario Power Generation will pull Big Becky out of the ground this spring, having bored more than 10 kilometres of underground tunnel. If you want to talk about audacious projects, that has to stand right up – or rather, down there!

Congratulations to our colleagues at OPG for undertaking such a bold effort and

for persevering through the inevitable technical and physical challenges of audacious projects!

Toronto Hydro is well into its Big Build and communicating the need for investments to stakeholders. As a Toronto Hydro customer, I have to say that the communications to customers are excellent and I was so impressed that I took the time to write to their communications people to express my views – as a customer! Communications build understanding and create the context for the value proposition. And while I am not a customer elsewhere, I know that my fellow members of the Electricity Distributor’s Association are making progress too - successfully rolling out Time-of-Use while handling complex and diverse issues.

Turning to conservation and demand management, we live in interesting and exciting times. Who can ever remember a time when this subject has had such a hold on the people of Ontario? The culture of conservation is building in Ontario and I’m delighted that the Ontario Power Authority is launching a new wave of conservation programs with ambitious targets that will focus the minds of distributors across the province. Here we have yet another wonderful opportunity to engage with our customers AND to build on the value proposition.

And I would be remiss on not mentioning the Long-Term Energy Plan for the Province of Ontario. Having tried and failed to put in place a planning framework back in the early 1990s, I know how critical this is and I am hoping that our customers engage in the discussion and debate over our energy future. This is too important to ignore as a robust plan for the future enables us to be optimistic about that future.

#### GOING FORWARD – NO RESTING ON OUR LAURELS

The collective energy, ingenuity and innovation represented in this room drive this industry forward.

So much has been accomplished that one might be tempted to feel satisfied. But simply being satisfied is not in the nature of anyone in this room. I think you heard that loud and clear from the speakers who have preceded me in the last year.

From my perspective, I cannot be satisfied when I feel that we can do more to meet the public's expectations. I want my customers to know we offer good value for money. I want them to know that we serve the public interest, because that is what drives most of us to get out of bed in the morning and push forward with the tenacity and perseverance demonstrated in our industry.

## Focus on Customer Service

So we are focused on renewing our relationship with our customers.

Our customers are changing. They are more informed, they are more demanding and - they are justified in being more demanding. They don't want us to simply meet their expectations. They want us to exceed them, each and every time. And their expectations around electricity are higher than almost any other product or service they buy. As a consumer, I know that. And while I might be envious of relative consumer passivism around rising cable rates or the price of gas, it does not behoove us to whine about why we can't be like those industries.

If the past was about building the power system we now enjoy, the future is about our customers and ratepayers and ensuring we build not only a strong system, - but also a powerful understanding of what we do.

It is not enough to say the power will be out indefinitely. It is not enough to say the price is going up. And it is not enough to say this / line / is / going / through your / backyard - because we think it is best for you.

With that in mind, Hydro One has made a number of improvements to customer service as part of our 2010 customer satisfaction plan. We're certainly not perfect but it's a start:

- making our bills easier to understand;
- providing additional sensitivity training to staff dealing face-to-face and on the phone with customers;
- making Hydro One's website more user-friendly and strengthening the "My-Account" self-serve feature; and
- improving the outage experience with better and more rapid information, online notice of outages to government and media, and improvements to the customer outage website.

By making these investments, we know that during emergencies or difficult times, people are quite prepared to exchange understanding for information.

## CUSTOMER EXPECTATIONS

I was in Windsor on Monday, speaking with proponents from the solar industry and I can tell you expectations are high for the success of the Green Energy Act. There are jobs, households and businesses that are counting on Hydro One, the Ontario Power Authority and the local LDCs to make progress.

But we can only meet these expectations if we function efficiently and effectively INSIDE of our organizations.

This is why we are reinventing ourselves at Hydro One. In the fall, I re-organized Hydro One into three key areas: Operations, Strategy and Finance. This internal transformation is expected to streamline decision-making at the executive level and enhance alignment within and between corporate and operational groups and reduce costs over time. It is also expected to help us respond and adapt quickly in our changing and evolving world. We need to be better able to manage our priorities, particularly our priorities with respect to health and safety, productivity and efficiency initiatives.

This restructuring will also allow me to focus *my* time and efforts on better serving our customers, engaging with employees and ensuring that the foundation of our business is solid.

We are moving productivity from thought to deed. As customers fund the transformation of our industry, and as they feel that transformation on their monthly bills, we are demanding more from every dollar we spend.

- Productivity efforts inside the Company are beginning to show results. The implementation of SAP is driving better planning and reducing material costs and, in 2010, helped us save approximately \$34M.
- Automated Meter Reading associated with Smart Meters is expected to reduce costs. These benefits will be derived from more reliable and accurate meter reads; the ability to take meter reads and detect meter issues remotely rather than dispatching staff across Hydro One's large service territory; and, the ability to eliminate estimated meter reads – one of the largest customer irritants.

However, simply being more productive is not enough.

This is why the OEB's decision on competitive transmission is seen as an opportunity by Hydro One. We look forward to competing for the privilege to continue building and operating Ontario's transmission system. We welcome the opportunity to demonstrate our value in a competitive process.

We have proven we can compete in the past by successfully bidding on and building transformer stations. Extending competition into other areas of the transmission business is a challenge we are ready to tackle.

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## 2011 AND THE YEAR AHEAD

This year will be no different.

The opportunities of 2011 are many. Connecting renewable energy will continue to be one of our largest efforts and requires a focus that tests and pushes both the abilities of our people and our transmission and distribution assets.

Through our Minister's directive to have the Ontario Energy Board amend our transmission licence, the province has instructed us to move forward immediately with several priority transmission projects. These projects include upgrades to existing lines, expediting upgrades in Southwestern Ontario and constructing a new line west of London – gee I wish I had proceeded with that hearing back in 1993.

These projects will bring more clean power online, serve changing demand and ensure reliability.

## CONCLUSION

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We are yet to find oil beneath Hudson Bay. More importantly, we don't need to look.

Instead, we should and will continue to rely on the electricity sector to power Ontario. By working together to move impressive projects from concept to completion, by demanding the very best from each other and our own companies, we will continue to achieve great things.

Will 2011 bring opportunities and challenges that we are yet to foresee? I know so. But as a company and as an industry I know that big challenges bring out our very best.

Thank you for sharing in my optimism.