

Evening Media Scan: Hydro Rate Reduction Plan - June 19, 2017

From: "Ma, Cesue (CAB)" <cesue.ma@ontario.ca>
To: "@OPO-Media Relations and Issues Management" <opo-mediarelationsandissuesmgmt@msgov.gov.on.ca>, "Bevan, Andrew (OPO)" <andrew.bevan@ontario.ca>, "McEachern, Gillian (OPO)" <gillian.mceachern@ontario.ca>, "Donelson, Philip (OPO)" <philip.donelson@ontario.ca>, "Bossin, Bryan (OPO)" <bryan.bossin@ontario.ca>, "Tomney, Genevieve (OPO)" <genevieve.tomney@ontario.ca>, "Jancik, Mike (OPO)" <mike.jancik@ontario.ca>, "@CAB-Trans CO" <cab-transco@msgov.gov.on.ca>, "Baker, Carys (ENERGY)" <carys.baker@ontario.ca>, "Berry, James (ENERGY)" <james.berry5@ontario.ca>, "Bodrug, Andrew (ENERGY)" <andrew.bodrug@ontario.ca>, "Campbell, David (ENERGY)" <david.campbell2@ontario.ca>, "Coker, Meaghan (ENERGY)" <meaghan.coker@ontario.ca>, "Den Heijer, Kevin (ENERGY)" <kevin.denheijer@ontario.ca>, "Esdaile, Trevor (ENERGY)" <trevor.esdaile@ontario.ca>, "Festeryga, Katherine (ENERGY)" <katherine.festeryga@ontario.ca>, "Foster, David (ENERGY)" <david.foster@ontario.ca>, "McGrath, Jessica (ENERGY)" <jessica.mcgrath@ontario.ca>, "Moseley-Williams, Kate (ENERGY)" <kate.moseley-williams@ontario.ca>, "Nekolaichuk, Colin (ENERGY)" <colin.nekolaichuk@ontario.ca>, "Olsheski, Mark (ENERGY)" <mark.olsheski@ontario.ca>, "Ramasra, Raynier (ENERGY)" <raynier.ramasra@ontario.ca>, "Ruttan, Craig (ENERGY)" <craig.ruttan@ontario.ca>, "Teliszewsky, Andrew (ENERGY)" <andrew.teliszewsky@ontario.ca>, "Thompson, Rachel (ENERGY)" <rachel.thompson@ontario.ca>, "Tresise, Landon (ENERGY)" <landon.tresise@ontario.ca>, "Tretiakov, Ilia (ENERGY)" <ilia.tretiakov@ontario.ca>, "Walman, Evan (ENERGY)" <evan.walman@ontario.ca>
Cc: "Sumi, Craig (CAB)" <craig.sumi@ontario.ca>, "Di Giovanni, Robert (CAB)" <robert.digiovanni@ontario.ca>, "Law, Sally (CAB)" <sally.law@ontario.ca>, "Stinson, Jeffrey (CAB)" <jeffrey.stinson@ontario.ca>, "Nutter, George (ENERGY)" <george.nutter@ontario.ca>, "Halford, Gavin (ENERGY)" <gavin.halford@ontario.ca>, "Ma, Cesue (CAB)" <cesue.ma@ontario.ca>, Electronic Media <cab.emedia@ontario.ca>
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Globe and Mail: Cold facts take the heat out of Ontario's electricity

By: Nicholas Rivers, Brandon Schaufele and Stewart Elgie

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<https://www.theglobeandmail.com/opinion/cold-facts-take-the-heat-out-of-ontarios-electricity-debate/article35371131/>

Nicholas Rivers is Canada Research Chair in Climate and Energy Policy, University of Ottawa, Brandon Schaufele is an Assistant Professor and Energy Centre Fellow at the Ivey Business School, Western University, and Stewart Elgie is a Professor of Law and Economics at the University of Ottawa, and the Chair of Smart Prosperity.

Amid the political heat surrounding electricity prices in Ontario, getting the straight story can be challenging. That's unfortunate because when we talk about how to pay for electricity, we are actually talking about how to pay for the infrastructure that people's lives – not to mention livelihoods – depend on. So let's put rhetoric and finger-pointing aside for a moment, and consider a few cold facts.

Fact one: the real costs of providing electricity have gone up in Ontario (and most of North America), and that won't change. The increasing cost of electricity is the cumulative result of numerous, and irreversible, decisions. One of which, for example, was phasing out coal – an electricity source that, while low in price, was high in damages to our environment and health.

It is certainly possible to argue about the past choices that got us here, and future directions, but we can't go backward. That brings us to...

Fact two: while we can't change these costs, we can choose how to pay them – specifically we can choose the time scale over which we pay for electricity infrastructure. This is what the Fair Hydro Plan aims to address. The substance of the plan is a refinancing strategy that would see rates go down meaningfully in the short-term – over the next 10 years – and then back up in the longer-term as we pay off the interest.

Was this move influenced by politics? No doubt. Ontarians have been demanding electricity price relief. But that shouldn't distract us from fairly weighing merits of the Fair Hydro Plan. The truth is: it is economically sensible to pay off the costs of energy infrastructure over a 30-to-40-year period, because that is time frame over which we will use and benefit from it.

Look at this way. If someone told you that you could save a significant amount of money on your house or your university degree if you paid the full cost up front, you would probably roll your eyes. You know it's true, but most of us don't have that kind of money lying around. That is why we take out mortgages and student loans. We are willing to pay more over the long run in order to afford what we need now and because, in most cases, we're investing in something that will provide us with increased value for years to come.

Electricity infrastructure isn't all that different. It's an expensive proposition, but one we can hardly live without, and – more importantly – one that keeps our economy humming and increasingly productive. What we're talking about is an investment, and that raises a third key fact: a dollar today is worth more than a dollar in the future.

Critics who paint the hydro plan as shifting the burden of higher electricity prices onto future rate-payers are ignoring this point. Higher prices will actually be less of a burden to Ontarians 20 or 30 years from now than they are today. If that feels counter intuitive, ask your parents how much they paid for their first car.

The down payment might have cost them a year's worth of savings then; the same amount of money today might cover a nice dinner for two and a hockey game. Economists call this the "time value" of money and adjust their numbers appropriately – something Ontario's Financial Accountability Office failed to do.

There's another aspect of this plan that matters too: fairness. The electricity infrastructure we are investing in today will benefit Ontarians for the next 30-40 years. We don't need to, nor should we have to, bear the onus of paying for all of that now. It is fair to lighten the weight on Ontarian's shoulders today by sharing the cost of infrastructure with all of those who will benefit from it.

At the end of the day, what will serve Ontarians best, now and in the future, is a fair appraisal of the Fair Hydro Plan. In the heat of the moment, let's let cool heads and cold facts guide our decisions.

TV Transcripts

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