Afternoon Energy Media Summary - October 20, 2017

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Date: Fri, 20 Oct 2017 15:00:08 -0400

G ood afternoon,

Here is a roundup of the day's news:

- Tax savings should go to shareholders, not ratepayers, Hydro One says – *Financial Post*
- Bill Kelly: Why do Ontarians support Wynne's flawed hydro plan? – *Global News*
- MPP Smith blasts Liberals on report – *Communitypress.ca*
- Kenora Hydro holds public meeting on possible merger with Thunder Bay Hydro – *CBC News*
- Beaverbrook president pleased with Hydro One proposal ahead of public meeting – *Kanata Kourier-Standard*

Please see below **Today in Twitter** for news articles.

Oct. 20, 2017
Today in Twitter

@sunlorrie - Here's our Friday Toronto Sun editorial: Ontario's green energy policies killed jobs http://www.torontosun.com/2017/10/19/ontarios-green-energy-policies-killed-jobs … #onpoli #cdnpoli

@KarenPtbo - ON Wynne Libs overpaying $9.2 BILLION for green energy contracts awarded to companies that donated $1.3 million to ON Liberal Party! #onpoli

@terencecorcoran - Parker Gallant: More proof Ontario doesn't need unreliable wind power. … https://parkergallantenergyperspectivesblog.wordpress.com/2017/10/20/weekends-or-weekdays-wind-is-a-waste/ … via @wordpressdotcom

@bowker_john - Hydro One files appeal to demand that 100% of $2.6B tax gift from ON govt go to investors & not ratepayers

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Tax savings should go to shareholders, not ratepayers, Hydro One says

Geoff Zochodne
Financial Post
Oct. 20, 2017

Hydro One Ltd. has begun a regulatory fight over expected tax savings generated by the Ontario government's privatization of the Toronto-based utility.

A subsidiary of Hydro One, Ontario's largest distributor and transmitter of electricity, said in a notice of motion filed Wednesday that the provincial electricity industry regulator made errors in a recent decision when it determined that 29 per cent of future tax savings should be allocated to its transmission ratepayers, and the remaining 71 per cent to shareholders.

Based on that ratio, the regulator, the Ontario Energy Board, issued a decision last month reducing the amount of income tax expense Hydro One's subsidiary could recover from customers via transmission rates from $81.9 million to about $58.1 million in 2017, and from $89.6 million to about $63.6 million in 2018.

The tax expenses Hydro One had been seeking to recover had only been about 5.5 per cent of the total revenue it had been seeking from customers in the application, which would have inflated customers' power bills by between 0.1 and 0.2 per cent in 2017 and 0.2 and 0.4 per cent in 2018 for electricity customers.

But Hydro One said that, if the province's Liberal government hadn't begun selling shares of Hydro One, the company wouldn't have had to pay a departure tax for going from an Ontario-owned company to a publicly traded one, there would be no jump in the fair market value (FMV) of its assets, and there would have been no future tax savings, which are tied to deductible capital cost allowances and worth about $2.6 billion for the company's subsidiary.

"Accordingly, a proper application of the benefits-follows-costs principle and the 'stand-alone utility' principle should allocate 100% of the future tax savings from the FMV Bump of $2,595M to the shareholders," Hydro One Networks Inc. said in a notice of motion to the Ontario Energy Board, the regulator.

The largest shareholder of Hydro One is still the Province of Ontario, whose Liberal government has sold off just over 50 per cent of the company to other investors since a November 2015 initial public offering. Throughout the privatization, the government has repeatedly tried to reassure voters by highlighting the independent role of the OEB in setting electricity rates.

"The province is going to continue to review the decision carefully and monitor the appeal as it moves through the process, but, again, this is being done by the independent arm's length regulator of the province's energy sector, the OEB," Ontario Energy Minister Glenn Thibeault said Monday at Queen's Park.

NDP MPP Peter Tabuns, however, charged that "the privatized Hydro One will not accept regulation by the OEB and will do whatever it can to claim profits for its private investors at ratepayer expense."

A hearing has not yet been set on the matter, which could also have some bearing on Hydro One's distribution rates. The OEB said in the ruling that the "recapture ratio" for shareholders – the 71 per cent figure for transmission rates – would be 84 per cent for distribution customers.

