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Tory ally rejects Toronto Hydro privatization

Councillor Cesar Palacio is telling residents he “intervened” to help stop a sale of the electricity distributor



Toronto Councillor Cesar Palacio says about 1,000 of his constituents signed a petition demanding the city not sell Toronto Hydro. (RICK MADONIK / TORONTO STAR) | [ORDER THIS PHOTO](#)

By **DAVID RIDER** City Hall Bureau Chief
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An ally of Mayor John Tory says he would never support the sale of Toronto Hydro and seems to hint that a behind-the-scenes push for privatization is dead.

Councillor Cesar Palacio, a member of Tory’s executive committee, is responding to about 1,000 constituents who signed petitions demanding the electricity distributor remain wholly owned by the City of Toronto.

“I have never supported nor will I support privatizing Toronto Hydro or any other public utility, mainly ones that yield healthy and profitable dividends to the city,” Palacio’s statement says, adding a sale would provide only one-time temporary relief compared to annual hydro dividends that pumped \$56.3 million into the city’s budget last year.

Palacio takes aim at the Toronto Hydro board, which includes three of his council colleagues, for recently voting to [cut that dividend to \\$25 million a year](#), arguing it needs the rest of the money to fix an imbalance between debt and equity that could get it into costly trouble with bond-rating agencies and the rate-setting Ontario Energy Board.

“What I find most frustrating and completely outrageous is the recent media reports over the Toronto Hydro Board decision to reduce the dividend to \$25 million dollars, leaving a \$35-million hole in the 2017 city operating budget which is totally unacceptable. . . .” Palacio says in the statement.

“Let me reassure you that it is not in my nature to sell public assets; I’m glad to report, I have intervened and used my power to influence decision makers at City Hall to do the right thing and keep Toronto Hydro in public hands – stay tuned!”

His statement came one day before city manager Peter Wallace releases a report on the pros and cons of selling part or all of Toronto Hydro and the Toronto Parking Authority, which operates “Green P” lots and on-street parking.

The Star [revealed in January](#) that officials in Tory’s office and Toronto Hydro had been preparing groundwork for a possible sale of a minority stake in the utility, including the appointment a year ago of several pro-privatization members to the Hydro board of directors. The mayor himself was not part of those discussions.

At the time an energy expert told the Star a 49-per-cent sale could yield up to \$1.5 billion to fund Toronto transit expansion, social housing and other infrastructure, as well as a cash infusion for an electricity utility struggling with its own infrastructure demands and rising debt levels. Any sale, however, would cut the annual dividend.

In September, Tory used a [major speech to a business audience](#) to argue that Toronto needed to look hard at selling a minority stake — “unlocking the value that already exists in Toronto Hydro, while keeping it in public hands.”

He said Hydro needs to invest in the electricity grid to prevent blackouts, although the utility in 2015 got energy board approval for a rate hike to boost revenues including \$2.25 billion over five years specifically for capital improvements.

Hydro executives and the board prepared for an initial public offering of 49 per cent of the utility, including [hiring numerous consultants](#) to work on the file.

However, sources say Tory has, since cooled on the idea, at least partly because of low support among Torontonians and city councillors for a sale of the asset. The backdrop is the privatization of the province’s Hydro One and voter anger at Premier Kathleen Wynne over rising electricity bills.

City council will have final say over any sale of Toronto Hydro or the parking authority. Support for Hydro privatization, never strong among councillors, eroded further thanks to a [public campaign](#) by a coalition called Our Hydro that included unions, an environmental group and advocates for tenants of affordable housing.

Coalition members canvassed the homes of residents in the wards of executive committee members and arrived at city hall Tuesday to present a total of 2,500 petitions, many of them to Palacio’s office.

Read more about: [John Tory](#)