FW: Morning Media Scan: Fair Hydro Plan - May 25, 2017

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Subject: Morning Media Scan: Hydro Rate Reduction Plan - May 25, 2017

Morning Media Scan: May 25, 2017

MEDIA SCAN: FAIR HYDRO PLAN

May 25, 2017

Click links below to view article:

Print Coverage

The Globe and Mail: The challenge for Hydro One investors; B12; 2017.05.25

ID: GAM.20170525.rbgipapehydroone **PUBLICATION:** The Globe and Mail **EDITION:** Ontario **DATE:** 2017.05.25 **SECTION:** Globe Investor **PAGE:** B12 **BYLINE:** By GORDON PAPE **WORD COUNT:** 724 **DATELINE:**

The challenge for Hydro One investors ;

Investors and governments rarely make good partners.
That’s because they have divergent interests. Investors want to make a profit, pure and simple.
If they didn’t, they would simply hide their money under the mattress.
Governments, on the other hand, want to raise money for spending, budget balancing or debt reduction. Their main interest in investors is using them to increase cash flow, either by selling them something or finding ways to tax their profits more effectively.
These differing objectives explain why partnering up with governments can be risky. You never know what politicians are going to do.
We saw another example of that this month. After the markets closed on May 8, the Ontario government announced it had sold off another chunk of Hydro One. The province said a group of underwriters led by Royal Bank of Canada and Canadian Imperial Bank of Commerce to purchase 120 million shares of the company at a price of $23.25, raising $2.8-billion in the process. It was a bought deal, meaning the underwriting syndicate assumed the responsibility of reselling the shares to the public.
The arrangement turned out to be a windfall for the government but a nightmare for the underwriters, according to a Globe and Mail story. Investors, both retail and institutional, sat on their hands, leaving the banks with an unsold inventory reportedly worth as much as $1.4-billion.
The Globe reported on Friday that the underwriters had priced the remaining shares at $22.60 in an effort to move them out. The stock closed on Thursday at $22.90 but bounced up to $23.16 on Friday on volume of almost 6.5 million shares, suggesting the discount strategy had met with some success. (The stock normally trades between 300,000 and 400,000 shares a day.)
Investors who owned Hydro One when the new sale was announced saw the price drop from $24.03 to as low as $22.93 on the morning of May 9, with almost 5.5 million shares changing hands that day. At that point investors were bailing out faster than the underwriters could feed new product into the market.
This is not to say that Hydro One is a bad stock. It is Ontario’s largest electricity transmission and distribution company. Hydro One has more than 1.3 million customers, $25-billion in assets and revenues of more than $6.5billion. It owns and operates 30,000 kilometres of high-voltage transmission lines and a huge low-voltage distribution network.
Prior to the latest offering, the company announced a 5-percent increase in its dividend, to 22 cents a quarter (88 cents a year). At the current trading price, the yield is a safe 3.8 per cent.

However, first-quarter results suggest that investors will have to be content with cash flow for the foreseeable future. A significant gain in the share price looks improbable in the light of less than stellar results, even without the stock overhang.
Revenue for the first quarter was down slightly from the same period last year, at $1.66-billion.
Net income was off 19.7 per cent to $167-million (28 cents a share) compared with $208-million (35 cents a share) in the same quarter a year ago. Management blamed the underperformance on the mild winter in Ontario, which reduced energy demand.
If global warming continues to accelerate, we should expect this to happen more often in the future (although increased air conditioning demand in the summer may bridge the gap).
After the latest issue, the Ontario government holds slightly less than half the outstanding stock. That amounts to almost 300 million shares. The province is unlikely to dump more into the market any time soon, and the underwriters will be extremely wary as a result of what has just happened.
But the risk of a cash-starved future government divesting more shares and driving down the price once again should be a concern for anyone considering this stock. It's a solid source of steady income but when it comes to capital gains potential, look elsewhere.
Gordon Pape is editor and publisher of the Internet Wealth Builder and Income Investor newsletters.
For more information and details on how to subscribe, go to buildingwealth.ca.
Hydro One (H)
Close: $23.43, down 2¢
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The Globe and Mail: Wynne's hydro cuts will raise costs long-term report; A10; 2017.05.25

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Wynne's hydro cuts will raise costs long-term: report ;Financial Accountability Office warns bills could soar even more if the province can't keep its budget balanced

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Staff
Ontarians will pay higher electricity bills for almost three decades as part of the government's plan to reduce power rates in the short term, according to a report from the province's Financial Accountability Office.
Premier Kathleen Wynne's proposal to cut hydro rates by 25 per cent this year while capping increases to the rate of inflation for the next four years will save consumers $24-billion. But it will cost the province $45-billion over the next 29 years, according to an assessment released on Wednesday morning by the financial watchdog.
Ms. Wynne's popularity has plummeted over the past year as hydro bills have soared and become a political liability for her long-governing Liberals ahead of next year's general election.
The Premier's Fair Hydro Plan would slash energy bills before the election and keep them low for much of the next government's mandate. However, to lower bills in the short term, the government would need to increase them in later years to pay off the debt needed to finance the plan.
Ontario taxpayers will repay $21-billion more by 2045 than they will save on their bills, according to the FAO. The watchdog warned that the financing costs for the plan could increase rapidly in future years if interest rates change or if the government can't balance its budget over the next three decades. If Ontario were to fall into deficit and borrow additional funds to finance the plan, the eventual cost could increase to as much as $93-billion.
"We've always said that the proposed Fair Hydro Plan will cost more over the long term, but it will share the costs of our investments more fairly over a longer period of time and lower bills by 25 per cent on average starting this summer," Energy Minister Glenn Thibeault's office said in a written statement.
The Energy Minister added that the FAO report took into account a possible increase in interest rates and the need to borrow all the money for the plan, scenarios he called "extremely unlikely." And he said government moves to lower costs in the electric power system, perhaps utilizing technological developments, were not included.
The opposition Progressive Conservatives dismissed the government's hydro plan as a quick fix before the election that will do little to fix the long-term problems facing Ontario's power system. "It's fantasy land," PC energy critic Todd Smith said.
"It's all about the next election."
After the 25-per-cent rebate, which could come as soon as this summer, the average monthly bill is expected to drop from $164 to $123.

Bills should remain relatively low until 2021 under the plan.
Rates are then expected to increase 6.8 per cent a year from 2021 to 2027. The FAO estimated that the average monthly bill will increase to $213 by 2028. To repay the cost of the rebate plan, the average consumer will pay thousands in additional costs – about $22 a month from 2028 to 2045.
“The impact is greater than we had feared,” New Democrat Peter Tabuns told reporters on Wednesday.
He said Ontarians will turn against the plan when they learn that their bills will be higher for decades after just a few years of relief.
“What the Liberals brought forward is not sustainable and will be hugely problematic for ratepayers for decades to come,” he said.
The billions of dollars in extra debt needed to lower rates will not appear on the government’s books but will instead be raised by Ontario Power Generation (OPG), the Crown corporation responsible for generating about half the province’s electricity.
The debt needed to finance the plan should peak at $26.2-billion in 2027, according to the FAO.
The province will provide 45 per cent of the financing, with the rest raised from banks and other investors by OPG. If the province raised the full amount and did not involve OPG, $4-billion would be saved in lower interest costs, the FAO said.