Hydro One Networks operates approximately 98 per cent of Ontario's electricity transmission system, its high-voltage wires, steel towers and transmission stations. Networks also serves about 25 per cent of electricity customers in Ontario via its distribution business, which involves the smaller lines and poles in rural and remote areas.

Hydro One had said last week it was preparing the motion to review and vary the OEB's decision, which had also reduced the amount of planned capital spending and compensation costs that could be recovered from ratepayers. As well, the company said it is considering an appeal of the decision on its 2017-18 transmission rate application to Ontario's Divisional Court.

Shares of Hydro One saw a small decline Friday morning, trading at around $22.57 as of 11:00 a.m. ET. The company's stock price is still up about 3.8 per cent since its shares began trading in 2015.

Bill Kelly: Why do Ontarians support Wynne's flawed hydro plan?
Bill Kelly
Global News
Oct. 20, 2017

There seems to be general agreement with Ontario's auditor general, that the Wynne government's plan to reduce our hydro bills, is going to cost us a lot more money in the long run.

So why do public opinion polls show that the plan is so popular with Ontario voters?

A financial planner friend of mine offered some insight into my question.

He told me that, from a purely financial perspective, taking out a 20-year mortgage to buy a house is a lousy move too because you end up paying a lot more for the house because of interest payments.

But people do it anyway because the monthly payments are a lot more affordable than paying the true cost of the house up front.

And so it is with our hydro bills; if that amount owing number on our hydro bill is lower than last winter, we're happy consumers.

But that's not to say that Ontario voters give a thumbs up to the government's hydro strategy; we're still ticked off at how badly managed and costly hydro in Ontario has become and we're frustrated that neither the NDP nor the PCs have come up with a better plan to lower our hydro bills.

Ontario hydro may be a total disaster, but the government has made the cost of that disaster more affordable to consumers, and in the absence of anything better, we'll take that deal.

MPP Smith blasts Liberals on report
Communitypress.ca
Oct. 20, 2017

BELLEVILLE - Ontario's Auditor General has said Ontarians will be on the hook for $4 billion more after the next election thanks to the Ontario government's hydro plan.

"From 2028 on, ratepayers will be charged more than the actual cost of the electricity being produced in order to pay back the borrowings." Auditor General Bonnie Lysyk said in her report.

"Applying the government's complex accounting/financing structure could result in Ontarians incurring extra interest costs over 30 years that could total up to $4 billion more than necessary."

Putting Ontario ratepayers on the hook for $4 billion more in additional costs isn't sitting well with a number of members of the Ontario Legislature, including Prince Edward-Hastings MPP Todd Smith.

"The policies of this government have forced thousands of Ontarians into energy poverty already," Smith stated. "What today's Auditor report revealed is that now, not only will Ontario ratepayers be paying more after the next election, they'll be paying $4 billion more on their electricity bills just to keep the plan off the government's books."

The complex financing and accounting structure the government has set up not only adds to the cost that will eventually be paid by ratepayers, it also calls into question the province's budget and its debt burden, stressed Smith.

"The province's independent Auditor General says that you can't believe the province's books." Smith added. "This report is a damning condemnation of how Kathleen Wynne and this government have systematically attacked and destroyed faith in our public institutions."

Smith went on to state the motivation for trying to hide the cost of the massive hydro debt scheme from ratepayers is all about next year's election.

"From the beginning, this was only about protecting Liberal poll numbers not Ontario ratepayers." Smith concluded. "And now, we're all going to pay for it, whether we like it or not. Every Ontario household is basically going to be paying $800 on their electricity bill to help Kathleen Wynne's re-election chances."

Kenora Hydro holds public meeting on possible merger with Thunder Bay Hydro
CBC News
Oct. 20, 2017

Two utilities in northwestern Ontario are one step closer to becoming one, after a public meeting was held in Kenora, Ont. on Thursday evening about the proposed merger with Thunder Bay Hydro.

"We signed the letter of intent, I believe, a year ago," said Dave Sinclair, the president and CEO of Kenora Hydro, adding that "[they] have been engaged in discussions about merging ... [for] probably 20 years, at least, at various points in time."

He said the utility business is changing in northwestern Ontario and the lack of customer growth coupled with rising costs has made it challenging to run the business over the last few years.

