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The Agenda: MPPs Discuss Premier Kathleen Wynne's Hydro Plan
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Steve Paikin, Host: After months of taking a hammering over the high cost of electricity, the Ontario government this week introduced what it calls "the most significant rate reduction in the province's history." Tonight, we've got a three-party debate on the Liberals' proposal. Plus, the NDP plan to bring Hydro One back into the public's hands. Then, from realigning London, Ontario's economic fortunes to literary classics as translators of our times – it's The Agenda's week in review. The week and the Premier's power play. That's tonight on The Agenda. Starting June 1st, Ontario electricity customers will see, on average, a 25 per cent reduction in their bills. It's not that the cost of power has fallen, but that the provincial Liberals say mistakes have made electricity prices unfair to this generation. And so yesterday, Premier Kathleen Wynne unveiled the so-called "Fair Hydro Plan." Joining us now for a look at what's powering that proposal and whether it can deliver, Bob Delaney, the Liberal MPP for Mississauga-Streetsville and parliamentary assistant to the Minister of Energy; Todd Smith, he is the PC MPP for Prince Edward-Hastings, his party's energy critic and he comes to us via Skype from Belleville; and Peter Tabuns is here, the MPP for Toronto-Danforth and the energy critic for the NDP. It's good to have you three here with us both in studio and online and parts beyond. Let's start by playing a little snippet of Kathleen Wynne's news conference yesterday and then we'll come back and chat. Mr. Director, please.

Premier Kathleen Wynne [clip]: Last December, I committed to reducing electricity bills by eight per cent across the board, equivalent to the provincial portion of the HST. It hasn't been enough. It's made too small a dent in people's bills. For that reason, we are taking more action. We are tripling the size of the cut we are making to people's hydro bills from eight per cent to an average of 25 per cent. Electricity rates in Ontario will come down significantly. They're going to stay down, and everyone will benefit.

Steve: Okay, Bob, let's get into this. What is the rationale for putting the costs of powering this system more on the backs of taxpayers as opposed to ratepayers?

Bob Delaney, Liberal MPP Mississauga-Streetsville: Steve, electricity is a commodity whose price is rising and rising quickly everywhere in the world. Almost uniquely, about a dozen years ago, Ontario actually spent some money on the system -- a system that had been neglected for more than three decades. So when you put $50 billion worth of capital expenses on the system, then, as those bills come due, you are going to start to see it on your electricity bills. Now, again, almost uniquely in the world -- because Canada has some of the world's lowest electricity prices, those costs have been paid entirely by the ratepayer. Where in a lot of other jurisdictions and countries, they're shared between the rate base and the tax base. So what this proposal does is two principal things: it takes those parts of electricity assistance, such as the Ontario Electricity Support Program – which is a social program, and moves that onto the tax base. It takes some of the amortization of some of the assets that the province bought and says instead of paying it all out over a short period of time, pay it all out over a longer period of time which I would liken to a couple buying a house in the GTA anywhere and saying, "Okay, my first objective is to be able to afford a house and live in it. My second objective is to be able to afford the payments." So, in a mortgage, you will often stretch those payments out over a period of time where you think you can minimize your interest and yet, own the home and pay it down. So that's what the province aimed to do. It's the equivalent of looking at it this way: we bought tomorrow's electricity assets. We paid for them with yesterday's money and financed it over their life time at interest rates of nearly zero.

Steve: Okay let's get some feedback to what the Liberal plan is. Let's go to the official opposition critic first. Todd Smith, your view on what the Liberals have advanced?

Todd Smith, PC MPP Prince Edward-Hastings: I am not sure how Bob can say that with a straight face. Clearly, this is costing future generations billions of dollars. What the government announced yesterday was a desperate plan by a desperate Premier and a desperate government. That really is not going to curb the rising cost of electricity in Ontario. All it's doing is spreading it out over a longer period of time. Yesterday, the Liberals didn't do what needed to be done, and that was stop the increasing cost of generation that they have put on the system – billions and billions of dollars in sole-source contracts for [inaudible].

Steve: Alright. We'll see if we can get that Skype feed fixed. Meantime, let’s go over to Peter Tabuns. Yesterday's announcement, your reaction to that?