Toronto Star: Hydro rate cuts to cost $21B: watchdog; A8; 2017.05.25

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Hydro rate cuts to cost $21B: watchdog; Stephen LeClair says price of provincial Liberal's subsidy could balloon over decades

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Short-term gain on your hydro bill could translate into long-term fiscal pain.
The Liberal government's Fair Hydro Plan, which lowers electricity bills by 25 per cent, will ultimately zap Ontarians to the tune of $21 billion over the next three decades, the province's budget watchdog has found. In a 15-page report released Wednesday, financial accountability officer Stephen LeClair said the scheme will cost the province $45 billion over the next 29 years while saving ratepayers $24 billion for a $21-billion net expense.
But LeClair warned his estimates are only applicable if "the province is able to achieve and maintain a balanced budget over 29 years." The cost of the subsidy could balloon to between $69 billion and $93 billion if the government has to borrow to pay for it.
Finance Minister Charles Sousa balanced the books last month after nine years of deficits. The average monthly hydro bill of $156 per household will drop to $123 once the 25-per-cent cut takes effect next month.
Recent public opinion polls suggest that Premier Kathleen Wynne's Liberals appear to be benefiting from the forthcoming lower electricity prices, as two recent surveys show they are closing the gap with the front-running Progressive Conservatives.
Both the Tories and Andrea Horwath's New Democrats oppose the Liberals' rate-cutting measure.
LeClair acknowledged it will keep homeowner's electricity costs lower than they would have been over the next decade, although they will be slightly more expensive after 2027.
"Although eligible electricity ratepayers are projected to achieve overall savings of $24 billion, the savings is not distributed evenly over time," the independent legislative officer wrote.
"From 2017 to 2027, electricity costs are projected to be lower under the (Fair Hydro Plan) compared to the status quo (for a total savings of $33 billion), while after 2027, electricity costs are projected to be higher under the FHP compared to the status quo (for a total cost of $9 billion)," he continued.
"This results in net savings of $24 billion over 29 years."

The budget officer questioned why the government is bankrolling the cut through its electricity utility Ontario Power Generation, which keeps the debt off the province's books, but could mean an additional $4 billion in interest costs.
Auditor general Bonnie Lysyk said she will also be doing a separate report on the hydro rate scheme later this year.
As is LeClair, Lysyk is concerned about the way the government is funding the cut.
"The government will do what the government will do; my job is to opine on whether the actions taken - the transactions recorded - are in accordance with public sector accounting standards," she told reporters at Queen's Park.
Last Thursday, Energy Minister Glenn Thibeault introduced legislation for the plan, promising it would spread the costs of big-ticket electricity-system improvements in the past decade over a longer period of time. Thibeault likened it to "refinancing a mortgage" to have lower payments now, while acknowledging there will be additional interest payments over the longer term.
"We've always said that the proposed Fair Hydro Plan will cost more over the long-term, but it will share the costs of our investments more fairly over a longer period of time, and lower bills, by 25 per cent on average, starting this summer," the minister said Thursday.
"It's important to remember that the FAO's projection of electricity costs reflects a point-in-time estimate that demonstrates how we can ensure greater fairness and affordability in the short and medium term," he said.
"Later this summer, our government will release the next Long-Term Energy Plan, which will take additional costs out of the system and address affordability over the long-term."
Thibeault insisted any rate increases would be held at the rate of inflation - about 2 per cent - over the next four years.
However, a leaked cabinet document obtained by the Tories - and dismissed by the Liberals as an early draft of the plan - said rates would rise steeply, starting with 6.5 per cent in 2022 and topping out at 10.5 per cent in 2028, when average monthly bills would be $215.
"Kathleen Wynne's unfair hydro plan is a sham. The government's own numbers confirm it and independent experts confirm it. Rates are going up. Period," PC Leader Patrick Brown said in a statement.
"It's time for Kathleen Wynne to stop covering up the truth: under her plan, our hydro bills will go up. Everything will cost more. This will have a devastating impact on household budgets and the economy."
NDP MPP Peter Tabuns (Toronto Danforth) said "the impact is greater than we feared" of subsidizing ratepayers.

Toronto Sun: Shock To The System; Plan to cut hydro rates could cost as much as $93B: FAO; A8; 2017.05.25

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Shock To The System; Plan to cut hydro rates could cost as much as $93B: FAO

Premier Kathleen Wynne's plan to cut hydro bills by 25% comes with an electrifying price tag.
A review by Ontario Financial Accountability Officer Stephen LeClair says the minimum cost is $45 billion, but that number could soar to anywhere between $69 billion and $93 billion if the Fair Hydro Plan is financed with borrowed money.
In the best-case scenario, which requires the Ontario government to maintain a balanced budget over the next three decades, the plan costs $45 billion.
Once the 25% break on bills is factored in, Ontarians will pay a total of at least $21 billion more than they would have without the rate reduction.
Energy Minister Glenn Thibeault said in a statement Wednesday that the plan means hydro customers will soon see relief from high bills.
"We've always said that the proposed Fair Hydro Plan will cost more over the long-term, but it will share the costs of our investments more fairly over a longer period of time, and lower bills by 25% on average, starting this summer," Thibeault said. "The FAO's analysis shows cost projections of $21 billion over 29 years for our plan, which is in line with earlier estimates."
Wynne's government announced the bold hydro plan after bills soared, leaving many ratepayers complaining that the cost was so high that it was getting difficult to pay for other priorities like food and rent.
The Wynne plan calls for an HST rebate, refinancing of electricity assets and the rejigging of hydro relief programs.
Ontario ratepayers would see about $24 billion shaved from their bills between 2017 and '45, the FAO report says.
Under the plan, hydro rates decrease 25% on average this year, followed by four years of relatively low increases capped at inflation.
Wynne's plan would cut the average eligible ratepayer's monthly bill to $123.30 from the current $164 in 2017, a savings of $41.
In Year 5 of the plan, bills start to rise again to help cover the cost of the plan.
"They'll be going up 7% a year until about Year 10, and then after that they'll be about 12% higher than they otherwise would have been," NDP Energy Critic Peter Tabuns said. "Not even future generations - people who are ratepayers right now are going to get hit hard starting five years from now and they'll be hit hard for decades, quite literally."
MPP Todd Smith, the energy critic for the Progressive Conservatives, called the Liberal plan "fantasy land."
Predicated on balanced budgets and low interest rates, it's a quick election fix for a Wynne government facing voters in 2018, he said.
"I think a lot of people are seeing through this for what it is; this is Kathleen Wynne's re-election plan," Smith said.
The FAO report noted significant financial risks in the plan because it's based on the premise that the Ontario government can "achieve and maintain a balanced budget over 29 years." Since 1990, the Ontario budget has been balanced seven times - four times under the PCs and three under the Liberals.
The FAO also questioned the government's intention to borrow more than half of the money it needs through an Ontario Power Generation Trust, which it says comes with an increased borrowing cost of $4 billion.

