

Wynne's Watts: delivery charges

To the Editor,

It sure is gratifying to see the consumer attention to the latest application from Hydro One, our local distributor, to jack up our rates again for 2018 to '22. Ten years ago when I first started my rants on our egregious electricity costs, a rate application would not hit the radar for most folks. But today, even the politicians want to get on this bandwagon (note recent letters from Smith and Thibault, our MPP and our current Energy Minister). Energy Ministers under the Liberals has been a revolving door over the past 14 years but Mr Thibault is the current holder as of this month.

Let's be clear on the electricity bureaucracy here in Ontario: there are three primary businesses; power generation (OPG the largest government agency here), transmission (those massive Hydro One towers you see), and local distribution (70 companies do this but us in this part of Ontario, unfortunately Hydro One is our supplier). This letter is about the last two.

When Premier Wynne promises to cut the cost of electricity 25 per cent it has nothing to do with creating more efficient operating entities in OPG or its siblings so that power produced is cheaper; it's simply spreading their costs over a longer time period through the magic of more debt. And this promise from Premier Wynne is independent of the costs of transmission and distribution.

But I have sat as an intervenor at Hydro One applications for delivery charges before the OEB in the past and this process is not at all about the political decision making (like how to hide the incredible inefficiency of Hydro One), but about the cozy relationship between Hydro One and its erstwhile regulator the OEB. Certainly the OEB scolds Hydro One and occasionally even cuts back their request... but it's not a process with the consumer's best interests in mind despite what the current Energy Minister says. And I don't recall ever seeing the current Energy Minister attend a hearing, so how Mr. Thibault would know about what happens there is a mystery.

How cozy is it? Well, when Susan Frank the VP of Regulatory Affairs retired on a Hydro One pension in May of 2015 it was no surprise to me that she showed up as a board member at the OEB a month later...it's really very symbiotic, they look after each other. And the brutal fact is that it's a process that penalizes conservation by consumers. Here's how.

In February 2017 I was invited to a meeting with Hydro One in advance of this latest application. Now the process is this: the OEB in 2014 gave Hydro One a forecast of consumption for its 1.3 million customers for 2015 to '17. As with all of the Liberal economic forecasts for the past 14 years it was decidedly rosy, with rising electricity consumption. Hydro One then developed their costs against the revenue anticipated by this rosy forecast. Remember, despite the sale of half the business it is still a regulated operation that gets paid on the basis of costs plus a return. And included in that revenue forecast is their government guaranteed return on equity.

So what happened over the period in question? Well for 2016, for example, the consumption was down a little over nine per cent from the OEB forecast. Consumers are doing everything they can to cut their power consumption on the assumption this will save them money. Not news for you, I am sure.

Well it doesn't work that way. The first item on the Hydro One 'rebasings' in advance of new rates for 2018 was a two per cent revenue adjustment for revenue the OEB promised, but consumers didn't use thanks to conservation. That's right: when you conserve, Hydro One simply raises their unit costs with the next application to make up for any shortfall caused by your conservation.

Now the OEB knows this is idiocy but so far hasn't figured out how to tell Hydro One they don't get paid for power they don't deliver!

And a word about that \$141 number being quoted as the new delivery increase. As intervenors we have regularly chastised Hydro One for picking a consumption pattern and rate class that will show minimal cost impact. The OEB agrees and scolds Hydro One but the practice persists and it's partly because their rate structure is so convoluted the impact varies widely.

And of course Hydro One and the OEB have to do the mating dance this year that purports to be a regulatory process on consumers' behalf. Once they agree on the increase for Hydro One in distribution and transmission (and there will be an increase) Premier Wynne will likely give it to them and add the cost to her massive electricity long term debt.

And of course while this mismanagement of the core Hydro One business continues unabated, the CEO is out scouting for more companies to buy in the U.S. (Hydro One has bought a number of smaller Ontario electric utilities over the years).

And we still don't have a start date for the hearings on the rate increase, as the OEB struggles with the volume of nasty letters and requests for new intervenor status.

But I will be looking for Mr. Thibault (as I did for his predecessors) once the meetings start.

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