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QP BRIEFING

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Articles

1). Premier mulls using tax dollars to pay hydro delivery charg

By: Jessica Smith Cross

Premier Kathleen Wynne gave a speech to a business crowd in Toronto Thursday — and teased a major potential change to electricity bills with an anecdote about meeting a retiree from the Ottawa Valley named Lloyd.

In the speech, Wynne said she's committed to instituting new measures to deal with high hydro rates soon and specifically noted Ontarians' complaints about high delivery charges on their bill. And afterwards, she confirmed her government is considering moving costs, such as the delivery charge, from Ontarians' hydro bills, to government coffers. A big announcement will be made before the next budget.

Wynne said she's been setting aside time for people who've written her letters about their electricity bills, including Lloyd, a retiree on a fixed income.

"He saw that energy prices were going up here, like they are all over the continent, so he found the money to install some new, energy-efficient windows. Still, he's gobsmacked by his hydro bill every month. With delivery charges making up 50 per cent of his bill, Lloyd feels like

he's being punished for his efforts. Lloyd has every right to be angry."

"At the end of the day, what people like Lloyd should be paying for is the electricity they use. It is why I have committed to finding more ways to lower rates and reduce the burden on consumers in the weeks and months ahead — work that is well underway. I am listening to the people of the province and it is the right thing to do," said Wynne.

After the speech, Wynne took questions from the media. She said the delivery charge is a frequent target of hydro-related complaints she hears.

"There have been decisions made about what would be paid on the rate base, in other words, what would go on people's electricity bills, and what would be paid out of general revenue, government revenue. We have to look at whether we've got that balance right as well," she said.

"When I say we have to look at the delivery charge, that's exactly what I mean," she continued. "The delivery charge is an example of the kind of thing that we have to — we really have to pull that apart and make sure that there's a fairness across the province in terms of the cost that people are bearing."

Wynne declined to offer more details, such as if a delivery charge shift is the only change she's considering making, saying she wouldn't "scoop" herself, and that her government hasn't made those decisions quite yet.

Last year, the Ontario Energy Board ruled that all utilities will move to fixed distribution rates for residential customers, which means that customers of the same utility pay the same distribution charge no matter how little or how much electricity they use. The distribution rate, along with transmission costs, are what makes up the delivery charge on a hydro bill.

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2). Ontario collected $739B in taxes over past decade: Budget

By: Geoff Zochodne

It's an eye-popping figure: $739 billion, which the legislature's budget watchdog estimates is what the Ontario government collected in taxes over the past 10 fiscal years.

And, according to the independent Financial Accountability Office, most of that money went to financing the province's day-to-day operations, assisted by a healthy hunk of debt.

The FAO's latest commentary, released Wednesday, estimates the government took in $1.2 trillion in cash from 2006-07 to 2015-16. In addition to the $739 billion in taxes, other sources of cash included $202 billion in transfer payments, $177 billion in debt, and $113 billion in vehicle fees, dividends from government businesses and other miscellaneous revenue.

The FAO notes "a greater portion of cash was sourced from issuing debt" from 2006-07 to 2009-10 – right in the thick of a global economic recession – but since then, cash has come more from taxes.

This includes personal income, sales, corporate, health, gasoline, real estate and beer taxes. The government's 2016 fall economic statement shows the amount of tax collected from 2013-14 to 2016-17 is projected to rise from just under $80 billion to about $94 billion annually.

"Provincial cash has been sourced more from taxes and less from debt in recent years, which, all else equal, reduces the annual deficit and slows the growth of debt," says the FAO report.

The FAO says cash flow is a good measure of the health of the province's finances, as it uses cash to pay down debt and pay employees. Its commentary says that most of the cash was indeed shovelled into operating expenses, such as government employee salaries – a cost of $1 trillion over the past 10 fiscal years. Capital costs, meanwhile, were $85 billion.

The uptick in tax money also came as the province paid more interest on its debt; the Ontario Financing Authority says that interest was approximately $8.6 billion in 2008-09, and predicts

it will reach about $11.4 billion this fiscal year.

The FAO estimates the total amount of interest paid over the past 10 fiscal years was $98 billion. Moreover, the interest will continue to rise in future years, as the OFA projects it will hit $12.4 billion in 2018-19.

The Liberal government has projected the 2016-17 deficit to be $4.3 billion, and it intends to table a balanced budget this spring, as well as for the 2018-19 fiscal year.

But one of the key points of the FAO's commentary is that cash has been increasingly used to "acquire capital," such as building a new school. Capital spending rose from $2.5 billion in 2006-08 to $11 billion in 2015-16, the report notes.

Using cash for capital could have an effect on the province's bottom line, but is spread out, the report says, as the costs of building infrastructure appear over time.

"Because acquiring capital does not immediately affect the deficit (surplus), the Province's net debt may continue to increase even after the budget is balanced," states the report.

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3). How could Kathleen Wynne actually cut hydro costs?

By: Geoff Zochodne

Electricity prices are all the rage in Ontario politics lately.