Ottawa Sun: Shock To The System; Plan to cut hydro rates could cost as much as $93B: FAO; A9; 2017.05.25

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Ottawa Sun: Wynne'S Bad Math Shocking; Premier's hydro rate cuts will cost taxpayers billions; A8; 2017.05.25

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Wynne'S Bad Math Shocking; Premier's hydro rate cuts will cost taxpayers billions

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The jiggery-pokery the Ontario Liberals are using to cut hydro bills will eventually cost us almost twice as much as it saves, the province's budget watchdog reported Wednesday.

This is the "Fair Hydro Plan," the Liberals'answer to the constant drumbeat of "hydro, hydro, hydro" from the opposition, the plan that Premier Kathleen Wynne hopes will save her party from annihilation next year. It cuts electricity prices by 25 per cent for residential and small commercial customers now, and the future is the future's problem.

The Liberal plan is more consequential than the desolate nothings offered by the opposition. But in this case, desolate nothingness would be better.

The metaphor the government is using is that it's refinancing the mortgage on the electricity system, extending the payments on long-term energy contracts to lower prices right now. Refinancing isn't free, though, and now the financial accountability officer Stephen LeClair and his staff have put numbers on the Liberal plan: It'll save us $24 billion on our hydro bills now but cost us $45 billion in the end. So by the 2040s, we'll be out a total of $21 billion.

That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the government-owned Ontario Power Generation utility, which keeps it off the province's books. (Auditor General Bonnie Lysyk, in a separate appearance before a Queen's Park committee Wednesday, said this is deceptive but it's legal.)

"Temporary savings are achieved for electricity ratepayers by moving costs to the province and by deferring $18.4 billion in electricity costs for 10 years," LeClair said. "After 10 years, ratepayers will be required to repay the deferred electricity costs plus approximately $21 billion in interest, which will result in higher electricity bills than under the status quo."

The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the Wednesday report says. That's money out of the provincial treasury but left in Ontarians' pockets. Assuming the government never runs a deficit again that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously, but there's nothing unique about cutting this tax versus any other tax.

By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise have been, gobbling up the lower contract payments, the sales-tax cut, and more of ratepayers'money besides.

The Liberals never pretended their purported fairness was bought for nothing. What makes the plan "fair," Wynne said in announcing it, isn't that it makes electricity cheaper but that it makes future Ontarians pay more and today's Ontarians pay less. What was unfair before, in Wynne's formulation, was that today's Ontarians were having to pay too big a share of the costs of modernizing the power system when tomorrow's Ontarians will also benefit.

Of course, we've had to wait for this watchdog report to find out just exactly how badly our children will be screwed so that we can have an easier time of it for the next four years.

Energy Minister Glenn Thibeault responded to LeClair's report by acknowledging it's accurate but there'll be a plan released this summer that lowers long-term expenses by reducing the amount of electricity we expect to buy. There's some evidence that Ontario won't need as much power as the currently operative plan calls for, so this is plausible, but don't expect a very radical difference.

Here's the thing. What would actually be fair would be to go back in time and make the Ontarians of the 1970s, '80s and '90s pay a little bit more for electricity, so as to keep the system in good repair. Power, in the glory days, was artificially cheap. Much too cheap. Unsustainably cheap. We paid too little then and we're making up for it now.

Yes, part of what we're paying for now is illconsidered green-energy contracts meant to spark a solar and wind industry in Ontario that never really caught. Part of it is from ditching dirty coal generation, which was

a wiser decision but not a free one.
A lot of what we're paying for, though, is simply dragging Ontario Hydro back from the brink of financial and physical collapse. Decades of selfindulgence achieved that decrepitude and decades of self-discipline are the only way to undo it.
The Fair Hydro Plan is the Liberals'declaration that we're not quite up to the self-discipline they thought we were, and it's hard to say they're wrong: the parties'poll standings, a year out from the next election, are pretty good evidence for that. The Fair Hydro Plan addresses a big political problem for the governing party but it's terrible public policy. It exemplifies the exact attitude that got us into trouble in the first place.
The opposition Progressive Conservatives and New Democrats, for all their drum-pounding, have no meaningful alternatives.
"It's time for Kathleen Wynne to stop covering up the truth - under her plan, our hydro bills will go up,"Tory leader Patrick Brown said, pouncing gleefully on the LeClair report. "Everything will cost more. This will have a devastating impact on household budgets and the economy."
This is true. And what will he do if he's premier next summer? Durrrrr...
They complain about electricity prices and they have things they call electricity plans but those plans have less juice than a watch battery: Brown promises to review generating contracts to look for loopholes, as if the Liberals hadn't thought of that. Andrea Horwath says an NDP government would buy back the Hydro One transmission utility, the sale of which has basically nothing to do with electricity prices. Each party's plan has other elements but at most they amount to fiddling in the decimal places.
So that's where we are: Ontario's electricity prices are high and in complaining about them with Trumpian vapidity, the opposition parties have stampeded the government into buying temporary relief by making them much higher than they'd have to be if we just gutted the next few years out. Well done everybody.
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The Hamilton Spectator: Liberal hydro plan to cost $45B: budget watchdog; A12; 2017.05.25

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Liberal hydro plan to cost $45B: budget watchdog

The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.
But that figure assumes balanced provincial budgets during that period and could balloon if the government funds some of its cuts to electricity bills through debt.
A report from the financial accountability officer released Wednesday found the government will spend $45 billion over the life of its hydro plan to save people $24 billion on their bills.
The $45 billion is mostly the cost of funding an eight per cent rebate that took effect in January and assumes balanced budgets. If the government has to fund that rebate through debt, the cost could soar up to $93 billion, the report said.
Legislation to cut electricity bills by 17 per cent on average - on top of the eight-per-cent rebate - is currently before the House and has to pass in the remaining four sitting days before the summer break if relief is to be delivered under the timeline the Liberals promised.

The Liberals have said after the initial cut to bills this year, rate increases will be held to inflation for the next four years. After that, the average bill will rise about 6.8 per cent a year until 2028.
At that point, ratepayers will have to start paying back debt that will be accumulated in order to finance lower rates for the first decade. From then on, bills will be about four per cent higher than they would have been without the Liberal plan, Financial Accountability Officer Stephen LeClair said. The plan will lower time-of-use rates by removing from bills a portion of the global adjustment. For the next 10 years, a new entity overseen by Ontario Power Generation will take on debt to pay that difference. Then, the cost of paying back that debt with interest - which the government has said will be up to $28 billion - will go back onto ratepayers' bills for 20 years as a "Clean Energy Adjustment."