Peter Tabuns, NDP MPP Toronto-Danforth: We are in a situation, Steve, where this government, the Liberals proposed to borrow tens of billions of dollars to pay down the hydro bills that people have in advance of an election. There's no mortgage here. We are not buying anything. We are paying rent. We are borrowing money to pay rent, frankly. It is going to be very expensive for us in the long run. It doesn't deal with the fundamental structural issues in the system. Privatization, that was initiated by the conservatives and carried on by the Liberals have meant that we’re paying profit on hydro bills that we didn’t do 20 years ago and frankly, we have an inflexible system. Right now, we’re producing too much power in Ontario. We sell about $2 billion a year at a deep discount to what it cost us to actually generate it and we absorb those costs. There is no hint from the Liberals at all that they're dealing with those structural issues. What they're talking about is borrowing money, not changing the system. If you don't change the system, stop the privatization of Hydro One, restore public ownership, we will continue to see these prices soar. Frankly, we may get past the next election, but those underlying dynamics are going to reassert themselves and drive up the cost.

Steve: Let's get into some of these criticisms. First of all -- I wanted to leave the politics until later but Todd Smith brought it up already – a desperate move by a desperate government looking to somehow curry the favour with the electorate 15 months advance of an election. Want to respond to that?

Bob: Complete rubbish. This program is aimed at ensuring that Ontario retains the ability to generate electricity. The Conservatives miss the point. It's not about green electricity versus polluting electricity or even cheap electricity as opposed to expensive electricity. It's about having electricity as opposed to not having electricity. These are choices that every jurisdiction in the world is going to have to make or is making right now. In Ontario's case, we are running well ahead of the curve. We've turned off the one quarter of our electricity that used to be generated by coal. Ontario no longer generates electricity from coal. We've refurbished our nuclear reactors – giving us 40 years of affordable, predictable, clean, green, safe electricity. We've added a component of renewables that enable the electricity system to meet its daily peaks and valleys. We've put $50 billion worth of investment into generation and transmission – essentially spending in the past, money that most other jurisdictions are going to have to spend in the future. So with regard to what Mr. Tabuns said --

Steve: Hang on to that –

Bob: One last point. Each and every year this province makes a profit on the sale of electricity of between a quarter and a third of $1 billion.

Todd: That's not true.

Peter: That's not true.

Steve: Todd Smith, you go first.

Todd: Where to begin? Apparently Bob forgot that Kathleen Wynne actually apologized for the Liberals' mistakes that they had made on the energy file back in November at the Liberal convention. She said in a teary-eyed moment that they made mistakes that ended up costing Ontarians the ability to heat their homes, and many of them are were shut off over the last year -- about 60,000 of them, were shut off of electricity because they couldn't afford it. He apparently also forgot that just last week, Glenn Thibeault, who is the Minister of Energy, apologized in a speech in Ottawa at the Economic Club where he said that the Green Energy Act, that located generation facilities in parts of the province that were suboptimal – meaning they were located far away from where the power is actually needed -- most of that in the GTHA and around the Toronto area where things are happening and the power is needed -- not in rural Ontario. He also said that they created community conflict which, in my riding of Prince Edward-Hastings, is happening all the time and continues to happen right across the province. He also said they were unaffordable contracts that drove up the cost of electricity. So, you know, you can't speak out of both sides of your mouth saying that you made mistakes and then you didn't.

Steve: Let's hear Peter Tabuns' concerns about the last comment.

Peter: The last comment, saying you make a profit – when you buy something for $1 and sell it for 20 cents – that’s not a profit by anyone's definition. We lose money on those exports. We claw back a little bit of it. But frankly, we are generating far more power than we need. In fact, there are times when we pay New York State and others to take power that we can't consume in Ontario. This is a system that is a very strange [inaudible] machine. The parts are not working properly. You need to talk about dealing with the structure, not just borrowing a ton of money to pay bills.

Bob: To finish the story, and that is that Ohio, Pennsylvania, Michigan, New York, Illinois and Minnesota also transfer power at a loss or at cost to Ontario and if either of my colleagues would take the time to visit the independent electricity system operator, they would explain to them that this kind of interchange across the border happens all the time, minute by minute. The first thing they do in the morning is look at the weather and see who's going to need power and if somebody's lines go down or a generating station is out, they transfer power. The point is at the end of the year, when everybody totals up, what did you buy? What did you sell? How much did you get? Who makes a surplus? The answer is: Ontario make as surplus annually of between a quarter and a third --

Steve: Hang on one second. What about the other comments that were made? Which is – Todd Smith is right – Premier Wynne did acknowledge her culpability and decisions having been made. She also at the press conference yesterday said, “My predecessor,” who she did not name – but if recollection serves it was Dalton McGuinty, “also made mistakes in decision-making that put additional cost burdens on this generation as well.” That is all accurate, isn't it?