That's true both literally – people are angry – and figuratively – people can't stop talking about the rising cost of electricity. The issue has hit critical mass.

Premier Kathleen Wynne and her Liberal government say they've heard the people's cries. Following the Grits' loss to the Tories in last September's Scarborough-Rouge River byelection, a seat the Liberals had held since it was created, Wynne rebooted the provincial parliament and returned touting a new 8-per-cent rebate for electricity consumers – at a cost to the provincial treasury of $1 billion annually.

That rebate came into effect on Jan. 1, as did added help for rural and remote electricity customers. The rural rate protection is rising from about $125.4 million this year to around $281.4 million, to be funded with a 61.5-per-cent hike to a fee all electricity customers pay.

But Wynne and Energy Minister Glenn Thibeault have promised more. The Premier is also vowing that the added help will arrive before her government tables a balanced budget in the spring.

Across the aisle, PC Leader Patrick Brown and NDP Leader Andrea Horwath have their own thoughts about how hydro costs can be curtailed. Brown says he would find a way to wriggle out of costly renewable power-producing contracts. Horwath, who had pitched taking the 8-per-cent provincial portion of the HST off hydro bills, maintains ending the share sales of Hydro One would go a long way. (Brown is also opposed to the privatization of Hydro One.)

So what can actually be done?

It isn't a comprehensive list, but QP Briefing has a few possible solutions the Liberal government may be thinking about.

Taxing Peter to pay Paul's hydro bill

Premier Kathleen Wynne already put taxpayers on the hook for her government's 8-per-cent hydro rebate. She could do so again in a variety of ways to reduce electricity costs.

And while Wynne said she didn't want to "scoop" herself, the comments she made Thursday afternoon were telling, as to where the government's head is at. Wynne, speaking to reporters, talked about the "balance" between what goes on hydro bills and what is paid for by the government. She specifically mentioned the delivery charge that all electricity customers pay.

The delivery charge on a hydro bill is actually made up of a distribution and transmission charge, as well as a customer service charge. Picking up the tab for the delivery fee would then be considerable. The Independent Electricity System Operator, which manages the provincial power grid, recently reported that Ontarians paid $3.6 billion in distribution costs and $1.6 billion in transmission costs in 2015.

In its submission on the province's next long-term energy plan, the Ontario Society of Professional Engineers suggested a host of initiatives that would shift the burden from ratepayers to taxpayers. They included subsidizing clean energy projects with tax rebates, rather than the global adjustment charge on all hydro bills, for approximate savings of $1.7 billion annually. Similarly, the engineers also recommended that conservation costs be paid off with taxes instead of via the cost of electricity, for estimated savings of $400 million annually.

But the Liberal government is preparing to table a balanced budget this spring. A little taxpayer-funded pre-budget relief appears to be in the cards.

Cap-and-trade cash to the rescue

Ontario is in the process of tapping an entirely new source of revenue this year, courtesy of its cap-and-trade system.

Under the climate change-fighting program, the Liberal government is estimating it will collect approximately $1.9 billion annually selling greenhouse gas pollution permits to businesses. The government intends to use that money to fund a slate of GHG-reducing programs.

One such program, outlined in the province's five-year climate change action plan, is using cap-and-trade proceeds to "Keep Electricity Rates Affordable." The program is scheduled to begin this year, and use $1 billion to $1.3 billion in funding.

Because of the help already offered to residential ratepayers via the 8-per-cent rebate, Energy Minister Glenn Thibeault and Deputy Energy Minister Serge Imbrogno suggested last fall that cap-and-trade dollars would likely assist industrial and commercial electricity customers.

That, however, could be subject to change. The government has a variety of options open to it on how to spend cap-and-trade money and using it to reduce electricity rates is already on the table. The money could always flow somewhere else.

Time to change time-of-use?

The provincial regulator of the electricity industry, the Ontario Energy Board, has been egging on utilities to test out pilot projects under the Regulated Price Plan, which is how most residential consumers are billed for their power use.

Time-of-use pricing charges customers higher or lower rates for their electricity, depending on when they're consuming it. The government recently gave the OEB the go-ahead to tinker with the off-peak rate – the price customers are charged when electricity use is lowest – as part of their pilot projects.

The OEB has warned that time-of-use may not actually influence consumption as it is currently set up and as it was originally intended to do. A stronger incentive for consumers to shift their use to the cheaper off-peak rate could actually help them reduce their bills in the process. The Liberal government could give it a shot.

"We've been doing the same thing as a sector for over a hundred years," said Thibeault in November. "And I think it's time for the sector to evolve and I'm sure the consumers would demand that type of change as well."

Consolidation makes it happen

Unless you're a resident of St. Catharines or Hamilton, news of a massive merger in the electricity industry may have passed you by.

But earlier this week, the name of a new utility, "Alectra," was announced. The company will be a merger of three mostly municipally-owned utilities, which will buy Hydro One Brampton from the provincial government for approximately $607 million.

The Liberal government initially pushed the merger as a considerable one-time windfall (and did so in-sync with the Hydro One IPO). However, according to the most recent press release, households will also realize an average savings of $40 annually on their bills in the coming years thanks to "efficiencies" being found in the merger.

