

## **Letter to Editor - City, utility ink shareholder deal – Mar 13, 2017**

Once again taxpayers are being misled about the cost of the financial blunders being made at the North Bay Hydro Distribution (Hydro).

The purpose of the new shareholder declaration (declaration) is not, as suggested by the lawyer hired to amend the declaration, to optimize the changes in best practice and legislation since the de-regulation of hydro. The sole purpose is to legitimize the actions of the various councils who have been in violation of the existing Hydro declaration since the company was formed in 2000.

The North Bay Taxpayers' Association has alerted Council on a number of occasions that Hydro directors (Council members) were in violation of the existing declaration by charging more than was required to fund operations. We were met with a chorus of denials that this was not the case.

Since the new declaration is the polar opposite of the original one it is evident that we were correct. Rather than protecting the interest of taxpayers, who are the owners and sole supporters of Hydro, by reducing delivery charges and following the existing declaration, councillors are choosing to legitimise the actions of Hydro directors to pad delivery charges to customers. This requires customers to pay a penalty to Hydro Financial Corporation in the form of PIL's (payments-in-lieu-of-taxes) which have amounted to and continue to amount to millions of dollars since 2000.

The majority of the changes to the new declaration are not benefits, as suggested, but detrimental to taxpayers.

The claim that the new declaration provides "competitive service to the community" suggests that Hydro actually has competition when in fact it has a group of captive customers and a delivery monopoly. Hydro is the sole choice for the delivery of electricity to citizens and changing the declaration does not alter that fact.

Another claim is the new declaration will protect the "growing the value of the corporation". This ignores the fact that the value of the corporation grows only through the infusion of extra funds from taxpayers, who are the owners and sole customers of Hydro. When extra funds are given to Hydro they must pay a 26.5% penalty in the form of PIL's to the Hydro Financial Corporation. This means that to increase the value of Hydro by \$1 customers must contribute \$1.37 in cash. How beneficial does that proposition sound? Yet this is what is happening and being described as a benefit!

To "optimize the dividend payment to the shareholder" is being touted as another benefit of this new declaration. Hydro has been doing this for years in contravention of the old shareholder's declaration and as mentioned it has been costing taxpayers millions in penalties. What is not being mentioned here is that the each dividend payment to the city is also subject to the 26.5% penalty in the form of PIL's and results in taxpayers paying by \$1.37 for every \$1.00 in dividends they receive. So the result is

that Hydro is taking \$1.37 from taxpayers, giving \$.37 to Hydro Financial and then giving back the remaining \$1.00 of their own money to taxpayers in the form of a dividend to the City. The new declaration legitimizes this charade at the continued cost to taxpayers.

Needless to say the remaining "benefits" mentioned in the article are similarly harmful to taxpayers pocket books or inconsequential as a reason to change the declaration. This type of financial mismanagement is one of the reasons that Hydro delivery charges are at their current levels.

We know we have more competent people in North Bay who may be reluctant to come forward and citizens need to encourage them to step up at election time which is coming up in 2018.