POWERWORKS

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July 2015 POWER WORKERS' UNION NEWSLETTER

IN THIS MONTH'S NEWSLETTER...

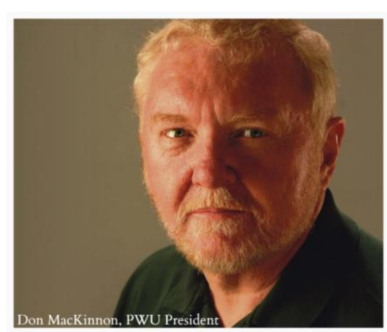
PWU Launches a New Video

Check out the new PWU video "The People Who Help Keep The Lights On" that profiles your Union. View Video

Video can also be viewed at www.pwu.ca.

Special Timeline Report of Recent Political Events in Ontario

The Sale of Hydro One, Pressure on Pensions and Government Austerity at the OPG and Hydro One Bargaining Tables



Don MacKinnon, PWU President

The PWU began discussions regarding the future of Hydro One in August, 2014 after Premier Wynne appointed the Advisory Council on Government Assets. On October 17, 2014, the head of the Advisory Council, Ed Clark, made initial recommendations to the government with the Minister of Finance, Charles Sousa, at his side. The Advisory Council included members from all three political parties.

Despite numerous concerns raised by the PWU, the initial recommendations included splitting Hydro One into two companies – one for transmission and one for distribution. The Advisory Council recommended that 60 percent of the new distribution company be sold to the private sector. The government publicly supported these recommendations.

This scheme would have put both PWU members and Hydro One customers at risk. The Hydro One pension plan would have been split. The workforce would have been split. The cost of services in both transmission and distribution would have gone up because of the need to create two corporate structures instead of one. It would have meant two sets of work centres, two sets of corporate offices, two management hierarchies, two payroll systems, duplicate storm response and maintenance services, etc. These inefficiencies would have put increased pressure on rates, which in turn would put more pressure on PWU members' wages, pensions and benefits, job security and contracting out. Consider the impact that reduced economies of scale for programs like vegetation management could have had in terms of contracting out traditional PWU work.

The PWU was adamant and aggressive over the next eight months advocating that Hydro One should not be split for a variety of sound reasons. We ran radio ads on 71 radio stations including Maple Leaf and Blue Jay games. We sent out news releases and ran print ads in newspapers across the province in opposition to the plan. We utilized the very best in financial advisors and legal assistance to assess the pros and cons of the government's direction and to see if we could influence the outcome. All of these initiatives came at considerable expense to the PWU.

The PWU knew that the time frame for influencing the outcome of the Advisory Council recommendations would end when the spring 2015 budget was introduced by the government. The majority Liberal government had made it very clear all along that they would sell a portion of Hydro One to raise funds for public transit infrastructure. In the end, the PWU was successful in convincing the government that it would not be in the public interest to split Hydro One.

The final result was a dramatically-changed plan from the initial recommendations of the Advisory Council. On April 30, 2015, soon after bargaining was concluded for Ontario Power Generation (OPG) and Hydro One, the government introduced its budget that included an Initial Public Offering (IPO) of 15 percent of the shares of the whole of Hydro One. The government would retain a minimum of 40 percent ownership in perpetuity and no one shareholder other than the government can hold more than a 10 percent share. The budget was passed by the Ontario Legislature on June 3, 2015.

This outcome was much better for PWU members and electricity customers than the initial proposal that was announced more than eight months ago. It is also far better than the proposal made by the government-appointed Distribution Sector Review Panel just two and a half years ago. That blue ribbon panel that also included members of all three political parties, recommended breaking Hydro One into 8 to 12 distribution companies and separating transmission into a separate company. The PWU was very active in urging the government to shelve that recommendation.

The government’s plan was to sell Hydro One assets. The PWU's objective was to protect our members and ratepayers throughout this very dangerous transition and we believe that we have been remarkably successful in doing so.

Now, it is in the best interest of both PWU members and Hydro One customers that we move to the next phase and do our part to help ensure the company is successful in its new format.

