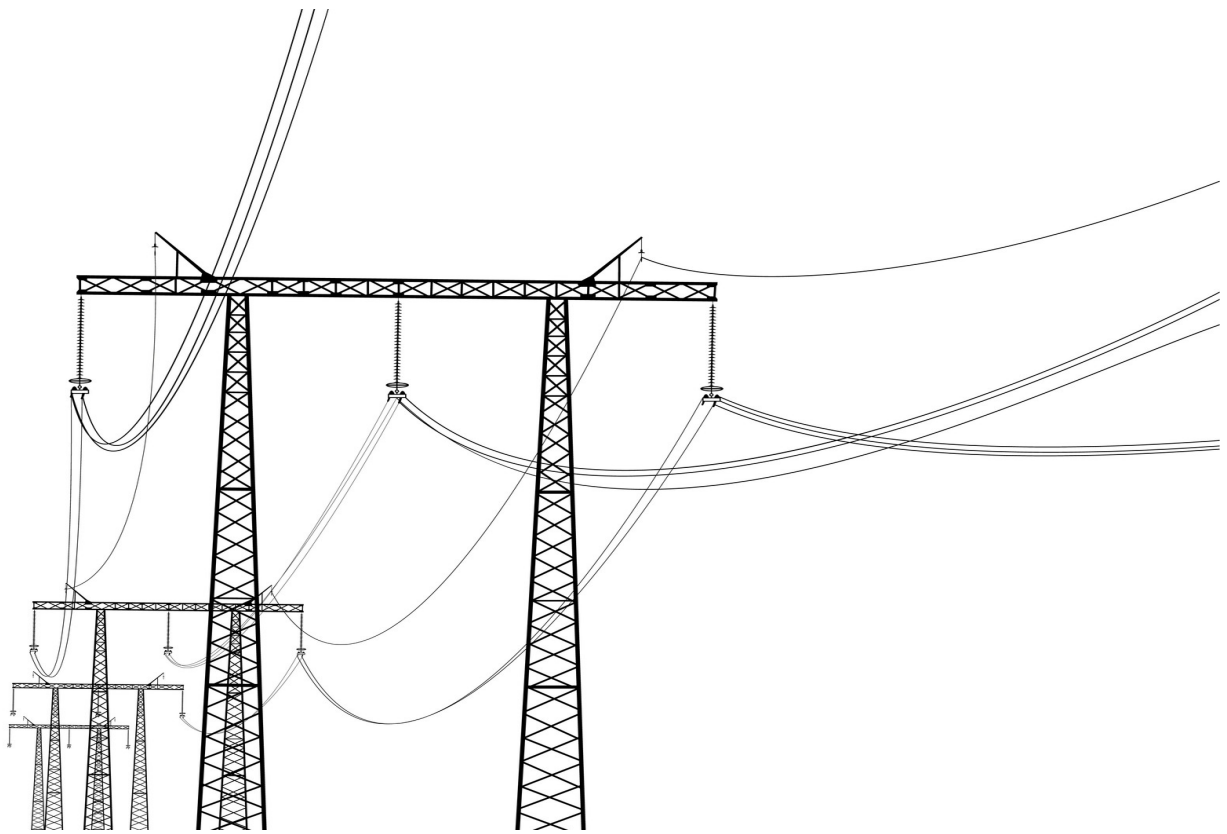


Getting zapped: Ontario's residential hydro prices are increasing faster than anywhere else in North America



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Executive Summary

Ontario households have the unwanted distinction of seeing their electricity rates climb faster than those of any other jurisdiction on the continent. A look at Toronto Hydro, Hydro One and Hydro Ottawa, which account for almost half of the province's residential ratepayers, provides the grim details.

Since 2006, residential customers buying electricity from these three distributors have seen power prices go up faster than the average customer in any of the 50 U.S. states and every province in Canada, according to a study released by the Consumer Policy Institute and Energy Probe.

Toronto Hydro's residential customers paid, on average, 72.4% more for power by the end of 2015 than they did in 2006. Hydro One's residential customers paid 68% more for power than they did in 2006. Hydro Ottawa customers paid 71% more for power.