"Our revenue from additional customers coming in, from a lack of growth, it remains the same, unless we raise rates," Sinclair continued, "so it's become a difficult situation because our costs continue to rise, obviously."

He said some advantages of the possible merger include extra support on the administrative side, as well as the opportunity to access Thunder Bay Hydro's resources and skills.

The public meeting allowed customers to give feedback and ask questions about the proposed merger. Sinclair said the utility will prepare a report in about a month to inform Kenora city council on whether the merge should go ahead.

"We'll have a look at what we are hearing from customers ... to try to address any concerns that they might have," Sinclair added, and "I think status quo frankly, is off the table, [because] I just don't see that as being viable anymore."

Beaverbrook president pleased with Hydro One proposal ahead of public meeting
Jessica Cunha
Kanata Kourier-Standard
Oct. 20, 2017

Ahead of a public meeting with Hydro One to discuss the utility's plans to maintain its hydro corridors, Neil Thomson said he's pleased with a proposal put forward by the company.

Hydro One has agreed to a proposal to allow homeowners to trim hedges and trees within the corridor's safety zone on their properties. It will also schedule consultations with homeowners ahead of any planned work.

"Hydro One tabled a proposal for us which was surprisingly good," said Thomson, president of the Kanata Beaverbrook Community Association. "They have listened. They have made substantial improvements to the way the process is going to happen."

A public meeting with Hydro One representatives will take place on Oct. 30 at 7:30 p.m. at the Mlacak Centre.

The meeting comes after the utility clear-cut its corridor in Morgan's Grant over the summer with little consultation or notice to the community, and then marked trees in Beaverbrook residents' backyards with no explanation.

Many of the marked trees are more than 50 years old and located within Hydro One's easement for its power lines. The corridor overlaps the backyards and properties of at least 125 homes in the area, as well as the Kanata Golf and Country Club.

Homeowners expressed concern Hydro One would remove the vegetation on their properties, so the association, with help from residents in the area, worked over the summer to develop a plan to stop that from happening, meeting with top officials from Hydro One three times in three months.

Hydro One chief operating officer Greg Kiraly wrote a letter to residents in August, committing to work with the community to develop "a fair and flexible maintenance plan that strikes a balance between safety, reliability and the enjoyment of the corridor."

What has been proposed is a step in the right direction, said Thomson.

"There's always going to be people who aren't going to be happy, but in terms of a trade-off in respecting the homeowner, respecting the green space and the safety, it's looking good," he said.

PILOT PROJECT

The utility has committed to working with the community to transition how vegetation within its corridor and on private property will be maintained as part of a pilot project.

"People will get the right to maintain it within that safety zone; hydro won't touch it," said Thomson. "But if it intrudes into the (danger) zone, hydro will take it out."

Hydro One agreed to schedule meetings with affected homeowners to outline where the safety zone is for each home – where homeowners can conduct their own upkeep – as well as to arrange meetings with people prior to any planned maintenance on their properties.

The utility will update its education tools to include a list of compatible and incompatible vegetation and work with homeowners to identify anything of concern growing within the corridor, said Thomson. It has also committed to continue trimming trees within the Beaverbrook easement – on a three-year cycle at first with a move to a six-year schedule once the vegetation is under control, he said.

“They gave us more than we thought they were going to give us,” Thomson said. “They very clearly listened.”

Hydro One won’t be doing all the corrections at once, he added, saying the company will set out a timeline for the transition.

As well, any vegetation deemed a danger, completely incompatible, or dying, dead or rotted, will need to be removed, which is “really in the homeowners’ interest to let them take it down,” Thomson said.

PLANNED WORK IN SOUTH KANATA IN 2018

Thomson is encouraging everyone to attend the public meeting, particularly those who live near a hydro corridor or have easements on or close to their properties.

There is planned work on the corridor that runs through Beaverbrook and crosses into south Kanata in 2018. Future work will take place on corridors throughout the city.

“They probably want to show up and learn about this because they’re next,” Thomson said of the potential audience for the meeting. “A lot of communities that don’t have easements on their property don’t know this (work is coming).”

MEETING DETAILS

The public meeting is set to take place on Monday, Oct. 30, beginning at 7:30 p.m. in the upper halls at the Mlacak Centre, 2500 Campeau Dr.

For more information, visit HydroOne.com/Beaverbrook and kanatabeaverbrook.ca.

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