Kingston Whig-Standard: Ontario's hydro plan terrible public policy; A4; 2017.05.25

PUBLICATION:	Kingston Whig-Standard
PAGE:	A4
DATE:	2017.05.25
SECTION:	Opinion
EDITION:	Final
BYLINE:	David Reevely
SOURCE:	Kingston Whig-Standard
KEYWORDS:	ontario,liberals,using,hydro,bills,eventually
WORD COUNT:	625

Ontario's hydro plan terrible public policy

The jiggery-pokery the Ontario Liberals are using to cut hydro bills will eventually cost us almost twice as much as it saves, the budget watchdog reported Wednesday.
This is the "Fair Hydro Plan," the Liberals'answer to the constant drumbeat of "hydro, hydro, hydro" from the opposition. It cuts electricity prices by 25 per cent for residential and small commercial customers now, and the future is the future's problem.
The metaphor the government is using is that it's refinancing the mortgage on the electricity system, extending the payments on long-term energy contracts to lower prices now. Refinancing isn't free, though, and the financial accountability officer Stephen LeClair and his staff say it'll save us $24 billion on our hydro bills now but cost us $45 billion in the end.
That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the government-owned Ontario Power Generation utility, which keeps it off the province's books.
The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the report says, leaving the money in Ontarians' pockets. Assuming the government never runs a deficit that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously.
By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise.
What makes the plan "fair," Wynne said, is that it makes future Ontarians pay more and today's Ontarians pay less. What was unfair before, in Wynne's formulation, was today's Ontarians were having to pay too big a share of the costs of modernizing the power system when tomorrow's Ontarians will also benefit.
Energy Minister Glenn Thibeault responded to LeClair's report by acknowledging it's accurate but there'll be a plan released this summer that lowers long-term expenses by reducing the amount of electricity we expect to buy. There's evidence Ontario won't need as much power as the operative plan calls for.
What would actually be fair would be to go back in time and make the Ontarians of the 1970s, '80s and '90s pay a little bit more for electricity to keep the system in good repair. Power, in the glory days, was unsustainably cheap.
Yes, part of what we're paying for now is ill-considered green-energy contracts. Part of it is from ditching dirty coal generation, which was a wiser decision but not a free one.
A lot of what we're paying for is simply dragging Ontario Hydro back from the brink of collapse. Decades of self-indulgence achieved that decrepitude and decades of selfdiscipline are the only way to undo it.
The Fair Hydro Plan is the Liberals'declaration that we're not quite up to the self-discipline they thought we

were. The Fair Hydro Plan addresses a big political problem for the governing party but it's terrible public policy. It exemplifies the attitude that got us into trouble in the first place.
The opposition parties have no meaningful alternatives.
Progressive Conservative Leader Patrick Brown promises to review generating contracts to look for loopholes, as if the Liberals hadn't thought of that. NDP Leader Andrea Horwath says an NDP government would buy back Hydro One, the sale of which has basically nothing to do with electricity prices. Each party's plan has other elements but at most they amount to fiddling the decimals.
So Ontario's electricity prices are high and in complaining about them with Trumpian vapidity, the opposition parties have stampeded the government into buying temporary relief by making them much higher than they'd have to be if we just gutted the next few years out.
Well done, everybody.
dreevely@postmedia.com

The Belleville Intelligencer: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; B6; 2017.05.25

PUBLICATION:	The Belleville Intelligencer
PAGE:	B6
DATE:	2017.05.25
SECTION:	Ontario News
EDITION:	Final
BYLINE:	Allison Jones
SOURCE:	The Canadian Press
KEYWORDS:	ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION:	Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE:	TORONTO
WORD COUNT:	443

Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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Both the financial accountability officer and the auditor general weighed in on the plan to lower hydro rates, which have roughly doubled over the last decade.
A report from the budget watchdog found the government will spend $45 billion over the life of its hydro plan to save people $24 billion on their bills over the next approximately 30 years.
The $45 billion, however, is mostly the cost of funding an eightper-cent rebate that took effect in January and assumes balanced budgets. If the government has to fund that rebate through debt, the cost could soar up to $93 billion, the report said.
Premier Kathleen Wynne promised to cut hydro bills after anger over rising costs helped send her approval ratings to record lows. Under the government's plan, Ontarians will see lowered hydro bills for the next 10 years, but then higher costs for the following 20 years.
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The hydro plan will lower timeof-use rates by removing from bills a portion of the global adjustment, a charge consumers pay for abovemarket rates to power producers. For the next 10 years, a new entity overseen by Ontario Power Generation will take on debt to pay that difference.
That means there will be no impact on Ontario's net debt - currently at about $312 billion - or annual surplus/deficit, said Auditor General Bonnie Lysyk. The auditor told a committee studying the hydro legislation Wednesday that it "sets a dangerous precedent."
"There are a lot of people investing a lot of time and money to set this up, structured in such a way that it doesn't affect bottom line," she said.
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The OPG Trust is financing 55 per cent of that borrowing, with the province financing the rest. But the OPG Trust borrows at an average rate of 5.4 per cent, compared to the province's 4.5 per cent, the FAO noted. So if the government took on all of the refinancing, ratepayers could save $4 billion, the FAO concluded.
NDP critic Peter Tabuns called the financing structure "puzzling."
"It may make provincial debt look better because it's been moved off (the government books), but that can be the only advantage. It's going to cost us a lot of money."

St. Catharines Standard: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; B3; 2017.05.25

PUBLICATION: St. Catharines Standard
PAGE: B3
DATE: 2017.05.25
SECTION: News
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE: TORONTO
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Stratford Beacon-Herald: Pay less now, pay more later; A4; 2017.05.25

PUBLICATION: Stratford Beacon-Herald
PAGE: A4
DATE: 2017.05.25
SECTION: News
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
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The Timmins Daily Press: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; A5; 2017.05.25

PUBLICATION:	The Timmins Daily Press
PAGE:	A5
DATE:	2017.05.25
SECTION:	Ontario News
EDITION:	Final
BYLINE:	Allison Jones
SOURCE:	The Canadian Press
KEYWORDS:	ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION:	Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE:	TORONTO
WORD COUNT:	443

Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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Peterborough Examiner: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; B3; 2017.05.25

PUBLICATION:	Peterborough Examiner
PAGE:	B3
DATE:	2017.05.25
SECTION:	News
EDITION:	Final
BYLINE:	Allison Jones
SOURCE:	The Canadian Press
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DATELINE:	TORONTO
WORD COUNT:	330

Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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Brantford Expositor: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; A10; 2017.05.25

PUBLICATION: Brantford Expositor
PAGE: A10
DATE: 2017.05.25
SECTION: News
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE: TORONTO
WORD COUNT: 443

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The Barrie Examiner: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; A9; 2017.05.25

PUBLICATION:	The Barrie Examiner
PAGE:	A9
DATE:	2017.05.25
SECTION:	News
EDITION:	Final
BYLINE:	Allison Jones
SOURCE:	The Canadian Press
KEYWORDS:	ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION:	Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
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WORD COUNT:	443

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Cornwall Standard Freeholder: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; A8; 2017.05.25

PUBLICATION:	Cornwall Standard Freeholder
PAGE:	A8
DATE:	2017.05.25
SECTION:	Ontario News
EDITION:	Final
BYLINE:	Allison Jones
SOURCE:	The Canadian Press
KEYWORDS:	ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION:	Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
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Woodstock Sentinel-Review: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: watchdogs; A2; 2017.05.25

PUBLICATION: Woodstock Sentinel-Review
PAGE: A2
DATE: 2017.05.25
SECTION: News
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE: TORONTO -
WORD COUNT: 443

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Welland Tribune: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; B3; 2017.05.25

PUBLICATION: Welland Tribune
PAGE: B3
DATE: 2017.05.25
SECTION: National
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,savings
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE: TORONTO

WORD COUNT: 443

Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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Sudbury Star: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; A8; 2017.05.25

