

Evening Media Scan: Hydro Rate Reduction - November 2, 2017

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MEDIA SCAN: HYDRO RATE REDUCTION PLAN

November 2, 2017

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ObserverXtra: Electricity pricing schemes creating uncertainty

By: Faisal Ali

November 2, 2017

<https://observerxtra.com/2017/11/02/electricity-pricing-schemes-creating-uncertainty/>

Businesses and homeowners alike feeling under siege by rising electricity rates got a bit of a reprieve this week from the Ontario Energy Board. The organization that typically sets rates on May 1 and November 1 indicated there would be no increase this time around, a departure from what's been the norm for years.

The board's announcement came in conjunction with the shift of time of use (TOU) billing to the winter schedule effective Wednesday.

Holding the line on prices is a marked departure from the norm for the province, which has seen electricity costs soar predictably over the last several years. This is in line with the new Long-term Energy Plan set out by the province last week, which touts a 25 per cent reduction in electricity rates, the result of billions in increased debt down the road.

According to data on the Ontario Energy Board website, between 2008 and 2016, TOU electricity prices rose an average 9.3 per cent a year.

"It's been a huge issue I think for businesses and all sectors across Ontario, and I think this will be, along with labour legislation, probably the dominant issues in the election coming up, the provincial election next spring," noted Art Sinclair, vice-president of the KW Chamber of Commerce

The current rates sit at 6.5 cents per kWh during off-peak periods, 9.5 cents during mid-peak, and 13.2 per kWh during on-peak hours.

The electricity rates dropped significantly on May 1 of this year in anticipation of the expected adoption of the so-called Fair Hydro Plan by the provincial government. The plan mandated a 25 per cent immediate decrease in electricity prices, followed by increases being pegged to inflation for the next four years. Once the plan came into effect in June, the Ontario Energy Board dropped the rates again the month after in July to their current value.

The rate decreases are bound to offer some relief to Ontarians on their energy bills, at least for the short-term.

However, some independent analysts say the relief is only temporary and the plan will cost taxpayers more, and drive electricity prices even higher in long-run.

The Ontario Financial Accountability Office, an independent research organization that provides information to the provincial legislature, has said that temporary rate decrease being experienced currently will be offset by much larger expenses down the road.

According to its report, the FAO found the refinancing cost proposed by Kathleen Wynne's government will see the province borrow an average of \$2.5 billion annually to subsidize consumers' electricity. This, together with an HST rebate on electricity and some relief programs, will see electricity rates drop for most people for the next ten years.

However, from 2028 to 2049, taxpayers will be forced to pay back those loans with interest, ultimately driving electricity prices even higher than they would have been otherwise. The net result will save \$24-billion on their bills in the short-term while costing \$45 billion in the coming years.

The Auditor General of Ontario, likewise a non-partisan officer of the legislative assembly, raised similar concerns about the plan. In its October 2017 report, the office claimed the provincial government was deliberately obscuring the details around the refinancing.

"After reviewing the information available to us, it is clear to us that the government's intention ... was to avoid showing a deficit in the province's budgets and consolidated financial statements for 2017/18 to 2019/20, and to likewise show no increase in the provincial net debt," read the report from Bonnie Lysyk.

More than that, the report says, "it was known that the planned financing structure could result in significant unnecessary costs for Ontarians."

The report notes that eligible ratepayers will only pay 75 per cent of their energy bills over the course of the program. However, to make up for the shortfall and pay electricity generators the full amount entitled in their contracts, the province must float the other 25 per cent.

Of that, nine per cent is taken care off through the HST rebate and other programs. The remaining 16 per cent must be borrowed from capital markets at the provincial borrowing rate.

"The province incurs interest on the 16 per cent OFA [Ontario Financing Authority] borrowings, and a future government will eventually collect money from Ontarians (ratepayers, taxpayers or both) to repay both the principal borrowed and the accumulated interest."

For businesses, the uncertainty in electricity rates going forward are a natural deterrent to growth.

"It's the long-term stability of the system that I think is a concern for most businesses across the province of Ontario," noted Sinclair.

"You just look at the debt that's been incurred across the system and it goes back years. This isn't a problem that started five, six years ago; this has just been kind of a systematic problem across the province for 40 or 50 years."

For local utility companies like Waterloo North Hydro and Kitchener Wilmot Hydro, while much of the pricing points are essentially out of their hands, there is still a fair bit that the companies can, and have, been doing.

"For a lot of businesses here in Waterloo Region or particularly in the cities, Waterloo North Hydro has been exceptionally good in working with our local businesses and so has Kitchener Wilmot [Hydro]," said Sinclair.

Jeff Quint, manager of energy efficiency at Waterloo North Hydro, explained that the company was willing to work with their customers to help them lower their bills any way they can.

"We spend a lot of time in the field working with the customers to try and help them where their energy is used and how they can make better use of it," said Quint, noting their services were available to everyone from residential customers to large-scale industrial plants, and everything in between.

With electricity prices facing a shaky future, energy-efficiency may be the best relief for people looking for a sustained reduction in their electricity bills.

Chronicle Journal Energy plan 'sketchy,' says NDP candidate

By: John Rafferty, Thunder Bay-Atikokan NDP provincial candidate
Nov 2, 2017

http://www.chroniclejournal.com/opinion/energy-plan-sketchy-says-ndp-candidate/article_15aa3f18-bfc7-11e7-adc5-eb84ddee687d.html

Thanks to Michael Lyle for his recent letter to the editor (Continue Conversation on Regional Electricity - CJ, Oct. 31) inviting us to talk about the future of electricity in Northern Ontario.

Kathleen Wynne has just released the (third) Liberal Long-term Energy Plan. Over the next decade, household electricity bills will jump 43 per cent. The cost to large Southern Ontario industrial power consumers will jump about 30 per cent over the next six years, with Northern Ontario industrial consumers being hit even harder. Our rates will rise by nearly 40 per cent. Kathleen Wynne doesn't mention how many northern jobs will be lost.

This is the true cost of her sketchy borrowing scheme.

Tens of billions of dollars borrowed (plus \$4 billion in interest) to artificially and temporarily lower hydro rates to buy a few votes in the next provincial election. Sound familiar? Think gas plant scandal.

Northerners won't be fooled.