Ontario’s Power Trip: Big Becky still busted?

Financial Post Staff  May 25, 2010 – 5:11 pm

By Parker Gallant

On May 13th Hydro One issued a news release on their 1st quarter results and OPG followed May 21st with release of their 1st quarter results. The releases went out on the usual news wire services but it appears no one picked them up. Combined revenue at $2.8 Billion was down slightly but combined net income was up by $139 million. On closer examination the increase was from OPG and related to their nuclear funds gaining market value of $147 million and they picked up an extra $44 million from OEFC for the coal generation agreement. In fact H1’s profit was down and OPG would have lost money without those special gains. OPG managed to reduce their operations costs by 2% but H1’s went up 6% so there is no evidence of any productivity gains. H1’s distributed power was down again by 5% (conservation?) and OPG’s generation was down 4%. OPG’s average sale price of electricity was down 10% from 4.8 cents a kWh to 4.3 cents a kWh.

So this begs the question; why did RPP & TOU rates go up if OPG’s power costs declined?

OPG had much more to say about “Big Becky” in their MDA (management discussion & analysis) report. The report is full of bon mots such as “uncertainty with respect to the cost”, “major equipment breakdown is also a risk factor”, “there is risk with respect to the rate of progress”, “there are also uncertainties associated with future project activities, such as the installation of the upper two-thirds of the concrete lining” and “events such as tunnel failure or flood”, etc. It sounds like they are setting up to let us know that they have blown through the “revised budget” of $1.6 Billion. OPG are still in negotiations with OEFC to increase their financing for Big Becky but they did manage to get OEFC to refinance $900 million plus of debt due this year.

Other disturbing pieces of news can be found in H1’s report. Their dividend to the Province declined by $94 million while their debt went up by almost $1 Billion. The decline in dividend payments will slow payout of that old stranded debt as will OPG’s debt extension and H1’s borrowing activities.