PUBLICATION: Sudbury Star
PAGE: A8
DATE: 2017.05.25
SECTION: Ontario News
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have

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DATELINE:	TORONTO
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Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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Orillia Packet & Times: Pay less now, pay more later; B9; 2017.05.25

PUBLICATION:	Orillia Packet & Times
PAGE:	B9
DATE:	2017.05.25
SECTION:	News
EDITION:	Final
BYLINE:	Allison Jones
SOURCE:	The Canadian Press

KEYWORDS: ontarians,paying,billion,three,decades,shortterm

DATELINE: TORONTO -

WORD COUNT: 443

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Times-Journal (St.Thomas): Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; A10; 2017.05.25

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PAGE: A10
DATE: 2017.05.25
SECTION: Ontario News
EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in

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DATELINE:	TORONTO
WORD COUNT:	443

Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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Simcoe Reformer: Pay less now, pay more later; Plan to cut hydro bills will cost ontarians $21B over 30 years: Watchdogs; A2; 2017.05.25

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DATE:	2017.05.25
SECTION:	News
EDITION:	Final
BYLINE:	Allison Jones

SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm

ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE: TORONTO
WORD COUNT: 443

Pay less now, pay more later; Plan to cut hydro bills will cost ontarians $21B over 30 years: Watchdogs

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Kingston Whig-Standard: Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs; B3; 2017.05.25

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PAGE: B3
DATE: 2017.05.25
SECTION: Ontario News

EDITION: Final
BYLINE: Allison Jones
SOURCE: The Canadian Press
KEYWORDS: ontarians,paying,billion,three,decades,shortterm
ILLUSTRATION: Darren Calabrese, The Canadian Press / A hydro tower is shown in Toronto. The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.;
DATELINE: TORONTO -
WORD COUNT: 443

Pay less now, pay more later; Plan to cut hydro bills will cost Ontarians $21B over 30 years: Watchdogs

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The Chronicle Journal: [HL: Power now, pay later Sub: Watchdogs call out Liberals for long-term cost of hydro plan By Alli]; 2017.05.25

PUBLICATION: The Chronicle Journal
DATE: 2017.05.25

SECTION: City News

KEYWORDS: power,later,watchdogs,liberals,hydro,allison
WORD COUNT: 803

[HL: Power now, pay later Sub: Watchdogs call out Liberals for long-term cost of hydro plan By Alli]

HL: Power now, pay later
Sub: Watchdogs call out Liberals for long-term cost of hydro plan
By Allison Jones
THE CANADIAN PRESS
TORONTO - Ontarians will be paying a net $21 billion over the next three decades to get short-term savings under the Liberal government's hydro plan, which is designed to make the province's bottom line look better, two watchdogs said Wednesday.
Both the financial accountability officer and the auditor general weighed in on the plan to lower hydro rates, which have roughly doubled over the last decade.
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Premier Kathleen Wynne promised to cut hydro bills in the province after widespread anger over rising costs helped send her approval ratings to record lows. Under the government's plan, Ontarians will see lowered hydro bills for the next 10 years, but will then pay higher costs for the following 20 years.
Legislation to cut electricity bills by 17 per cent on average - on top of the eight-per-cent rebate - is currently before the House and has to pass before the summer break begins June 1 if relief is to be delivered under the timeline the Liberals promised.
The hydro plan will lower time-of-use rates by removing from bills a portion of the global adjustment, a charge consumers pay for above-market rates to power producers. For the next 10 years, a new entity overseen by Ontario Power Generation will take on debt to pay that difference.
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In light of those potential savings, NDP critic Peter Tabuns called the government's financing structure "puzzling."
"Why it's being set up in the special purpose vehicle, this little subsidiary of OPG is hard to understand," he said. "It may make provincial debt look better because it's been moved off (the government books), but that can be the only advantage. It's going to cost us a lot of money."
The Liberals have said after the initial cut to bills this year, rate increases will be held to inflation for the next four years. After that, the average bill will rise about 6.8 per cent a year until 2028, the FAO projected.
At that point, ratepayers will have to start paying back debt that will be accumulated in order to finance lower rates for the first decade. From then on, bills will be about four per cent higher than they would have been without the Liberal plan, Financial Accountability Officer Stephen LeClair said.
The cost of paying back that debt with interest - which the government has said will be up to $28 billion - will go back onto ratepayers' bills for about 20 years starting in 2028 as a "Clean Energy Adjustment."
The FAO estimated the cost of interest on that debt will be $21 billion, assuming a five-per-cent weighted average interest rate. If that rises to six per cent, ratepayers will end up paying $30 billion, LeClair projected.
Electricity bills in the province have roughly doubled in the last decade, due in part to green energy initiatives, and the government has said the goal of its hydro plan is to better spread out those costs.
"We've always said that the proposed Fair Hydro Plan will cost more over the long-term, but it will share the costs of our investments more fairly over a longer period of time, and lower bills by 25 per cent on average starting this summer," Thibeault said in a statement.
The FAO's $21-billion projection is in line with the government's estimates, Thibeault said, dismissing the

FAO's "outlier scenarios" as extremely unlikely.

North Bay Nugget: Hydro rate cut will cost at least $45B; Savings for ratepayers will total $24 billion: Report; A2; 2017.05.25

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PAGE:	A2
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EDITION:	Final
BYLINE:	Antonella Artuso
SOURCE:	Postmedia
KEYWORDS:	premier,kathleen,hydro,bills,comes,electrifying
WORD COUNT:	408

Hydro rate cut will cost at least $45B; Savings for ratepayers will total $24 billion: Report

Premier Kathleen Wynne's plan to cut hydro bills by 25 per cent comes with an electrifying price tag for the government -anywhere between $63 billion and $93 billion if financed with borrowed money, a review by the province's Financial Accountability Office concludes.

In the best-case scenario, which requires the Ontario government to balance its budget every year for the next three decades, the plan costs $45 billion.

Once the break on bills is factored in, Ontarians will pay $21 billion more than they would have had they not received the upfront hydro bill reduction.

"The Financial Accountability Office estimates that the (Fair Hydro Plan) will cost the province approximately $45 billion over 29 years while providing overall savings to electricity ratepayers of $24 billion," the report released Wednesday says. "The projected cost of the FHP of $45 billion over 29 years assumes that the province does not borrow funds to finance the FHP."

Wynne's government announced the bold hydro plan after bills soared, leaving many ratepayers complaining that the cost was so high it was getting difficult to meet their other needs such as food and housing.

The Wynne plan calls for an HST rebate, electricity cost refinancing and the rejigging of electricity relief programs.

Under the plan, hydro rates decrease 25 per cent on average this year -followed by four years of inflation-rate increases.

"Starting in 2021, electricity bills are projected to increase by an average of 6.8 per cent annually until the end of 2027," the FAO report says. "After 2027, electricity bills are projected to increase by an average of 4 per cent higher under the FHP than the status quo, even with the continuation of the HST rebate."

There are significant financial risks to the plan because it's based on the premise that the Ontario government can balance its budget every year for the next 29 years.

The FAO is not convinced that the government can even meet its target of balancing the books for the next three years.

Since 1990-91, the Ontario budget has been balanced seven times - four times under the Progressive Conservatives and three times under the Liberals.

