

Evening Media Scan: Hydro Rate Reduction Plan - May 16, 2018

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MEDIA SCAN: HYDRO RATE REDUCTION PLAN

May 16, 2018

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TV Transcripts

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National Post: Ford's PCs are fixated on Hydro One executive pay nothing to do with Ontario's electricity mess

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Wed May 16 2018

Section: News

Byline: Tom Blackwell

Ontario's Progressive Conservative leader stood in the rain Tuesday and protested at the doorstep of an unlikely Tory villain - a big corporate headquarters.

Surrounded by sign-wielding supporters, Doug Ford condemned Hydro One and the steep salaries paid to bosses and board members of the recently privatized electrical utility.

It was just his latest take on a recurring campaign theme. Almost daily, Ford invokes the "\$6-million man" - Hydro One CEO Mayo Schmidt - and contrasts Schmidt's annual income to the struggles of ordinary Ontarians and their hefty power bills.

That comparison is certainly stark. But how much do those now-infamous pay cheques really have to do with the mismanagement and scandal that have beset the province's electricity system under Liberal rule?

Well, actually, almost nothing, say energy experts.

Generating electricity in Ontario costs about \$21 billion a year, dwarfing the salaries not only of Hydro One - which distributes the power - but of every top executive in the sector combined, notes Tom Adams, a prominent energy consultant.

"The electricity system is a mess - it has to be reconceptualized and restructured from the ground up," says Adams. "I'm just really concerned about the politicians not thinking carefully about this ... The demagoguery has gotten out of hand."

As a campaign tactic, however, Ford's Hydro One salary fixation appears a winner, a straightforward symbol of broader controversies that resonates with voters angered by hydro inflation.

Mayo Schmidt, President and CEO of Hydro One speaks during the Windsor-Essex Chamber of Commerce Distinguished Speaker Luncheon held at the Caboto Club in Windsor, Ontario on May 30, 2017.

Among the TV-news-like videos posted by the Tories on their Facebook page, those highlighting recent raises for Hydro One executives - and this week its board members - far outstrip others in popularity, one of them viewed well over 700,000 times.

The PCs' polling, and campaign experience, confirms that the salary angle strikes a chord, said a senior campaign official, speaking on condition of anonymity.

The official insisted the issue is not merely symbolic, but symptomatic of a Liberal government out of touch with the aggravation their policies have generated. "This is definitely the number one issue with voters," said the PC organizer. "People are just feeling left behind, they're feeling left behind and that everyone is cashing in at their expense."

Ontario's electrical system undeniably is and should be a major issue leading up to the June 7 election.

Hydro rates rose at several times the rate of inflation in the years after the Liberals came to power in 2003, first under Dalton McGuinty, then current Premier Kathleen Wynne.

The province's auditor general has estimated that Ontarians paid a mind-boggling \$37 billion too much for electricity between 2006 and 2014, partly because of overly generous contracts for renewable energy and poor planning.

A plan to reduce hydro bills by 25 per cent last year, funded with borrowed money, will itself cost \$21 billion in interest, according to Ontario's Financial Accountability Office.

Ontario Liberal leader Kathleen Wynne puts in rivets at the MHI Canada Aerospace Inc., a subsidiary of Japan-based Mitsubishi Heavy Industries plant during a campaign stop in Mississauga, Ont., on Wednesday, May 16, 2018.

Hydro, says Adams, has been a "public policy disaster on an epic scale."

But both the Conservatives and NDP seem to have missed the point in addressing the issue, analysts say.

Firing Schmidt, as Ford has pledged, "would do next-to-nothing to lower rates, while continuing a more than decade-long trend of growing political interference in the sector," says Brady Yauch, an economist with the free-market-oriented Consumer Policy Institute.

Ford has also promised he would scrap overly expensive energy contracts wherever possible, and reduce consumer rates by a further 12 per cent, partly by using dividends paid by Hydro One.

But he would keep intact the Liberals' Fair Hydro Plan - the 25 per cent rate cut that until recently the Tories regularly blasted.

The NDP says it would buy back the 51 per cent of Hydro One the government sold, also using those Hydro One dividends. Combined with other measures, it says it can achieve a 30 per cent rate cut.

Adams shakes his head at both parties' policies, saying those dividends now effectively subsidize hydro rates by paying off stranded electrical debt.

"It seems kind of obvious that you can't spend a dollar twice," he says.

Adams says the solutions should start with analyzing the state of current energy contracts and getting out of over-priced deals where possible, though he says that will not be as easy as some suggest.

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In the rapidly growing riding of Orléans, voters say they're looking for tax cuts and other incentives to lower costs for seniors and families.

The morning commute at the Place d'Orléans OC Transpo station shows the diversity of the urban/rural riding, with recent immigrants sharing benches with briefcase-toting businesspeople, and a mix of backpacks, canes and strollers resting on the walls of bus shelters.