In parallel to the Hydro One asset sale process, collective bargaining proceeded with both OPG and Hydro One to renew the Collective Agreements that expired on March 31, 2015.

The government was adamant that any settlement would result in a “net zero” overall cost increase. In addition, they demanded that the Union agree to a host of pension concessions and that the financial savings from those concessions would not be included in their “net zero” calculation.

Bargaining was taking place against the backdrop of the Leech Report, released in August 2014, that claimed sweeping changes were needed in electricity sector pension plans to make them sustainable and affordable. The government demanded that PWU members' pension contributions be increased to share costs equally between the employer and employees. The government also demanded that inflation indexing on PWU pensions be limited to 70 percent of increases in the Consumer Price Index and only paid out when the plan had surplus funding. They demanded the rule of 82 be raised to a rule of 90 immediately and that pensions be calculated on the best five years instead of the best three years effective immediately. They demanded that the bridge pension for those who retire prior to age 65 be reduced dramatically.

The tentative agreements reached in mid-April for both OPG and Hydro One were recommended unanimously by the PWU bargaining committees because they were the best possible agreements achievable in these very difficult circumstances. They are very good collective agreements. They include employment security; wage increases; benefit improvements; and the OPG and Hydro One pensions will continue to be the best pensions in the public sector for the foreseeable future.

The OPG agreement was ratified on May 28, 2015 with 69.3 percent voting in favour and the Hydro One agreement was ratified on July 3, 2015 with 82.2 percent voting in favour of the Collective Agreement.

Below is a timeline of significant events leading up to the Hydro One IPO and the provincial government's focus on negotiating sweeping pension concessions and austerity in negotiating all financial aspects of the 2015 OPG and Hydro One Collective Agreements.

1998

The Harris government passed the *Energy Competition Act, 1998*, which:

1. Authorized the establishment of an electricity market;
2. Split Ontario Hydro into five companies: Ontario Power Generation (OPG), the Ontario Hydro Services Company (later renamed Hydro One), the Independent Electricity Market Operator (later renamed the Independent Electricity System Operator), the Electrical Safety Authority, and Ontario Electricity Financial Corporation. (The two commercial companies, Ontario Power Generation and Hydro One, were intended to eventually operate as private businesses rather than as crown corporations.);
3. Abolished hydro commissions and enabled electrical utility companies to produce profits for their shareholders – typically the municipality or the provincial government;
4. Municipalities would be established as sole shareholder of their newly incorporated Local

Distribution Companies (LDCs) and could retain ownership, partner, sell or lease their LDCs to third parties; and

5. The Ontario Energy Board was tasked with the regulation of the electricity sector.

2002
The Harris government initiated an IPO of Hydro One, which was challenged in the courts and ruled illegal in its format. The IPO was abandoned by the Eves government soon after Premier Harris resigned.

2012
February 15: The provincial government released the report of the Commission on the Reform of Ontario's Public Services headed up by Don Drummond, former Chief Economist for the TD Bank. The report made hundreds of recommendations designed to deal with a struggling economy, a growing provincial deficit and a ballooning government debt. This report was used to bolster the government's stated goal to achieve "net zero" settlements at bargaining tables in the broader public sector.

2012
November 16: The McGuinty government released a report that it had commissioned by William Morneau, CEO of Morneau Shepell, that called for the pooling of pension funds into multi-employer plans.

2012
December 13: The government-appointed Distribution Sector Review Panel recommended breaking Hydro One into 8 to 12 regional distribution companies and separating transmission into a separate company.

2013
December 10: Finance Minister Charles Sousa appointed Jim Leech, the former head of the Ontario Teachers' Pension Plan, to recommend ways to make electricity sector pension plans more sustainable. Although the report was finished on March 18, 2014, it was not released until August 1, 2014, almost two months after the provincial election. The PWU voiced its disagreement with the findings and recommendations in his report and, in particular, his statement that "the plans are far from sustainable."

Leech recommended that the parties consider:

- 50/50 funding contributions by employers and employees;
- limits to overall contributions and costs;
- removing pensions from the bargaining process; and
- a jointly-sponsored pension plan (managed benefits within funding caps).