In the United States, meanwhile, electricity prices have increased by an average of 22% between 2006 and 2015 – nearly one-fourth the increase experienced by typical ratepayers in Ontario.

In Canada, Ontario's electricity price increases have outpaced every other province.

The decade-long trend shows no sign of abating, as electricity prices over the last year in Ontario continued to increase at a faster rate than other goods and services, as well as most other jurisdictions.

I. A Decade of Soaring Electricity Prices

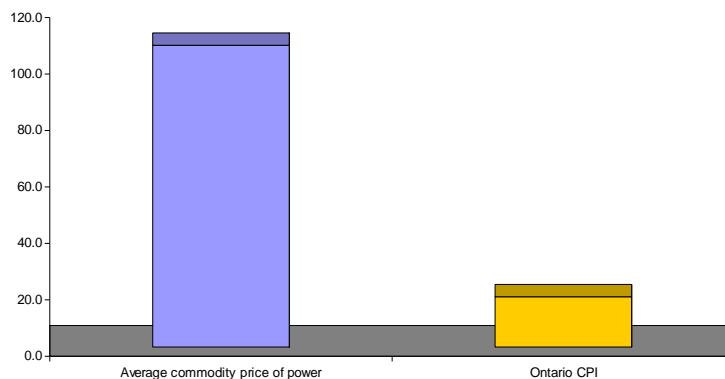
The Ontario government wants its citizens to believe that electricity price increases in this province aren't as bad as neighbouring provinces and U.S. states. The Minister of Energy recently said so in an op-ed, defending the province's energy policies.

“While electricity prices — like the prices for all goods and services — are rising with inflation, the good news in Ontario is that our bills are increasing slower than they are in neighbouring jurisdictions, and slower than we predicted they would in our 2013 long term energy plan,” wrote Bob Chiarelli.¹

The numbers paint a different picture.

The price of power charged to all ratepayers² in Ontario has increased dramatically in recent years. The off-peak rate has increased by 144% over the last decade, while the mid-peak and peak rates have both increased 80%. In just the last year, the peak rate increased by 25%. The average increase in the price of power, as shown in Figure 1, has been 107% over the last nine years.

Figure 1: % change in electricity rates compared to CPI, 2006-2015



Meanwhile, the price of other goods – as measured by the Consumer Price Index (CPI) – increased by 17.8% over that time.³

When comparing the final price per kilowatt hour (kWh) charged to Ontario ratepayers to that paid in other jurisdictions, we must also include delivery (and other) charges and

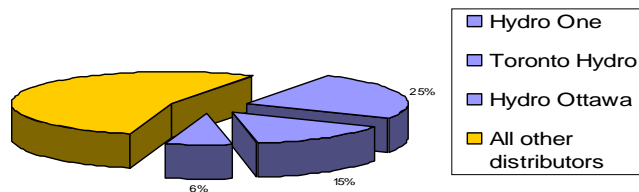
¹ “Energy minister defends electricity record”, <http://www.torontosun.com/2016/01/12/energy-minister-defends-electricity-record>

² This is known as the “commodity” portion of a hydro bill. It covers the cost of generating electricity at the province’s nuclear reactors, gas plants, dams and renewable generators, as well as conservation costs and other charges. The delivery portion is another component of the bill and covers the cost – the wires – of delivering that power to homes and businesses.

³ CANSIM 326-0020

levies. Our analysis shows that power prices⁴ for customers of some of Ontario’s largest distributors –Toronto Hydro, Hydro One and Hydro Ottawa⁵, which account for 46% of all residential ratepayers in the province (see Figure 2) – are increasing significantly faster than the average utility in the United States (see Figure 3).

Figure 2: Utilities’ % of residential electricity customers in Ontario



Between 2006 and 2015, the average price per kilowatt hour (kWh) for a residential Toronto Hydro customer increased by 72.4% – or about 8% annually (see Table 1).⁶

Hydro One customers – who are divided into three rate class, Urban (UR), Medium Density (R1) and Low Density (R2) – paid 66%, 70% and 67%, respectively, more per kWh.