Bob: As you look at decisions made in the past with perfect 20/20 hindsight, you can draw that conclusion. But if you start with what they knew at the time that they made the decision, those decisions were predicated in the early part of the last decade on projections that were made in the late 1990s on the P.C. watch. Projections that were so holy and completely inadequate that it led the province to say, “We need a better system,” which gave rise to the long-term energy plan system -- of which we are now doing the third. So at the time many of those decisions were made, ‘03, ‘04, ‘05, they were made with the best possible information. Was there -- to your question, was there --

Todd: They ignored the experts.

Bob: Was there an over-build of renewable energy? In retrospect, yes.

Peter: An overbuild of gas fire [inaudible].

Steve: Stand by one second. The Conservatives did tweet out a bunch of things yesterday about this plan and I want to just read a couple of them now. Sheldon, if you can bring this up. The first tweet from the PC party said: “Full cost to fix Kathleen Wynne's hydro mess? $172 billion over 30 years.

Don't be fooled, we'll be paying for this for generations." There was a second one that said: "Tackle the actual problem? Nope. Burden future generations with more debt? Higher taxes? Yep. Future generations didn't donate $1.3 million." But then under that, in the graphic, it says: "Premier Wynne just took out $42 billion in interest to band-aid her green energy hydro mess. She signs the next round of bad green energy contracts tomorrow. Seriously." That tomorrow meaning today. Now, Todd Smith, I need to ask you about that because today is the last day for applications to the Green Energy Feed in Tariff Program. But no contracts have been signed today. So, some people are going to wonder whether you're misdirecting people with that tweet.

Todd: Well, the FIT 5 Program actually is continuing today. Today was the last phase for contractors to pull out of participating in the FIT 5 Program. So, all of the companies that have put contracts on the grid already are getting another opportunity today to continue to participate in the process of putting renewable energy projects on the grid.

Steve: Okay, but they're not signing any new contracts. So, the tweet saying she signs the next round of bad energy contracts tomorrow is inaccurate, right?

Todd: Yeah, okay. I'll say that's inaccurate, but the projects are moving ahead through the system and they will be signed. They will be signed. They're moving ahead with the process, meaning that FIT 5 is continuing. I just wanted to add one other thing to what Bob was saying. And the thing is, when this deal came about in the first place, the Green Energy Act, the experts at the time were advising the government -- the ministry's own experts at the Ontario Power Authority, were advising the government not to go down this road. The three of you were all at Queen's Park when John Tory, who was leader of the P.C. Party at the time the Green Energy Act was introduced, commissioned a report as well that showed that electricity prices were going to rise potentially $1,200 a year in some cases for residential consumers. We've seen that happen, and we've seen massive, massive increases to our manufacturers in the industrial sector, our job creators, who, by the way aren't getting any relief by what was announced yesterday by the Premier.

Steve: That's true. That's more on the homeowner as opposed to industrial. Let me bring up this quote here and I'll get Peter Tabuns to comment on that. This is from the Chatham Daily News the other day quoting Andrea Horwath. "[B]ringing more renewables to the grid is something we thought was an important thing to do," Horwath said. "Where the government went wrong was in the implementation. They kick started the green energy economy and they kicked the stuffing out of the people of Ontario." So the question is: Does the province, in your view, need to cancel and/or renegotiate some of these existing green energy contracts to get the prices lower?

Peter: I don't think they're going to have much impact on the price, frankly. If you look at the cost of renewables on our hydro bill, it's about 12 per cent of our hydro bill. Bills have gone up 100 per cent in the last decade. If we had no green energy at all, we would have seen almost an almost 90 per cent increase in our bill. The fundamental problem we have in Ontario is privatization of the hydro system, which we warned against in 2003. The Conservatives started it. It meant that we had these profits built into our bills that we didn't have in the past. And it's also meant, Steve, that when we need to reshape the system, we are constrained by these private contracts which force us to guarantee 20 years of profits. We went through this whole gas plant [inaudible]. We found out that cancelling those plants meant we are on the hook for many years of profits. That's why it cost $1 billion to get out of those contracts. If you are going to deal with the problem in Ontario, you have to stop the privatization of Hydro One. You've got to reverse it. You have to restore public ownership – something frankly the Liberals said in the 2003 election but then just simply abandoned after the election.