"We're getting to an age where taxes are always an issue," said Marcel Brunet, who was taking a trip with his partner, Rachel. "There's less money for spending."

The couple hope the leader who wins next month's provincial election won't just be thinking about social programs, but about lending a helping hand to those struggling with rising bills.

"Try to lower the taxes," Rachel Brunet said. "It's really high for a retired couple."

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Improving health care 'a given'

Down at the other end of the platform, Rhona Luck was singing a similar tune. The senior said her request is simple: improve the lives of people like her.

While Luck would like to see something different, including a 'silver sneakers' program to get seniors into gyms for free, she said the need for more long-term care beds and a better overall health-care system is obvious.

"It's a given," she said. "Our population is aging, right? And most of them are on fixed income. And I think [over] the next 40 years, there's going to be more seniors, not less."

After a 10-minute drive south, Beverlie Smith was on her way to a physiotherapy appointment. It's a trip she makes three times a week while she sits on a waitlist for a new knee.

"It's a long time to wait," Smith said. "We're all getting older, not younger. Long-term care facilities, hospice facilities, hospital, nurses ? we're going to all use them. I like to hear good things when it comes to talking about seniors.

"It's very important for anybody."

'Whopping' hydro bills

But health care isn't Smith's only worry. Like the Brunets, she's thinking about rising costs as her income goes down.

"I'd like to know how they're going to deal with this hydro expense that's basically been put on the taxpayer," she said. "How does that reflect on senior citizens? Because they've got to pay this whopping bill back somehow."

- [Auditor general blasts Kathleen Wynne's 'Fair Hydro Plan'](#)

Heading west to Blackburn Hamlet, hydro was a recurring theme.

"Being a new mother, it's hard for us," said Fidelia Cabrara, her son resting in a stroller. "I see people out

there who can't afford even the simplest things, like groceries."

In a nearby park, Jordan Kinnear and his dog Roxie were enjoying some sun. But the political science student said the province's finances are weighing on him.

"Having a debt like this is really bothersome for me, because I know future generations are going to have to pay it," he said, adding he's worried big-budget promises in the GTA will put eastern Ontario taxpayers further behind.

"I could always use lower taxes and hydro rates, too. I'm a homeowner and the bills just keep piling up. It's just one thing after another. More money in our pockets, overall, is a good thing."

Debate held

On Monday night, candidates vying for the Orléans seat set out their priorities in front of an at-times raucous crowd comprised mainly of seniors.

PC candidate Cameron Montgomery attacked the governing Liberals for their track record on health care, saying people are "concerned about access to quality healthcare and waiting times for surgeries and specialist services."

- PCs promise \$98M per year to help low-income seniors get dental care

Meanwhile, NDP candidate Barbara Zarboni and Liberal incumbent Marie-France Lalonde spoke about how their respective parties will help improve access to mental health services.

- Ontario Liberals promise \$2.1B to 'rebuild' mental health care system

- Ontario NDP platform proposes big spending on health care, social services

On Wednesday, Montgomery, Zarboni and Lalonde will be guests on CBC Radio's All In A Day to discuss issues of importance to people in the riding.

CBC is coming to your riding

The Street Talk team is heading to every provincial riding in Ottawa to find out what issues matter most to the people who live there.

From now until election day on June 7, reporters will go to Carleton, Glengarry?Prescott?Russell, Kanata? Carleton, Nepean, Orlé?ans, Ottawa Centre, Ottawa South, Ottawa West?Nepean and Ottawa?Vanier.

Then we'll take your questions to the people hoping to get your vote.

Come back to our website each day to find out about another riding, and follow the discussion with the hashtag #CBCStreetTalk on social media.

With files from Matthew Kupfer and Giacomo Panico

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Global News **How does the hydro system work in Ontario?**

By: Michelle McQuigge
May 16, 2018 4:13 pm

<https://globalnews.ca/news/4213256/hydro-system-ontario-election/>

TORONTO – The price of electricity in Ontario has long been a sore point for many in the province, with the governing Liberals being taken to task for rising hydro rates for years. But how does the system work? And would proposals put forward by the Progressive Conservatives and the New Democrats ahead of next month's election improve the situation? The Canadian Press tried to tackle those questions.

How did we get to the current state of affairs?

Hydro has figured largely in political discourse for decades.

READ MORE: Scott Thompson: Who approved Hydro One raises if Ontario still has control?

“In Ontario, electricity is to premiers as the Middle East is to American Presidents,” said Keith Stewart, senior energy strategist for Green Peace Canada. “It’s always somewhere on their desks ... and it’s never easy.”

Much of the province’s history with electricity is bound up in a now-defunct entity that came to be known as Ontario Hydro. Stewart said it was responsible for all three components of the province’s electricity system – owning and operating the power producers, transmitting the power, and regulating rates.