Electricity prices for Hydro Ottawa’s residential customers increased by 71% over that time.

Table 1: Ontario electricity price increases

	Cents per kilowatt hour 2006	Cents per kilowatt hour 2015	% change
Toronto Hydro	11.75	20.26	72.4%
Hydro Ottawa	11.17	19.11	71.1%
Hydro One R1	13.20	22.52	70.6%
Hydro One R2	17.91	29.90	66.9%
Hydro One UR	12.02	19.99	66.3%

II. Ontario Fares Poorly Compared to the United States

Contrary to the claims of the Minister of Energy, electricity prices for Toronto Hydro, Hydro One and Hydro Ottawa customers are growing at a faster rate than for electricity customers across the United States. These Ontario customers have seen electricity prices

⁴ Price is the cost per kilowatt hour paid by ratepayers after all charges, fees, levies and taxes are included.

⁵ Hydro One and Toronto Hydro are the two largest electricity distributors, followed by Powersource and then Hydro Ottawa. Powersource was not included in this study as its rate classes have changed over the last decade, making any direct comparison difficult.

⁶ Electricity prices are compared from November 2006 and November 2015 (the most recent price).

jump by more than three times the average U.S. customer, who saw her bill increase by 22% per kWh over the last nine years. More incredibly, there is not one state among all 50 U.S. states where electricity rates have risen as fast as in Ontario.

Figure 3: % change in electricity price in Ontario compared to United States, 2006-2015

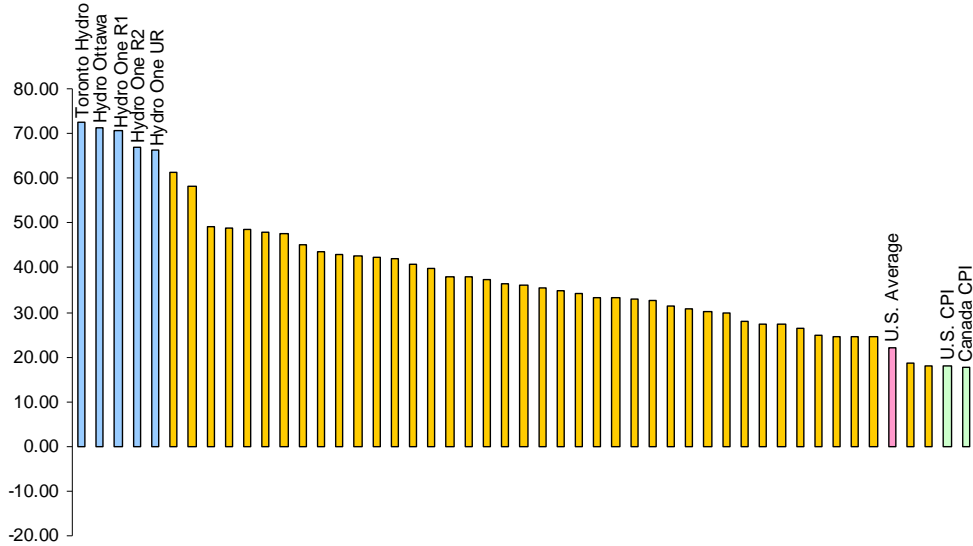


Table 2: Increase in electricity prices since 2006

	% change		% change
Toronto Hydro	72.38	Pennsylvania	33.24
Hydro Ottawa	71.12	Montana	33.09
Hydro One R1	70.62	Tennessee	32.52
Hydro One R2	66.93	Washington	31.52
Hydro One UR	66.32	Arizona	30.85
Idaho	61.35	District of Columbia	30.16
West Virginia	58.27	Georgia	29.85
Kansas	49.21	Hawaii	27.92
Illinois	48.93	Vermont	27.48
Missouri	48.66	Rhode Island	27.25
Michigan	47.80	New Hampshire	26.50
Nebraska	47.50	Iowa	24.71
Utah	45.19	New Jersey	24.53
Kentucky	43.59	North Carolina	24.45
Oregon	42.91	Connecticut	24.44
Maryland	42.53	U.S. Average	22.12
Wyoming	42.19	California	18.56
Minnesota	42.07	Oklahoma	18.01
South Dakota	40.74	U.S. CPI	17.88
New Mexico	39.85	Canada CPI	17.77
North Dakota	38.10	Mississippi	17.08
South Carolina	37.87	Nevada	15.52
Wisconsin	37.39	Delaware	13.59
Indiana	36.25	Maine	13.12
Alaska	36.14	Massachusetts	12.23
Ohio	35.44	Arkansas	11.53
Alabama	34.97	New York	10.66
Virginia	34.16	Florida	3.88
Colorado	33.37	Louisiana	1.20
		Texas	-9.25

