Oct 3/09

Hydro bill hike could be coming

Horizon lost $2.8m when U.S. Steel shut

BY STEVE ARNOLD

Hydro bills could be going up across Hamilton and St. Catharines because U.S. Steel isn't using enough electricity.

In a special appeal to the Ontario Energy Board revealed yesterday, Horizon Utilities is asking for approval to hike power costs by about 32 cents a month to homeowners and 80 cents a month to business users.

Horizon said it needs the emergency rate hike to make up more than $2.8 million in revenue it lost when U.S. Steel shut down its Hamilton operations.

"It's all about our fixed costs," explained Horizon spokesperson Sandy Manners. "In a normal year those would be spread across all our customers, but nobody saw this economic downturn coming, or how bad it would be.

"It's a question of Horizon having to supply power to the entire grid," she added. "We have to maintain the same wires, cables and generators no matter how many customers there are. It's all about fixed costs."

Manners added the municipally owned company has managed to avoid increasing rates in its last two applications by cutting its costs and searching for efficiencies, but there's a limit to how far that can go.

Horizon tells the OEB in its application that for the rate year that ended April 30, its revenue from the former Stelco fell by more than $744,000. From May 1 this year to April 30, 2011 it expects to lose more than $2.1 million.

To offset that, Horizon wants to hike its delivery charges for electricity about one-third of one per cent effective Jan. 1, 2010 through to April 30, 2011 when it expects to file for a general rate increase.

When its current rates were set, Horizon said, it expected total distribution revenue of more than $86.6 million with 12 large users accounting for seven per cent of that total.

Those figures were based on the assumption the largest users would consume as much electricity as they had in 2006.

A single company was expected to consume about 30 per cent of the power demanded by the large user group, but shortly after the rate application filed in 2007, that user was purchased by an American company which sharply curtailed Hamilton operations in November 2008 and then indefinitely shut down the local plant in March. Since then limited operations have resumed producing material for further processing at an American plant of the same company.

Horizon refused to name the specific customer in its application, but all of those details match developments around the U.S. Steel purchase of the former Stelco.

Those shutdowns caused Horizon revenue from large users to fall by more than $1.8 million between May 2008 and June of this year, with more than $926,000 of the decline attributed to U.S. Steel.

Some of the revenue shortfall could be made up by deferring maintenance and capital projects, Horizon said, but that's only a temporary fix because the work will have to be done in 2010 when revenue from U.S. Steel is expected to fall more than $1 million.

Norm Rubin, of Toronto-based Energy Probe, had some sympathy for Horizon's predicament.

"It costs the same to fix a downed wire whether it's a fat line or a skinny line," he said. "It's not right to ask Horizon to run at a loss, so customers have to make up the difference."

While a utility's forecasts about demand are always best guesses, sometimes events change the environment and "this is an unusual time we've entered into," he added. "In the end, when there's one less body holding up the load, everyone else has to carry a little more."

Details of the Horizon application are on the Internet at www.oeb.gov.on.ca. The OEB will make its decision only on written submissions unless there's a demand for a public hearing.

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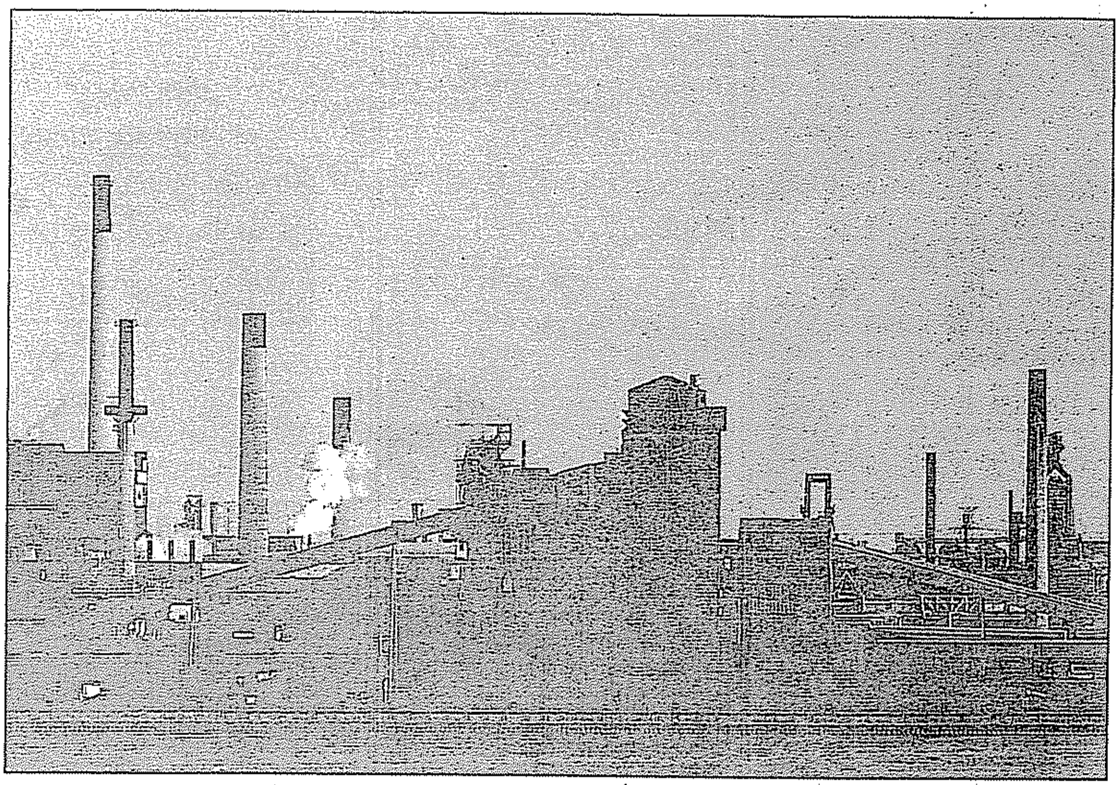

BARRY GRAY, THE HAMILTON SPECTATOR

Horizon Utilities says its revenues are down due to shutdowns by large companies such as U.S. Steel.