While it could take some time for those savings to reach ratepayers, this is likely what the Liberals had in mind when they instituted a limited-time offer for utilities, which expires at the end of 2018, of reducing the transfer tax rate on electricity assets to 22 per cent from 33 per cent. Moreover, municipally-owned utilities that have fewer than 30,000 customers don't have to pay the transfer tax if they merge, buy or sell themselves before 2019.

With the tax-break window wide open, plenty of municipalities have been considering sales or mergers of their local electricity utilities. Reducing rates is often pitched as a good reason to do so.

But there is a big question the Premier may have to consider when it comes to consolidation: Who gets the credit? The Liberal government may try to take some more.

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4). Op-ed: Air is cleaner, Ontarians healthier since Ontario sh

By: Vanessa Foran

One.

That's the number of smog days Ontario has experienced since the last piece of coal was burned for electricity in 2014.

Let's compare that to 2005, when residents of the Greater Toronto Area suffered through 53 smog days while coal, with its toxic emissions, provided 19 per cent of the province's power. From this fact alone, it's obvious shutting down Ontario's coal plants has helped clean the province's air and given a new lease on life to millions who suffer with asthma. Just a few years ago, people of all ages became prisoners in their own homes on hot summer days. They feared for their health when smothering, polluted air descended upon their city. Today, they enjoy a better quality of life outdoors with a much lower risk of an asthma attack or a trip to the emergency room.

Despite what the Fraser Institute said in a report earlier this week, Ontario is indisputably a healthier place to live, work and play since coal was phased out. In fact, this positive action by the provincial government has resulted in an 87 per cent reduction in greenhouse gas emissions from the electricity sector when compared to 2005. From the Ontario Ministry of Energy's report on The End of Coal (2015), other air pollutants such as nitrogen oxides, sulphur oxides, and mercury emissions have also seen major reductions, further decreasing incidences of asthma exacerbations related to air quality.

The province has managed to reduce these toxins from our air while maintaining the reliability of our electricity sector through the increased use of carbon-free options such as nuclear, hydroelectric and renewables, which are supported by natural gas. The fact remains, Ontario cities have not been enveloped in smog on hot summer days since coal was eliminated.

How can such an obvious improvement in air quality simply be discounted? Clean air is vital to the health of all Canadians. The Asthma Society of Canada works with hundreds of people who have been rushed to the emergency room, admitted to hospital, been treated for illnesses, visited their doctor and, unfortunately, even died during times of heavily polluted air, most often in the form of summer smog. This places an incredible drain on the health care system, while the emotional impacts on asthma and allergy sufferers and their families is incalculable. Since coal was phased out in Ontario, the quality of life for millions of people who live with asthma and allergies has increased exponentially.

The Government of Ontario did the right thing when it shut down its coal-fired electricity

plants. The one summer smog day since, as well as the improved health of the people who used to fight for breath on those hot days, is proof enough. We are encouraged to see a commitment to the phase out of coal being adopted across the country so all Canadians can breathe easy.

Vanessa Foran is the President and CEO of the Asthma Society of Canada, which is dedicated to helping Canadians live with asthma through research and education. Learn more at www.asthma.ca.

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5). Kathleen Wynne: Kevin O'Leary doesn't share the values o

By: Jessica Smith Cross

Ontario Premier Kathleen Wynne weighed in on the inauguration of Donald Trump and Trump-like Tory leadership candidate Kevin O'Leary in media remarks Thursday.

Wynne mused about the "difference between the shark tank of the private sector and the shark tank of politics," referring, of course, to O'Leary's role as an investor on ABC's reality TV show Shark Tank.

"I think that Mr. O'Leary has not demonstrated, from what I have seen, any kind of shared values with our government," said Wynne. "I think the things he has talked about really don't speak to helping people in an inclusive way. He doesn't seem to be worried about middle-class families, middle-income families who are feeling insecure. He seems to be much more worried about the very rich and making sure that they are made richer — and that's certainly not a value I would share with him."

"I think he's serious in the sense that much of what he's saying are the kinds of things we've heard said south of the border," she said, when asked if she considers him a serious candidate. "I don't think we need that kind of rhetoric, or action, here, in terms of the values he's bringing to politics. It's serious in that sense. You'll have to ask him if he's actually serious about contributing to the well-being of the country, for everyone."

Speaking of south of the border, Wynne also took questions about the inauguration of Donald Trump.

Wynne said she likely won't be watching the inauguration tomorrow, as she'll be working, but she'll catch up on it.

"It is very important to us in Ontario, how we relate to the United States and what those priorities are for the United States. Whether we're talking about trade or whether we're talking about border issues, it's very important we have a strong working relationship."

No matter what is in tomorrow's speech, Wynne will continue to work on her relationships with sub-national leaders.

"It's really important that we understand, on both sides of the border, that 20 American states have Ontario as their number one export market," she said. "Another seven have Ontario as their number two export market. That's a strong, strong relationship and we need to continue to foster that."

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