As well, the savings to ratepayers are front-loaded.

"Although eligible electricity ratepayers are projected to achieve overall savings of $24 billion, the savings is not distributed evenly over time," the report notes.

Wynne's plan would cut the average eligible ratepayer's monthly bill from $164 to $123.30, a savings of $41.

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DATE:	2017.05.25
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BYLINE:	David Reevely
SOURCE:	The Belleville Intelligencer
KEYWORDS:	ontario,liberals,using,hydro,bills,eventually
WORD COUNT:	625

Ontario's hydro plan terrible public policy

The jiggery-pokery the Ontario Liberals are using to cut hydro bills will eventually cost us almost twice as much as it saves, the budget watchdog reported Wednesday.

This is the "Fair Hydro Plan," the Liberals'answer to the constant drumbeat of "hydro, hydro, hydro" from the opposition. It cuts electricity prices by 25 per cent for residential and small commercial customers now, and the future is the future's problem.

The metaphor the government is using is that it's refinancing the mortgage on the electricity system, extending the payments on long-term energy contracts to lower prices now. Refinancing isn't free, though, and the financial accountability officer Stephen LeClair and his staff say it'll save us $24 billion on our hydro bills now but cost us $45 billion in the end.

That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the government-owned Ontario Power Generation utility, which keeps it off the province's books.

The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the report says, leaving the money in Ontarians' pockets. Assuming the government never runs a deficit that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously.

By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise.

What makes the plan "fair," Wynne said, is that it makes future Ontarians pay more and today's Ontarians pay less. What was unfair before, in Wynne's formulation, was today's Ontarians were having to pay too big a share of the costs of modernizing the power system when tomorrow's Ontarians will also benefit.

Energy Minister Glenn Thibeault responded to LeClair's report by acknowledging it's accurate but there'll be a plan released this summer that lowers long-term expenses by reducing the amount of electricity we expect to buy. There's evidence Ontario won't need as much power as the operative plan calls for.

What would actually be fair would be to go back in time and make the Ontarians of the 1970s, '80s and '90s pay a little bit more for electricity to keep the system in good repair. Power, in the glory days, was unsustainably cheap.

Yes, part of what we're paying for now is ill-considered green-energy contracts. Part of it is from ditching dirty coal generation, which was a wiser decision but not a free one.

A lot of what we're paying for is simply dragging Ontario Hydro back from the brink of collapse. Decades of self-indulgence achieved that decrepitude and decades of selfdiscipline are the only way to undo it.

The Fair Hydro Plan is the Liberals'declaration that we're not quite up to the self-discipline they thought we were. The Fair Hydro Plan addresses a big political problem for the governing party but it's terrible public policy. It exemplifies the attitude that got us into trouble in the first place.

The opposition parties have no meaningful alternatives.

Progressive Conservative Leader Patrick Brown promises to review generating contracts to look for loopholes, as if the Liberals hadn't thought of that. NDP Leader Andrea Horwath says an NDP government would buy back Hydro One, the sale of which has basically nothing to do with electricity prices. Each party's plan has other elements but at most they amount to fiddling the decimals.

So Ontario's electricity prices are high and in complaining about them with Trumpian vapidity, the opposition parties have stampeded the government into buying temporary relief by making them much higher than they'd have to be if we just gutted the next few years out.

Well done, everybody.

dreevely@postmedia.com

St. Catharines Standard: Ontario's hydro plan terrible public policy; A4; 2017.05.25

PUBLICATION:	St. Catharines Standard
PAGE:	A4
DATE:	2017.05.25
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EDITION:	Final
BYLINE:	David Reevely
SOURCE:	St. Catharines Standard
KEYWORDS:	ontario,liberals,using,hydro,bills,eventually
WORD COUNT:	625

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Stratford Beacon-Herald: Ontario's hydro plan terrible public policy; A5; 2017.05.25

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Niagara Falls Review: Ontario's hydro plan terrible public policy; A6; 2017.05.25

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The Timmins Daily Press: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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Peterborough Examiner: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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Sarnia Observer: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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Woodstock Sentinel-Review: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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Welland Tribune: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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Sudbury Star: Ontario's hydro plan terrible public policy; A10; 2017.05.25

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Times-Journal (St.Thomas): Ontario's hydro plan terrible public policy; A7; 2017.05.25

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Daily Observer (Pembroke): Ontario's hydro plan terrible public policy; A5; 2017.05.25

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The Sault Star: Ontario's hydro plan terrible public policy; A6; 2017.05.25

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Simcoe Reformer: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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Owen Sound Sun Times: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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So Ontario's electricity prices are high and in complaining about them with Trumpian vapidity, the opposition parties have stampeded the government into buying temporary relief by making them much higher than they'd have to be if we just gutted the next few years out.
Well done, everybody.
dreevely@postmedia.com

London Free Press: Ontario's hydro plan terrible public policy; A7; 2017.05.25

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Ontario's hydro plan terrible public policy

The jiggery-pokery the Ontario Liberals are using to cut hydro bills will eventually cost us almost twice as much as it saves, the budget watchdog reported Wednesday.
This is the "Fair hydro Plan," the Liberals'answer to the constant drumbeat of "hydro, hydro, hydro" from the opposition. It cuts electricity prices by 25 per cent for residential and small commercial customers now, and the future is the future's problem.

The metaphor the government is using is that it's refinancing the mortgage on the electricity system, extending the payments on long-term energy contracts to lower prices now. refinancing isn't free, though, and the financial accountability officer stephen LeClair and his staff say it'll save us $24 billion on our hydro bills now but cost us $45 billion in the end.
That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the government-owned Ontario Power Generation utility, which keeps it off the province's books.
The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the report says, leaving the money in Ontarians' pockets. assuming the government never runs a deficit that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously.
By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise.
What makes the plan "fair," Wynne said, is that it makes future Ontarians pay more and today's Ontarians pay less. What was unfair before, in Wynne's formulation, was today's Ontarians were having to pay too big a share of the costs of modernizing the power system when tomorrow's Ontarians will also benefit.
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What would actually be fair would be to go back in time and make the Ontarians of the 1970s, '80s and '90s pay a little bit more for electricity to keep the system in good repair. Power, in the glory days, was unsustainably cheap. yes, part of what we're paying for now is ill-considered green-energy contracts. Part of it is from ditching dirty coal generation, which was a wiser decision but not a free one. a lot of what we're paying for is simply dragging Ontario hydro back from the brink of collapse. decades of self-indulgence achieved that decrepitude and decades of selfdiscipline are the only way to undo it.
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London Free Press: Wynne Grits'hydro relief to cost $21B; A1 / Front; 2017.05.25

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Wynne Grits'hydro relief to cost $21B, officials warn

