

Town councillors vote to retain Milton Hydro

By IRENE GENTLE
The Champion

Town council has voted to retain the newly-privatized Milton Hydro.

But fine-tuning may be required to ease the mis-givings of some councillors and residents.

A plan to assume a \$14 million debt through recapitalization of the hydro company's equity is a bad move for ratepayers, resident Pat Kelly told council Monday.

Residents should not be asked to shoulder a debt that the Town isn't forced to assume, he argued.

But Milton CAO Mario Belvedere argued that adding debt is a solid business practice that will lower the company's tax rate in the end.

And that, he said, benefits everyone, particularly if the hydro company borrows from the Town.

In that scenario, interest payments would pass back into Town coffers.

"Council will have the extra funds to do what they wish with," said Mr. Belvedere. "Council will decide how to spend them."

But Mr. Kelly remained unconvinced that the strategy was a sound one for ratepayers.

"I understand that there are difficulties and the new Milton Hydro will have to pay taxes," said Mr. Kelly. "But you are asking Milton residents to pay a debt while Milton council gets money."

Assuming a debt will lower annual profits, consequently lowering taxation, said consultant Marvin Stemeroff, director of Deloitte and Touche.

"Often debt is cheaper than equity. A company that has very little debt and has profit is going to be taxed," he said. "The impact on user rates is signif-



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MARIO BELVEDERE

icantly higher if a company is debt-free."

But running the hydro company as a not-for-profit or not-for-full-profit business would also decrease the takings while providing a bigger bang for the ratepayer's buck, countered Mr. Kelly.

"The other suggestion is to lower profits by not choosing a full-profit," he said. "That would also decrease profits and thusly taxes."

Residents will have to swallow huge hydro hikes no matter which model council selects, reminded Mayor Gord Krantz.

A debt estimated at \$39 billion left over from Ontario Hydro means that average bills are likely to increase by 8 to 11 per cent — or \$7 to \$9 per month — under any profit model.

Of that, about \$23 billion is expected to be passed down to the ratepayer through Bill 35, or the Energy Competition Act.

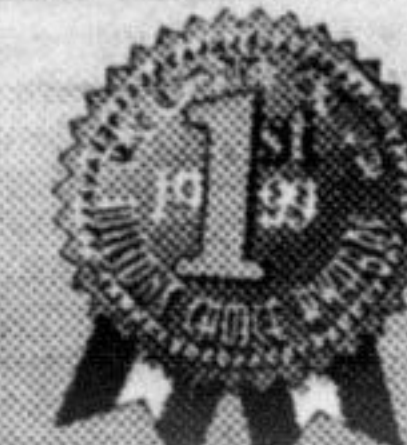
That bill aims to inject competition into every aspect of the electricity industry.

That is expected to eventually lower hydro rates by cutting out excess fat.

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