Steve: That's your plan which you unveiled earlier this week which we'll get to in a moment. I do want to ask one more question of Bob though, as it relates to the program the Liberals are advancing. There are a number of new or enhanced rate subsidy programs that the Premier announced yesterday. Taken as a package, that's about $2.5 billion over a three-year period. There is the cancellation of the HST on the electricity bill – that's another $1 billion. Can you just give us a sense about what the average savings to the average homeowner will be as a result of all of these measures?

Bob: Roughly 25 per cent. It will vary depending on your use, but most homeowners should see about a 25 per cent reduction in their bills. And like I said earlier, this comes from taking those parts of electricity support that are really social programs. And saying should a social program rest on the hydro bill or should it rest on the tax bill?

Steve: I get that. But some are going to argue that that's fine, you're taking -- I mean you got to pay it somehow. Whether it's the ratepayer who pays today or the taxpayer who pays today and tomorrow, some are going to ask if it's fair to make, you know, our children and grandchildren pay the extra tab on this, so we can have cheaper electricity today.

Bob: That's not the point. The point is --

Steve: That's the question they're asking.

Bob: If you are going to build a facility such as a refurbished nuclear plant, a gas plant, a wind mill that has a life span of about 40 years, are you going to pay it down and amortize it over 10 or 15 or 20 years? Why not amortize it over its actual life so that those who are going to enjoy the benefits of that electricity throughout that 40 years are also going to pay that amortized 40 year cost.

Steve: Critics argue the reason you don't do that is that you would pay a whack more in interest payments that you otherwise would.

Todd: Exactly.

Bob: This would make the same sense of saying, "Well, why don't you pay off your mortgage in five years?" The answer is: "I couldn't afford it, but I intend to live in the house for the next 35 or 40 years so why not pay it down over this period of time that I'm actually living in the house. Or in this case, actually using the generating facilities, the substations and the transmission lines."

Steve: Todd, what's wrong with that argument?

Todd: Because a lot of those generators that we are talking about won't be around and in use in 30 years' time. Some of them have already been put to ground.

Bob: They will.

Todd: Absolutely not. The solar voltaic will not be around. Who knows what technology will be around in the next 30 years, Steve. There are many of those generators that will not be in use. Why would we continue to use these projects that are paying 8- cents a kilowatt-hour to produce and then we are getting much smaller amounts back in return? It just doesn't make any sense.

Steve: I am not sure that anything's going at 80 cents a kilowatt-hour anymore. I think that [inaudible] years ago.

Todd: Absolutely. Exactly, but those [inaudible] still on the grid. That's the one thing that the Liberals didn't do yesterday was try and address the actual problem. That's the cost of generation which makes up 65 per cent of the cost in the electricity system.

Bob: Nonsense. 60 per cent of our electricity comes from our nuclear reactors, 25 per cent comes from hydro-electric dams and about 10 per cent comes from gas plants that are used only at peak times.

Todd: Exactly generation.

Bob: And somewhere between five and 10 per cent -- depending upon the season will come from renewable electricity.

Todd: That's all generation. That's what I said, 65 per cent.

Bob: That’s all [inaudible], which means you turn it on when you need it, which means you are only paying for it while it's on and you turn it off when you don't need it.

Steve: Gentlemen, jumping in here because the NDP did unveil a plan earlier in the week and I want to give Peter Tabuns a chance to speak to that. Your plan starts with basically reversing the partial privatization of Hydro One. That's the wires company, the distribution company.

Peter: Right.

Steve: We've sold off about 30 per cent of that so far.

Peter: Right.

Steve: And your plan would -- I’m not sure if repatriate is the right word.

Peter: Buy back.

Steve: Buy back those shares and put the whole company in public hands.

Peter: Right.

Steve: What's the value in doing that?

Peter: Two values. The first is that that company generates something like $700 million to $800 million a year in profit a year. As we privatize it, we lose that revenue and it's something the Financial Accountability Officer raised when he assessed. He said the sale would damage our general revenue as we get into the 2020s. So, we want to have the money back in public hands. But the other thing is, those private investor are going to want to crank up their return on that particular company. So, the pressure for increased rates in the future is going to be very substantial.

Steve: As the pressure for spending billions to reacquire those shares would be pretty intense right now, wouldn't it?

Peter: It will be over a four to eight-year period, that's right. But frankly, the pressure on ratepayers to pay higher hydro bills is something that people are going to be very mindful of as this privatization increases. That has to end, Steve. We've seen what's happened with the generation side. 60 per cent of generation in Ontario is privately owned, and the pressure upward is relentless.