III. Ontario Utilities and Electricity Regulators Ignore Biggest Customer Complaint

Ontario ratepayers have repeatedly stated that their number one concern is keeping electricity price increases to a minimum. All of the utilities examined in this report have submitted extensive details of recently completed customer surveys. In every case, the main concern among residential customers – trumping other factors such as reliability and customer service – was the price they paid for power.

In a customer survey done by Toronto Hydro, one-in-four customers responded that the utility could “lower rates/cost too much” when asked if there was “anything in particular” the company could do to improve its service.⁷ That response was both the most common response and nearly double the number of respondents who said the company could “eliminate” or “control power outages.”

In response to a Hydro One survey, 56% of customers indicated that “price” was the biggest issue of concern – more than double the percentage of customers that highlighted reliability as their biggest complaint.⁸

And for Hydro Ottawa, nearly one-in-five customers indicated that the utility could “reduce rates” as a way to improve service – more than double the number who highlighted fewer outages or blackouts.⁹

While prices will likely always be a top priority for customers, the utilities – and the province, which is largely responsible for generation costs – are doing little to contain soaring rates.

IV. Decade-long Trend Shows No Sign of Ending

Electricity price increases in Ontario in the past year have continued on the same path as they have over the past decade, with prices increasing at a faster clip than most areas in North America. For example, Toronto Hydro, Hydro One and Hydro Ottawa customers all saw annual power prices increase by more than 5% (some more than double) between 2014 and 2015. The price of power from most other utilities in the province has increased at a similar rate.

Meanwhile, in the United States, the average price for electricity in one-third of all states either declined or largely remained the same (below 1%) over the past year.

⁷ EB-2014-0116, Exhibit 1B, Tab 2

⁸ EB-2013-0416, Exhibit A, Tab 5

⁹ EB-2015-0004 Exhibit A, Tab 3

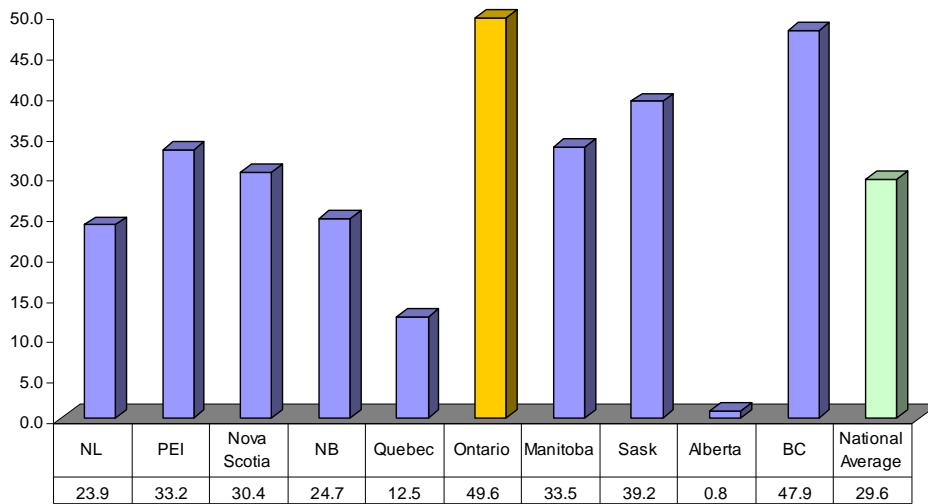
Table 3: % electricity price increase, 2014-2015