Ontarians will pay a net $21 billion during the next three decades to get short-term savings under the Liberal government's electricity rate plan, which is designed to make the province's bottom line look better, two watchdogs said Wednesday.
Both the financial accountability officer and the auditor general weighed in on the plan to lower electricity rates, which roughly have doubled during the last decade.
A report from the budget watchdog found the government will spend $45 billion during the life of its plan to save people $24 billion on their bills during roughly the next 30 years.
The $45 billion, however, is mostly the cost of funding an eight per cent rebate that took effect in January and assumes balanced budgets.
If the government has to fund that rebate through debt, the cost could soar up to $93 billion, the report said.
Premier Kathleen Wynne promised to cut electricity bills in the province after widespread anger over rising costs helped send her approval ratings to record lows. Under the government's plan, Ontarians will see lower electricity bills for the next 10 years, but will then pay higher costs for the following 20 years.
Legislation to cut electricity bills by 17 per cent on average - on top of the eight per cent rebate - is before the House and must pass before the summer break begins June 1 if relief is to be delivered under the timeline the Liberals promised.
The hydro plan will lower timeof-use rates by removing from bills part of the global adjustment, a charge consumers pay for abovemarket rates to power producers. For the next 10 years, a new entity overseen by Ontario Power Generation will take on debt to pay that difference.
That means there will be no impact on Ontario's net debt - currently about $312 billion - or annual surplus/deficit, said auditor General Bonnie Lysyk. she told a committee studying the legislation Wednesday that it "sets a dangerous precedent."
"There are a lot of people investing a lot of time and money to set this up, structured in such a way that it doesn't affect bottom line," she said.
Energy Minister Glenn Thibeault has said OPG has expertise in managing hydro-related debt.
The OPG Trust is financing 55 per cent of that borrowing, with the province financing the rest. But the OPG Trust borrows at an average rate of 5.4 per cent, compared to the province's 4.5 per cent, the FaO noted. so, if the government took on all of the refinancing, ratepayers could save $4 billion, the FaO c oncluded.
In light of those potential savings, NdP critic Peter Tabuns called the government's financing structure "puzzling."
"Why it's being set up in the special purpose vehicle, this little subsidiary of OPG, is hard to understand," he said.
"It may make provincial debt look better because it's been moved off (the government books), but that can be the only advantage. It's going to cost us a lot of money."
The Liberals have said after the initial cut to bills this year, rate increases will be held to inflation for the next four years. after that, the average bill will rise about 6.8 per cent a year until 2028, the FaO projected. at that point, ratepayers will have to start paying back debt that will be accumulated to finance l ower rates for the first decade.
From then on, bills will be about four per cent higher than they would have been without the L iberal plan, financial accountability officer stephen LeClair said.
The cost of paying back that debt with interest - which the government has said will be as much as $28 billion - will go back onto ratepayers'bills for about 20 years starting in 2028 as a "clean energy adjustment."
The FaO estimated the cost of interest on that debt will be $21 billion, assuming a five per cent weighted average interest rate. If that rises to six per cent, ratepayers will end up paying $30 billion, LeClair projected.
Electricity bills in the province have roughly doubled in the last decade, due in part to green energy initiatives, and the government has said the goal of its hydro plan is to better spread out those costs.
"We've always said that the proposed Fair hydro Plan will cost more over the long term, but it will share the costs of our investments more fairly over a longer period... and lower bills by 25 per cent on average starting this summer," Thibeault said in a statement.
The FaO's $21-billion projection is in line with the government's estimates, Thibeault said, dismissing the FaO's "outlier scenarios" as extremely unlikely.

The Brockville Recorder & Times: Ontario's hydro plan terrible public policy; A6; 2017.05.25

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This is the "Fair Hydro Plan," the Liberals'answer to the constant drumbeat of "hydro, hydro, hydro" from the opposition. It cuts electricity prices by 25 per cent for residential and small commercial customers now, and the future is the future's problem.

The metaphor the government is using is that it's refinancing the mortgage on the electricity system, extending the payments on long-term energy contracts to lower prices now. Refinancing isn't free, though, and the financial accountability officer Stephen LeClair and his staff say it'll save us $24 billion on our hydro bills now but cost us $45 billion in the end.

That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the government-owned Ontario Power Generation utility, which keeps it off the province's books.

The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the report says, leaving the money in Ontarians' pockets. Assuming the government never runs a deficit that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously.

By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise.

What makes the plan "fair," Wynne said, is that it makes future Ontarians pay more and today's Ontarians pay less. What was unfair before, in Wynne's formulation, was today's Ontarians were having to pay too big a share of the costs of modernizing the power system when tomorrow's Ontarians will also benefit.

Energy Minister Glenn Thibeault responded to LeClair's report by acknowledging it's accurate but there'll be a plan released this summer that lowers long-term expenses by reducing the amount of electricity we expect to buy. There's evidence Ontario won't need as much power as the operative plan calls for.

What would actually be fair would be to go back in time and make the Ontarians of the 1970s, '80s and '90s pay a little bit more for electricity to keep the system in good repair. Power, in the glory days, was unsustainably cheap.

Yes, part of what we're paying for now is ill-considered green-energy contracts. Part of it is from ditching dirty coal generation, which was a wiser decision but not a free one.

A lot of what we're paying for is simply dragging Ontario Hydro back from the brink of collapse. Decades of self-indulgence achieved that decrepitude and decades of selfdiscipline are the only way to undo it.

The Fair Hydro Plan is the Liberals'declaration that we're not quite up to the self-discipline they thought we were. The Fair Hydro Plan addresses a big political problem for the governing party but it's terrible public policy. It exemplifies the attitude that got us into trouble in the first place.

The opposition parties have no meaningful alternatives.

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So Ontario's electricity prices are high and in complaining about them with Trumpian vapidity, the opposition parties have stampeded the government into buying temporary relief by making them much higher than they'd have to be if we just gutted the next few years out.

Well done, everybody.

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Ottawa Citizen: Hydro-bill cuts will cost province $21 billion more than will be saved; Liberals playing short-term political game at expense of the rate-payers of tomorrow; A1 / Front; 2017.05.25

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Hydro-bill cuts will cost province $21 billion more than will be saved; Liberals playing short-term political game at expense of the rate-payers of tomorrow

The jiggery-pokery the Ontario Liberals are using to cut hydro bills will eventually cost us almost twice as much as it saves, the province's budget watchdog reported Wednesday.

This is the "Fair Hydro Plan," the Liberals'answer to the constant drumbeat of "hydro, hydro, hydro" from the opposition, the plan that Premier Kathleen Wynne hopes will save her party from annihilation next year. It cuts electricity prices by 25 per cent for residential and small commercial customers now, and the future is the future's problem.

The Liberal plan is more consequential than the desolate nothings offered by the opposition. But in this case, desolate nothingness would be better.

The metaphor the government is using is that it's refinancing the mortgage on the electricity system, extending the payments on long-term energy contracts to lower prices right now.

Refinancing isn't free, though, and now the financial accountability officer Stephen LeClair and his staff have put numbers on the Liberal plan: It'll save us $24 billion on our hydro bills now but cost us $45 billion in the end. So by the 2040s, we'll be out a total of $21 billion.

That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the governmentowned Ontario Power Generation utility, which keeps it off the province's books. (Auditor General Bonnie Lysyk, in a separate appearance before a Queen's Park committee Wednesday, said this is deceptive but it's legal.) "Temporary savings are achieved for electricity ratepayers by moving costs to the province and by deferring $18.4 billion in electricity costs for 10 years," LeClair said.