Ontario Hydro became the source of political friction starting in roughly the 1970s, culminating in the decision to privatize the corporation in 1999. The government of the time, led by Progressive Conservative Premier Mike Harris, broke Ontario Hydro up into the hodgepodge of entities that make up Ontario’s current system.

Several agencies currently handle tasks previously managed by Ontario Hydro.

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Ontario Power Generation (OPG) is the owner and operator of many of Ontario’s power generators, such as nuclear and hydroelectric plants.

Transmission is now primarily handled by Hydro One, which funnels power to a number of local utilities who in turn ensure it reaches customers.

The Independent Electricity System Operator (IESO) co-ordinates Ontario’s electricity needs, balancing the supply of power with demand and directing the flow of electricity from various generation sources across the province’s grid of transmission lines. It also handles long-term planning for the province and is responsible for sourcing long-term contracts with electricity generators, including wind and solar power companies. These contracts can be up to 20 years in length.

The Ontario Energy Board (OEB) regulates the electricity and natural gas sectors, approves and sets delivery rates for power distribution and transmission as well as prices for consumers.

Why have rates gone up?

Hydro rates have more than doubled in the past decade, taking a major toll on Premier Kathleen Wynne’s approval ratings. Analysts say there are several factors behind the increase and argue many of them have benefits that are more evident in the long-term.

Stewart said the previous Tory government capped hydro rates at what he called an unrealistically low number of 3.5 cents per kilowatt hour back in 2000. The Liberals left that rate in place until 2004.

READ MORE: Hydro One board members approved \$25K raises for themselves

Stewart attributed much of the rate spike to upgrades the province made to its aging infrastructure. This involved refurbishing nuclear plants and building new generating facilities to replace the coal-fired power plants the province phased out as of 2014.

But analysts agree the long-term contracts signed with power producers have also played a key role. Michael Trebilcock, a law professor with the University of Toronto, authored a paper for the C.D. Howe Institute criticizing the rates the province negotiated starting in 2009 when the Green Energy Act took effect.

He said the rates, often locked in for 20 years, were at least twice as high as market rates and in some instances considerably higher. The discrepancy is all the more stark since market rates for wind and solar-powered electricity have tumbled in recent years, he added.

How does Ontario compare to other jurisdictions?

Monthly bills in San Francisco, New York, Boston, Charlottetown, Regina and Halifax in 2017 were higher

than bills in Ontario, according to data from the OEB.

READ MORE: Hydro One first quarter profit up 33% to \$222M, dividend rising

Why is hydro so politically charged right now?

Last year the Liberals tried to quell anger over hydro rates by adopting the Fair Hydro Act and slashing prices by 25 per cent.

The plan lowers time-of-use rates by letting customers off the hook for a portion of the global adjustment – a charge consumers pay for above-market rates to power producers – for the next 10 years. In the meantime, producers will continue being paid the same, so Ontario Power Generation has been tapped to oversee the debt used to pay that difference.

Auditor General Bonnie Lysyk has accused the province of underestimating and misrepresenting the financial impact of the plan and shifting the increased cost to a new generation of rate payers.

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What about Hydro One privatization?

Hydro One was partially privatized in November 2015, with the government saying it planned to use the sale of shares to fund transit and infrastructure projects. By December 2017, the province had sold off 53 per cent of its stake.

Stewart and Trebilcock say Hydro One has a monopoly on transmission and say the rates it charges are tightly regulated by the OEB.

"Whether it's owned by the province or owned only 40 per cent by the provincial government doesn't alter the fact that it's a monopoly, and monopolies have a tendency to charge too much and be slack in holding down costs," he said. "Maybe that's happened, but that would happen whether the government owned it or it was privatized."

Both Trebilcock and Stewart, moreover, agree that allowing Hydro One to function as a monopoly is for the best.

Statistics from the Environmental Commissioner of Ontario suggest privatization has had minimal impact on rates. A recent report found transmission rates, which currently account for seven per cent of overall electricity costs, decreased slightly from 2006 to 2016.

READ MORE: Who will benefit from Doug Ford's promised tax cut?

Will any of the political solutions put forward on the campaign trail make any difference?

Experts feel Progressive Conservative Leader Doug Ford and NDP Leader Andrea Horwath are missing the point with their campaign pledges, which have largely centred on Hydro One.

Ford has promised to fire the entire board of the company and railed against high executive salaries. Horwath has pledged to return the company to public ownership. Both have vowed to slash rates – Ford by 12 per cent, Horwath by 30 – and both have said they would renegotiate private power contracts where possible.

But Stewart said everyone on the campaign trail is talking about a hydro model that's increasingly antiquated, saying a centralized approach makes less sense as people adopt more green technology and shift to producing their own power.

"The old public monopoly model of Ontario Hydro is not a good one for this world," he said. "That isn't going to get talked about in the election, but I think people within the system know that that's the big change that's coming."