He suggested that the following pension benefits were at the high end of the spectrum and should be reduced:

- maximum benefit accrual rates at two percent per year of service;
- retirement calculation based on best three years' average salary;
- an early unreduced retirement based on an 82 years of service and age factor;
- Canada Pension Plan bridging benefit formula;
- fully guaranteed indexing; and
- maximum joint and survivor benefits.

2014
April 11: Premier Wynne announced the appointment of the Advisory Council on Government Assets. The mandate of the Council was to "report to the Premier on Hydro One, OPG, and the LCBO by the end of 2014 and recommend how to maximize the potential of these government enterprises to ensure that Ontarians receive the value they deserve."

2014
April 30: The minority Wynne government introduced its budget. The budget included the creation of a new Ontario Pension Plan to supplement the Canada Pension Plan. It did not include any plans to sell Hydro One. Both Andrea Horvath, Leader of the NDP, and Tim Hudak, Leader of the PC party, declared that they would not support the budget or the continued operation of the Liberal minority government thereby forcing a provincial election.

2014
June 12: The Wynne government increased its number of seats by 10 and secured a majority government.

2014
August: The Premier's Advisory Council on Government Assets requested a meeting with the PWU and a first meeting was held on September 2, 2014. No draft plans were presented by the Council at that time for PWU comment but the Council made it clear that they were considering all options including the sale of Hydro One. At the outset of these discussions, the PWU put forward concerns that splitting Hydro One as had been proposed by the government appointed Ontario Distribution Sector Review Panel in December, 2012 would be bad for Ontario and for Hydro One customers. That Panel had recommended hiving off Hydro One's transmission business into a separate company and

further splitting Hydro One distribution into 8 to 12 companies that would be merged with municipal distribution companies in those geographic areas.

2014
October 14: The PWU met again with the Advisory Council. Ed Clark, the Council Chair, told the Union that they were leaning toward recommending splitting Hydro One into two companies one for transmission that would remain government owned and one for distribution. They would recommend that the government continue to hold a 40 percent ownership share in the distribution company and sell 60 percent to the private sector either to a single buyer or through a public share offering. The PWU informed Mr. Clark that this was not acceptable to the PWU and that we would fight to stop any such recommendations.

2014
October 17: Ed Clark issued the interim report of the Advisory Council entitled *Retain and Gain*, with the Minister of Finance by his side. Despite the recommendations of the PWU, that report confirmed the recommendation to split Hydro One and sell 60 percent of the distribution business to the private sector. The Finance Minister confirmed the government's eagerness to accept the recommendations and to act on them in the Spring 2015 Budget. This course of action would clearly have put PWU members' pension plans and jobs at risk.

2014 October: Immediately following the release of the Advisory Council's Interim Report, the PWU held a series of meeting with various government representatives from various Ministries and the Premier's Office in an effort to shift their thinking.

2014
October 23, the PWU sent a detailed letter to Premier Wynne clearly outlining our concerns.

2014
November 13: When the government did not respond to the October 23 letter, the PWU sent a more detailed description of the flaws in the Advisory Council recommendations to a number of government and opposition representatives.

2014
November 14: The PWU issued a press release to all news media outlets warning of higher electricity rates and decreased service if the recommendations of the Advisory Council were to be fully accepted by the government.

2014
December: The PWU mounted a newspaper ad campaign in more than 50 newspapers across the province.

2015
January: The PWU began bargaining with both OPG and Hydro One.

2015
Mid-January: The PWU began discussions with Ed Clark, a government lawyer, management representatives from Hydro One and OPG, representatives from the Society of Energy Professionals and a jointly agreed upon mediator, John Murray.

2015
January 26: The PWU made another detailed submission pointing out the dangers of the Advisory Council recommendations to the Minister of Finance during the Pre-Budget Public Consultations.

2015 February: The PWU began a radio ad campaign initially on 69 stations throughout the province. Three ads were played on all of these stations many times per day for weeks. The ads were played on every Maple Leaf radio (TSN and Sportsnet) broadcasts and the same for Blue Jay radio broadcasts.