"After 10 years, ratepayers will be required to repay the deferred electricity costs plus approximately $21 billion in interest, which will result in higher electricity bills than under the status quo."

The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the Wednesday report says. That's money out of the provincial treasury but left in Ontarians' pockets. Assuming the government never runs a deficit again that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously, but there's nothing unique about cutting this tax versus any other tax.

By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise have been, gobbling up the lower contract payments, the sales-tax cut, and more of ratepayers'money besides.

The Liberals never pretended their purported fairness was bought for nothing. What makes the plan "fair," Wynne said in announcing it, isn't that it makes electricity cheaper but that it makes future Ontarians pay more and today's Ontarians pay less. What was unfair before, in Wynne's formulation, was that today's Ontarians were having to pay too big a share of the costs of modernizing the power system when tomorrow's Ontarians will also benefit.

Of course, we've had to wait for this watchdog report to find out just exactly how badly our children will be screwed so that we can have an easier time of it for the next four years.
Energy Minister Glenn Thibeault responded to LeClair's report by acknowledging it's accurate but there'll be a plan released this summer that lowers long-term expenses by reducing the amount of electricity we expect to buy. There's some evidence that Ontario won't need as much power as the currently operative plan calls for, so this is plausible, but don't expect a very radical difference.
Here's the thing. What would actually be fair would be to go back in time and make the Ontarians of the 1970s, '80s and '90s pay a little bit more for electricity, so as to keep the system in good repair. Power, in the glory days, was artificially cheap. Much too cheap. Unsustainably cheap. We paid too little then and we're making up for it now.
Yes, part of what we're paying for now is ill-considered greenenergy contracts meant to spark a solar and wind industry in Ontario that never really caught. Part of it is from ditching dirty coal generation, which was a wiser decision but not a free one.
A lot of what we're paying for, though, is simply dragging Ontario Hydro back from the brink of financial and physical collapse. Decades of self-indulgence achieved that decrepitude and decades of self-discipline are the only way to undo it.
The Fair Hydro Plan is the Liberals'declaration that we're not quite up to the self-discipline they thought we were, and it's hard to say they're wrong: The parties'poll standings, a year out from the next election, are pretty good evidence for that. The Fair Hydro Plan addresses a big political problem for the governing party, but it's terrible public policy. It exemplifies the exact attitude that got us into trouble in the first place.
The opposition Progressive Conservatives and New Democrats, for all their drumpounding, have no meaningful alternatives.
"It's time for Kathleen Wynne to stop covering up the truth - under her plan, our hydro bills will go up," Tory Leader Patrick Brown said, pouncing gleefully on the LeClair report. "Everything will cost more. This will have a devastating impact on household budgets and the economy."
This is true. And what will he do if he's premier next summer? Durrrrr ....
They complain about electricity prices and they have things they call electricity plans but those plans have less juice than a watch battery: Brown promises to review generating contracts to look for loopholes, as if the Liberals hadn't thought of that. Andrea Horwath says an NDP government would buy back the Hydro One transmission utility, the sale of which has basically nothing to do with electricity prices. Each party's plan has other elements but at most they amount to fiddling in the decimal places.
So that's where we are: Ontario's electricity prices are high and in complaining about them with Trumpian vapidity, the opposition parties have stampeded the government into buying temporary relief by making them much higher than they'd have to be if we just gutted the next few years out. Well done, everybody.
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The Chatham Daily News: Ontario's hydro plan terrible public policy; A4; 2017.05.25

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That money will go to lenders, who'll put up the money to cover the costs of the energy contracts as signed and then accept our extra payments over a decade or so. The whole thing will be managed through the government-owned Ontario Power Generation utility, which keeps it off the province's books.
The provincial government will also forgo about $1.5 billion a year in sales taxes on electricity, the report says, leaving the money in Ontarians' pockets. Assuming the government never runs a deficit that forces it to borrow, there's no net cost to that. That's an iffy assumption, obviously.
By 2027, the budget officer figures, electricity prices will be four per cent higher than they would otherwise.
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Windsor Star: Hydro plan's $24B savings comes with $45B price tag; A1 / Front; 2017.05.25

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Hydro plan's $24B savings comes with $45B price tag

The Ontario government's plan to lower hydro rates, which have roughly doubled over the last decade, is expected to cost taxpayers $21 billion over the next 30 years, according to the province's budget watchdog.

But that figure assumes balanced provincial budgets during that period and could balloon if the government funds some of its cuts to electricity bills through debt.

A report from the financial accountability officer released Wednesday found the government will spend $45 billion over the life of its hydro plan to save people $24 billion on their bills.

The $45 billion is mostly the cost of funding an eight-per-cent rebate that took effect in January and assumes balanced budgets. If the government has to fund that rebate through debt, the cost could soar up to $93 billion, the report said.

Legislation to cut electricity bills by 17 per cent on average - on top of the eight-per-cent rebate - is currently before the house and has to pass in the remaining four sitting days before the summer break if relief is to be delivered under the timeline the Liberals promised.

The Liberals have said after the initial cut to bills this year, rate increases will be held to inflation for the next four years.

After that, the average bill will rise about 6.8 per cent a year until 2028. At that point, ratepayers will have to start paying back debt that will be accumulated in order to finance lower rates for the first decade. From then on, bills will be about four per cent higher than they would have been without the Liberal plan, Financial Accountability Officer Stephen LeClair said.

The hydro plan will lower timeof-use rates by removing from bills a portion of the global adjustment, a charge consumers pay for abovemarket rates to power producers. For the next 10 years, a new entity overseen by Ontario Power Generation will take on debt to pay that difference.

Then, the cost of paying back that debt with interest, which the government has said will be up to $28 billion, will go back onto ratepayers'bills for the next 20 years as a "clean energy adjustment."

The OPG Trust is financing 55 per cent of that borrowing, with the province financing the rest.

But the OPG Trust borrows at an average rate of 5.4 per cent, compared to the province's 4.5 per cent, the FAO noted. So if the government took on all of the refinancing, ratepayers could save $4 billion, LeClair concluded.

In light of those potential savings, NDP critic Peter Tabuns called the government's financing structure "puzzling."

"Why it's being set up in the special purpose vehicle? This little subsidiary of OPG is hard to understand," he said. "It may make provincial debt look better because it's been moved off (the government books), but that can be the only advantage. It's going to cost us a lot of money."

The FAO estimated the cost of interest on that debt will be $21 billion, assuming a five-per-cent weighted average interest rate. If that rises to six per cent, ratepayers will end up paying $30 billion, LeClair projected.

Premier Kathleen Wynne promised to cut hydro bills after widespread anger over rising costs helped send her approval ratings to record lows.

Electricity bills in the province have roughly doubled in the last decade, due in part to green energy initiatives, and the government has said the goal of its hydro plan is to better spread out those costs.

"We've always said that the proposed Fair Hydro Plan will cost more over the long-term, but it will share the costs of our investments more fairly over a longer period of time, and lower bills by 25 per cent on average starting this summer," Energy Minister Glenn Thibeault said in a statement. The Canadian Press

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Waterloo Region Record: Liberals' hydro savings plan to cost $45B for $24B in relief: watchdog; Legislation to trim rates must pass soon if program is to start on schedule; A1; 2017.05.25

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