



Media Release

Ontario Energy Board decision creates regulatory uncertainty and will make it difficult to keep the lights on in Toronto

(Toronto, January 5, 2012) Released earlier today, the Ontario Energy Board's (OEB) decision rejected Toronto Hydro's application to use a "Cost of Service" formula to set rates. This is a source of great concern for a group of private sector companies and unions known as Keep The Lights On (KTLO). KTLO members work with utility companies to improve the capacity and reliability of the underground, overhead, network and station grid systems across Ontario.

Toronto Hydro had requested a capital budget of \$600 million, which the OEB has rejected. Instead, the OEB advised Toronto Hydro to make a new application compliant with the Incentive Regulation Mechanism (IRM) formula.

The OEB rejected Toronto Hydro's argument that the current IRM formula was a less appropriate funding formula than a "Cost of Service" model.

A key factor in the IRM calculation is that the "depreciated" value of the assets (i.e. power lines, transformers, etc.) is closely linked to the allowed capital budget spends. Arguably, IRM is biased against those utilities operating in older communities that are faced with a higher percentage of dated and depreciated equipment and power lines in pressing need of upgrades and repairs.

KTLO contends the reliance on the IRM model and the limiting of the Toronto Hydro capital budget by the Ontario Energy Board will seriously impact economic development and confidence in Toronto as a world-class city. KTLO spokesperson Giselle Matin stated, "A frozen capital budget with rising costs and aging infrastructure translates to a lower level of electricity system reliability, rendering Toronto a less attractive destination for doing business. This will certainly result in job losses."

Ms. Matin further observed, "With more than one-quarter of Toronto Hydro's distribution system already past its useful life and an additional 19 percent categorized as reaching "end of life" during the next decade, appropriate investment is necessary or future outages and brownouts will continue to increase."

"Regretfully, we are all aware that keeping the lights on in Toronto will require a substantial investment. However, fixing the system after it fails is certainly a more expensive proposition. Retaining technical staff, and supporting preventive maintenance and repairs are all an investment in Toronto's future," concluded Ms. Matin.

-30-

For more information or to arrange interviews contact: Don Huff, Environmental Communication Options, 416-972-7404 or C 416-805-7720

Keep The Lights On is a consortium of labour and private contractors dedicated to raising the awareness of the importance of capital investment in electricity distribution structure to ensure and enhance reliability.