

Ontario's Power Trip: The 20% hydro grab

By Financial Post Staff, May 11, 2010 – 7:12 pm

Why electricity bills in Canada's biggest province are set to soar

By Parker Gallant

Since I began the Ontario Power Trip series, I've received many requests from people asking me to tell them how much their electricity bill would go up. My first stab at an answer was to tell people it looked like about 20%.

Last week, Toronto Hydro told the *National Post's* editorial board that Toronto area electricity bills will be rising by about 20%. Toronto, of course, is not alone here. Similar increases will hit all Ontario electricity consumers — and there are more to come.

Ontario electricity costs are made up of a long chain of fees, costs, debits, adjustments, charges, and other items too complicated to list and itemize. But let's try. I decided to look at my Toronto Hydro bill and figure out how my power bill was likely to go up in the near future. The calculations get even more complicated because, in theory at least, beginning on May 1 Ontario consumers with Smart Meters will be under a new Time of Use (TOU) system.

HOW TO READ AN ONTARIO ELECTRICITY BILL*

Two Month billing period for 2480 kWhs

	Apr. RPP	Aug. RPP	Aug. TOU ¹
ELECTRICITY: This will have 2 or 3 lines depending on the plan ■ If on Regulated Price Plan there will be 2 lines based on how much electricity you used ■ If on Time of Use this will be 3 lines based on when you used electricity	\$155.31	\$180.99	\$174.05
DELIVERY: This is only 1 line but includes: ■ Customer Charge: Varies but generally in the range of \$15/\$30 per month ■ Transmission Charge: This is what Hydro One charges to deliver electricity to the local distributor ■ Distribution Charge: This is what the local distributor charge to deliver electricity ■ Regulatory Asset Recovery Charge: Who knows? ■ Lost Revenue Adjustment Charge: Hydro One or the local distributor is recouping for conservation ads on TV and for consumption reduction. ■ Shared Savings Costs: Charge for picking up old fridge or stove	\$93.79	\$102.14	\$102.14
REGULATORY: Only one line but it includes ■ Wholesale Market Rate: To pay for IESO & OPA costs ■ Standard Supply Service: A monthly fee to collect the costs of billing.	\$17.21	\$17.26	\$17.26
DEBT RETIREMENT FUND: Payment of Ontario Hydro's "Standed Debt" for another 63 years	\$17.36	\$17.36	\$17.36
SUB-TOTAL	\$283.67	\$317.75	\$310.81
GST: Set to become HST July 1st and increase to 13%	\$14.19	\$41.30	\$40.40
TOTAL	\$297.86	\$359.05	\$351.21
PERCENTAGE INCREASE:		20.5%	17.9%

1. Time of Use calculated at 6.887cents per kWh - average of pricing over 7 day week-actual cost will likely be higher.

* This explanation does not apply to clients of direct marketers

NATIONAL POST

My billing date was April 1, so I chose Aug. 1 for comparison purposes. That's when Ontario's new HST kicks in. Under the regulated price plan (RPP) my bill (assuming I use 2480 kWhs over two months) will increase by \$61 (up 20.5%) for two months' worth of power. Under the TOU plan, it will increase by \$53 (up 17.9%). That means my electricity bill will jump \$366 on an annual basis under the RPP and \$318 under TOU.

That's before we get to new rate increase applications in the hopper with the Ontario Energy Board, the regulator. As one example, Toronto Hydro has OEB approval to increase the "regulatory charge" to recover 2007 costs associated with "Shared Savings

Mechanisms” (SSM), “Lost Revenue Adjustment Mechanism” (LRAM) and “Conservation & Demand Management” (CDM) that will add 0.49¢ a month to the bill.

Also awaiting OEB approval is another application from Toronto Hydro. It said the following: “In addition, the global economic downturn and other factors such as conservation have significantly eroded demand for power and energy.” As a result, Toronto Hydro “would be unable to recover its existing revenue requirement given the reduced load it is now experiencing.”

So the equation in the public-utility sector is: Demand down, rates up!

So why are they spending money to tell us to conserve, if the final result is to get us to pay more? They are asking for increases of 10.5% and 13.4%, based on usage under/over 800 kWh per month. Other utilities across Ontario have plans for similar rate increases.

In an effort to help Ontarians understand their electricity bills, the chart above may help. Every line on this chart requires an application to the OEB by the distributor, such as Hydro One, or a local distributor, such as Toronto Hydro. This chart doesn’t include IESO, the OPA, the OPG or other private-sector generators that also submit applications.

Readers will note that there’s a \$17.36 bi-monthly fee to cover the “stranded debt” of the old Ontario Hydro. That’s a story in itself (see below).

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Parker Gallant is a retired Canadian banker who began looking at his Ontario electricity bill and didn’t like what he was seeing.

One of a continuing series on Ontario’s electricity market.