	Average 2015 retail price	Average 2014 retail price	% Change
Massachusetts	19.82	17.16	15.50
Rhode Island	19.24	17.18	11.99
Hydro One (R2)	29.90	26.71	11.95
Toronto Hydro	20.26	18.48	9.64
Hydro Ottawa	19.11	17.45	9.51
Montana	11.02	10.24	7.62
Hydro One (R1)	22.52	20.98	7.36
West Virginia	10.05	9.37	7.26
North Dakota	9.86	9.26	6.48
New Hampshire	18.57	17.44	6.48
Connecticut	20.98	19.72	6.39
Iowa	12.01	11.29	6.38
Hydro One (UR)	19.99	18.91	5.69
Wisconsin	14.44	13.71	5.32
Illinois	12.54	11.93	5.11
Alaska	20.19	19.21	5.10
California	16.99	16.18	5.01
Wyoming	11.02	10.5	4.95
South Dakota	11.02	10.52	4.75
Nebraska	10.93	10.52	3.90
Arkansas	9.87	9.55	3.35
Pennsylvania	13.79	13.35	3.30
Utah	11.02	10.68	3.18
Washington	8.97	8.72	2.87
Missouri	11.06	10.76	2.79
Arizona	12.3	11.98	2.67
New Mexico	12.67	12.35	2.59
Idaho	10.02	9.77	2.56
Alabama	11.81	11.52	2.52
Maine	15.61	15.23	2.50
Virginia	11.39	11.12	2.43
Minnesota	12.36	12.07	2.40
Oregon	10.69	10.49	1.91
North Carolina	11.35	11.17	1.61
Maryland	13.84	13.64	1.47
New Jersey	15.99	15.8	1.20
Ohio	12.65	12.5	1.20
U.S. Average	12.7	12.55	1.20
Delaware	13.46	13.32	1.05
Kansas	12.31	12.24	0.57
District of Columbia	12.86	12.81	0.39
Mississippi	11.31	11.32	-0.09
Oklahoma	10.09	10.13	-0.39
South Carolina	12.45	12.5	-0.40
Michigan	14.44	14.52	-0.55
Tennessee	10.27	10.35	-0.77
Nevada	12.8	12.93	-1.01
Florida	11.77	11.89	-1.01
Kentucky	10.08	10.19	-1.08
Georgia	11.57	11.75	-1.53
Texas	11.67	11.87	-1.68
Colorado	12.03	12.25	-1.80
Indiana	11.2	11.48	-2.44
Vermont	17.07	17.56	-2.79
Louisiana	9.25	9.6	-3.65
New York	18.69	20.15	-7.25
Hawaii	29.87	37.28	-19.88

V. What About Ontario's Electricity Prices Compared To Other Provinces?

Electricity customers in Ontario's are also faring worse compared to ratepayers in Canada's other provinces. According to the electricity component of Statistics Canada's Consumer Price Index data, Ontario customers have seen the largest increase in electricity prices of anywhere in Canada – more than 60% higher than the national average.

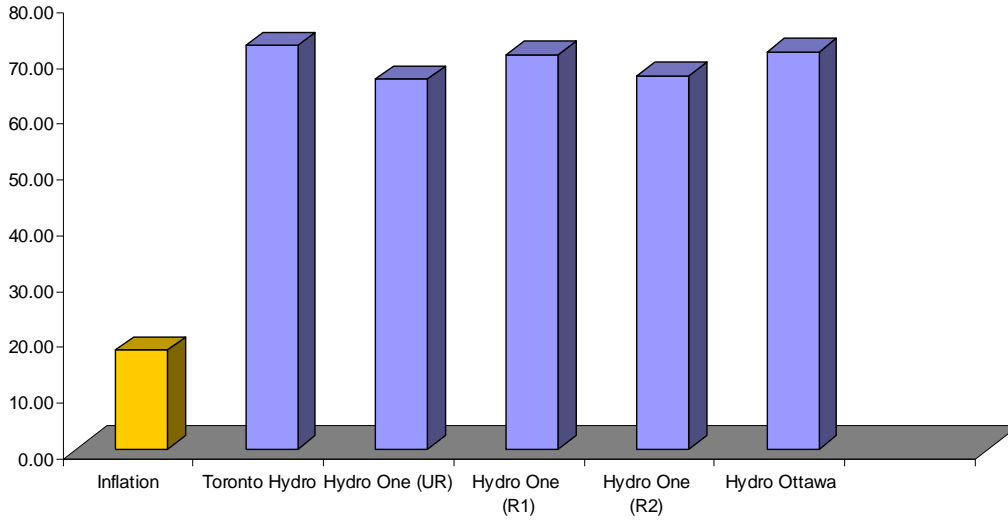
Figure 4: % change in electricity prices among Canadian provinces, 2006-2015