2015
April 11: Agreement was reached between the PWU, the government, OPG and Hydro One on a framework for wages, pensions, and employee compensation for increased pension contributions including shares in Hydro One. Hydro One would not be split. It would remain whole except for Hydro One Brampton which the government planned to sell or merge with other LDCs. A default framework agreement was negotiated for the possibility that the Hydro One IPO did not proceed.

2015

April 12: A tentative agreement was reached with OPG.

2015
April 14: A tentative agreement was reached with Hydro One.

2015
April 23: The government introduced the 2015 budget in the Legislature. The budget provided for an IPO of up to 60 percent of Hydro One in tranches of 15 percent at a time. The provincial government would retain 40 percent.

2015
June 3: The Legislature passed the budget including all provisions for the IPO of Hydro One as it had been described to the PWU during our discussions with the government and the Advisory Council.

2015 The government has committed to finalize the Hydro One share offering before year-end.

Merger Status of PowerStream, Hydro One Brampton, Enersource and Horizon Utilities

The Wynne government's Spring budget, passed by the legislature on June 3, 2015, accepted the final recommendations of the Premier's Advisory Council on Government Assets including the hiving off of Hydro One Brampton either by way of an outright sale or a merger with surrounding Local Distribution Companies (LDCs).

Two stated goals of the government were to use the proceeds from the sale of the Hydro One Brampton to fund public transit infrastructure projects and to spur voluntary consolidation of LDCs to achieve cost savings through economies of scale and scope.

To date, the proposed merger of PowerStream (375,000 customers), Enersource (200,000 customers), and Horizon Utilities (242,000 customers) is on course. The government initially favoured the sale of Hydro One Brampton
(150,000 customers) to the three neighbouring LDCs but the possibility of a merger of the four LDCs, with the

provincial government retaining an ownership stake, is looking more and more likely.

If the merger is finalized as planned, it will result in the second largest LDC in the province, second only to Hydro One.

While the LDCs and provincial government are working toward consolidation, they must still reach a merger agreement that would have to be approved by the shareholders of each LDC. The LDCs and the provincial government appear optimistic that there will be agreement within the voluntary timelines set.

According to sources within government and the affected LDCs, the goal is to complete these steps over the course of the summer followed by merger application to the Ontario Energy Board (OEB) this September. All mergers and sales of LDCs must be approved by the OEB. The merger participants are hoping for a final approval from the OEB in the New Year.

PowerStream shareholders — Cities of Vaughan, Barrie and Markham

Enersource shareholders — City of Mississauga (90%) and Borealis, the investment arm of OMERS Pension 10%

Horizon Utilities shareholders — Cities of Hamilton and St. Catharines

Hydro One Brampton shareholder — Province of Ontario

The LDCs have begun high level preliminary discussions regarding the future operations of various aspects of the businesses in preparation for the likelihood of consolidating their workforces and business functions. This crucial exercise must take into account the opportunities and impacts on employees in various departments across a geographic region that stretches from Penetanguishine to St. Catharines.

Mergers of this sort create tremendous stress on employees and many of the PWU members at PowerStream have lived through more than one merger. This merger would establish an LDC larger than Toronto Hydro (709,000 cusomers) with much more growth potential. It will take a great deal organizational experience, expertise and patience to work through this merger in a way that creates the most positive outcomes for employees. The quality of the eventual result will be directly proportional to the experience and expertise of employee representation throughout the process and the level of employee engagement with their representatives.

It is anticipated that Collus-PowerStream, the LDC located in Collingwood will remain a separate company at least in the short-term.

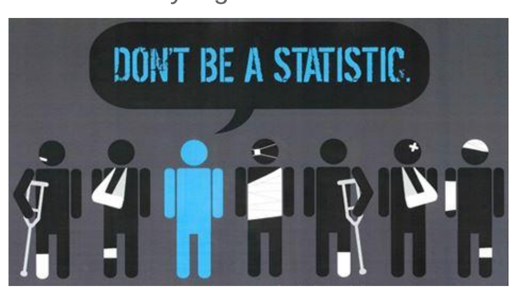
Bruce Power Reactors Relicensed

On May 28, the Canadian Nuclear Safety Commission (CNSC) announced its decision to renew the power reactor licences for the Bruce A and B Nuclear Generating Stations for an additional five-year period from 2015 to 2020. The renewal came after a two-part public hearing process in Ottawa in February and Kincardine in April. The PWU was an intervenor in support of the Bruce Power application in the April hearing. The Union's participation was detailed in the March issue of *PowerWorks*.