Steve: I want Bob to comment on that because every poll I have seen suggests the partial privatization of Hydro One is not popular and people did prefer the company when it was 100 per cent owned by the people of Ontario. Why not go that route?

Bob: First of all, the NDP's proposal would see $5 billion of taxpayers' money spent re-nationalizing a company that frankly should be regulated in the same place that our banks are, that our telecommunication companies are and that our transportation companies are.

Steve: I think their plan says $4.1 billion at the top end.

Bob: Which is almost certainly an under estimate. Whether it's four or five, that's money that we should be spending on improving transit in the GTA. It’s money we should be working on infrastructure in the GTA, and the rationale for privatizing it is to, as if you were taking out a second mortgage your house, to build an addition to it to say we are going to sell some of our assets while we retain iron clad control over them in order to acquire other assets. You continue to own a portfolio of assets. And in this case, instead of it being occasionally scrutinized in the Legislature, it's scrutinized on an ongoing basis by the Ontario Securities Commission, which has teeth and as I said, this is the place that an entity like Hydro One should be regulated and where it should get capital because this allows Hydro One to be able to expand the scale and scope of its operations, to be able to raise both debt and equity capital. This is where they should be.

Steve: Let me get Todd Smith on this. Todd, your party is also against the partial privatization of Hydro One, but I am not sure the solution the NDP has gone for is something you would sign on to. Is it?

Todd: It depends on if the Liberals continue to sell off the remaining 30 per cent that they're planning to sell. They have already sold 30 per cent. They want to sell 60 per cent. There is it a certain threshold, that's actually 45 per cent that once it goes past that point and the Liberals continue down this road, securities regulation says that you can't buy it back. So what we are calling for the government to do is just stop what they're doing and stop the continued sale of shares at Hydro One. 30 per cent. Enough is enough. Stop right there.

Steve: And what would you do then in -- if you were the Government of Ontario today -- as you may be in 15 months, who knows? What would your different approach be?

Todd: Well, you know what? We wouldn't buy it back. Because once the government says it's going to buy it back the shares of the company, suddenly it's going to cost a heck of a lot more than what I think the NDP are talking about. If we get it back with still 70 per cent ownership, we would be, by far, the majority shareholder and have control at the table – something that the Liberals are letting slip away. So, we would find efficiencies within Hydro One. We've seen examples of what has happened under the Liberal watch. The current CEO and president, with a compensation of $4 million a year, while his counter parts in other provinces across the country are making in the neighbourhood of $450,000 in salary. So, it's out of whack. We've seen executive compensation go crazy under the Liberal government and we have to find efficiencies within those companies.

Steve: Okay. I've got literally a minute left. Bob, I want to give it to you because I have never seen a situation like we've been in the last few years where we've surveyed people and they say their number one concern is the high cost of electricity. It's almost always health care, education, jobs, the economy. It's never been hydro prices, but they are now. We have talked mostly policy, but I want to ask you one last political question. Are the changes introduced yesterday enough to stop the popularity slide that your government has undergone over the last many months because of electricity prices?

Bob: Well, our discussion in caucus is, "Are we doing the right thing in the right way at the right time for the right reasons?" And our challenge here is, are the people of Ontario going to be able to have affordable, reliable, clean electricity?

Steve: That's not what I am asking. I'm asking if you think this will stop the slide in popularity that your party's undergone because of this issue?

Bob: You know, I believe that public opinion is eventually going to judge you on the basis of whether or not you have done the right thing. When we look at the alternatives to it, the Conservatives have no plan. I don't agree with the NDP's plan. I think when Ontarians have a chance to compare in an election whose plan does exactly what -- at least we have a plan and you know exactly where the province is going – you can decide whether you like it or dislike it and I am not going to prejudge the decision of the electorate. But, as a member of the government, I look at what the province has done and $50 billion worth of investment means that in the province of Ontario we are going to have secure, affordable, reliable electricity throughout the rest of my life and that of your children.

Steve: Gentlemen, that is our time and I appreciate all three of you participating in the debate even as Todd Smith shakes his head because he didn't like that last answer.

Todd: Not at all.

Steve: Bob Delaney is the Liberal MPP for Mississauga-Streetsville; Todd Smith is the PC MPP for Prince Edward-Hastings; Peter Tabuns is the NDP member for Toronto-Danforth. Thanks to the three of you coming on TVO and having this debate tonight.