VI. Electricity Prices Are Increasing Faster Than Almost Everything Else

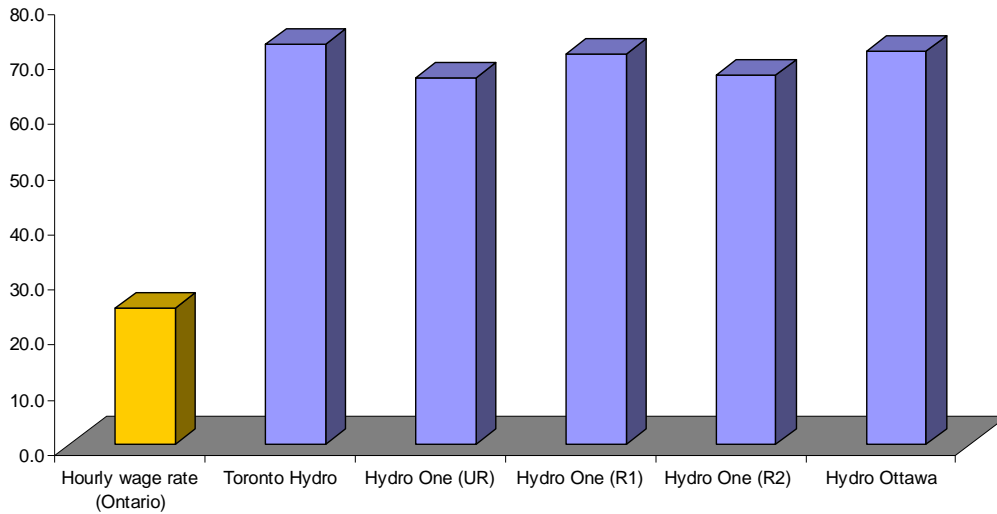
Not only are electricity prices for customers of Toronto Hydro, Hydro One and Hydro Ottawa increasing at a faster rate than for customers of other utilities, but they are also growing at a faster rate than the price for other goods and wages in the province. The Consumer Price Index (CPI) in Ontario, which measures the price of goods and services, increased by 17.8% since 2006 – or about one-fourth the increase in the price of electricity for some customers.

Figure 5: % change in Ontario CPI compared to electricity price increases, 2006-2015



Average wages¹⁰ in the province over that time increased by 25% – or about 2.7% annually.

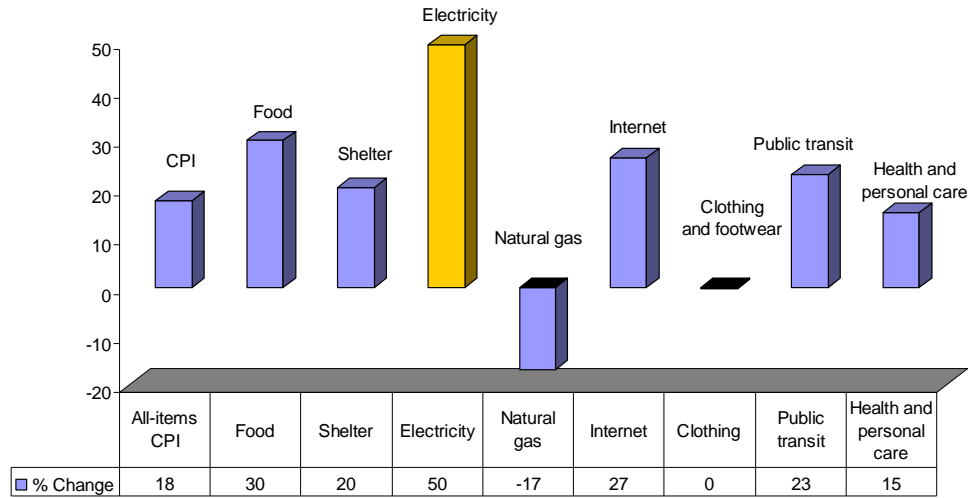
Figure 6: % change in Ontario hourly wages compared to electricity prices, 2006-2015