The CNSC regulates the use of nuclear energy and materials to protect the health, safety and security of Canadians and the environment, and to implement Canada's international commitments on the peaceful use of nuclear energy; and to disseminate objective scientific, technical and regulatory information to the public. The CNSC has full-time staff at the Bruce Power site to perform inspections and to verify compliance with regulatory requirements and licence conditions. More information on the CNSC can be found on its website: www.nuclearsafety.gc.ca.

Look Out For Summer Students in the Workplace

Summertime is a time when a great many students take on work, some for the first time. Many of those are the daughters and sons of PWU members. New and young workers are three times more likely to be injured during their first month of work than at any other time in their working lives. In summertime, the focus is typically on students working for the duration of summer, but new workers also includes workers assigned to new jobs in their current workplace, co-op placements, apprentices, unpaid work experience programs and a variety of others that are noted in occupational health and safety legislation.



The Right to Refuse Unsafe Work is the cornerstone of workers' health and safety rights and all workers must understand those rights for their own protection and the protection of co-workers.

Handy, wallet sized PWU information cards that summarize some of workers' most important health and safety rights are available through your Chief Steward.

Reminding people in the workplace of their legal obligations and rights will assist in avoiding workplace injuries and with the large influx of new workers as summer approaches such reminders are a necessity.

Employers are required to:

- Take every precaution reasonable in the circumstances for the protection of a worker's health and safety;
- Ensure all supervisors and workers in the workplace complete mandatory basic health and safety awareness training;
- Post, in the workplace, a copy of the *Occupational Health and Safety Act* (OHSA) and any explanatory material prepared by the Ministry of Labour, both in English and the main language of the workplace, outlining the rights, responsibilities and duties of workers;
- Ensure that all required equipment, materials and protective devices are provided, used and maintained in good condition;
- Provide information, instruction and supervision to a worker to protect the health and safety of the worker.

Supervisors are required to:

- Ensure workers work in the manner - and with the protective devices, measures and procedures - required by the OHSA and its regulations;
- Ensure workers use or wear the equipment, protective devices or clothing that the worker's employer requires be used or worn;
- Advise workers of any potential or actual health or safety dangers of which the supervisor is aware;
- Take every precaution reasonable in the circumstances for the protection of a worker.

Workers are required to:

- Work in compliance with the OHSA and its regulations;
- Use or wear the equipment, protective devices or clothing required by the employer;
- Report to the supervisor or employer any known absence of, or defect in, equipment or protective devices, any known hazards, or any known contraventions of the OHSA or regulations.

Requirements of Employers, Supervisors and Workers (above) are taken from the Chief Compliance Officer, Ontario Ministry of Labour

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PWU Hosts Annual Charity Golf Tournament

The Power Workers' Union held its Annual Charity Golf Tournament on June 4, 2015 at the

Nottawasaga Inn and Resort in Alliston. With over 360 golfers, the event was sold out. The day started out with a lunch barbeque and fundraising activities in which golfers participated in the putting contest and hockey shoot out with Olympic gold medal hockey player Cherie Piper, sister of PWU Chief Steward Steve Piper.

Winners of the golf tournament were announced during the dinner reception.

Congratulations to the 3 winning foursomes:
Darren Kilpatrick, Joe Lentini, Matt Mulder and Cody Shaw
Lance Beddington, Jon Felhazi, Rick Felhazi and Dan Schenekenburger
Andy Birnie, Brian Cronke, Rhys Jenkins and Ron Morgenstern

The tournament raised $45,000 that will be split between the Ross Tilley Burn Unit at Sunnybrook Hospital, the Multiple Sclerosis Society of Canada and the Canadian Diabetes

Association. Thanks go out to PWU members, their families and friends and our many sponsors for their participation and generosity.