Electricity prices in Ontario have also grown at a faster rate than other forms of energy (natural gas), as well as services offered by other public agencies (transit) and private utilities (internet).

¹⁰ CANSIM Table 282-0151

Figure 7: % Change in various components of Ontario CPI, 2006-2015



VII. Conclusion

Contrary to claims from the Ministry of Energy, power prices in Ontario are increasing faster than for other goods and services, and they are rising faster in Ontario than in any other province or state in the continent.

Methodology:

For the study, we used the total bill – including both commodity and delivery costs, as well as HST (GST in 2006) – for hydro customers consuming 800 kilowatt hours (kWh) per month and then broke this down on a per kWh basis. 800 kWh of consumption per month is the same average used by both the distributors and the Ontario Energy Board (OEB) when they examine the impact of rates on monthly bills. The rates charged to ratepayers come from the OEB's rate application database.

Most hydro customers are now billed using time-of-use rates (TOU), which charges them a different rate for power consumed during peak, mid-peak and off-peak hours. The OEB expects the average customer to use 512 kWh of power in off-peak hours and 144 kWh in both mid-peak and peak hours (800 kWh in total). The schedule for determining peak and off-peak hours is set by the OEB, but can be changed by the province through directives. While most ratepayers did not pay TOU rates in 2006, the OEB publishes data for what those rates would have been in 2006, which we used, as it makes any comparison to 2015 more accurate.

For Toronto Hydro, we examined the per kWh price increase for residential ratepayers, but did not consider rates charged to customers in condo buildings, as that rate class did not exist in 2006. For 2015 rates, we used the figures from the utility's five-year rate application and then applied a 5.5% discount to account for the OEB's final decision.

For Hydro One, we compared the per kWh price increase for the distributor's three main customer classes: urban residential (UR), medium rural residential (R1) and rural residential (R2). Many R2 customers can apply for a monthly credit – known as the Rural or Remote Rate Protection (RRRP) – to help offset that rate class' high bill. We didn't include that credit, as it simply shifts the cost of serving these customers to other ratepayers who pay for it through a monthly charge on their bills. It doesn't offer a real solution to control above-average inflation increases on hydro bills for all ratepayers – plus it would have been granted in both 2006 and 2015.

For Hydro Ottawa we used the standard residential rate class.

For customers of Toronto Hydro, Hydro One and Hydro Ottawa, we did not include the Ontario Clean Energy Benefit (OCEB). Starting in 2011 and running until the end of 2015, the OCEB applied a 10% reduction to all hydro bills. We didn't include this reduction in our calculation, as it does not represent a real reduction in the price of hydro, but simply shifts that cost from ratepayers to taxpayers. The program is expected to cost the province's taxpayers, in total, more than \$5 billion. The OCEB was introduced as a way to mask the significant increases ratepayers were seeing on their hydro bills.

For U.S. figures, we used the U.S. Energy Information Agency's (EIA) state-level retail electricity prices. The EIA data uses a statistical average of the retail price per kWh paid by ratepayers across each state. We used the average price for U.S. ratepayers in 2006 and year-to-date in 2015, which excludes December, as that data was not available at the

time of the study. The retail price, according to the EIA, includes all taxes and levies paid by ratepayers.

For Canadian electricity rates, the data comes from the electricity portion of Statistics Canada's Consumer Price Index.