



ISSN 1180-5218

**Legislative Assembly
of Ontario**

Third Session, 37th Parliament

**Assemblée législative
de l'Ontario**

Troisième session, 37^e législature

**Official Report
of Debates
(Hansard)**

Saturday 22 June 2002

**Journal
des débats
(Hansard)**

Samedi 22 juin 2002

**Standing committee on
general government**

Reliable Energy and
Consumer Protection Act, 2002

**Comité permanent des
affaires gouvernementales**

Loi de 2002 sur la fiabilité
de l'énergie et la protection
des consommateurs

Chair: Steve Gilchrist
Clerk: Anne Stokes

Président : Steve Gilchrist
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3330 Whitney Block, 99 Wellesley St W
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation
3330 Édifice Whitney ; 99, rue Wellesley ouest
Toronto ON M7A 1A2
Téléphone, 416-325-7400 ; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Saturday 22 June 2002

Samedi 22 juin 2002

The committee met at 0903 in Kinsmen Auditorium, Chatham.

**RELIABLE ENERGY AND
CONSUMER PROTECTION ACT, 2002**

**LOI DE 2002 SUR LA FIABILITÉ
DE L'ÉNERGIE ET LA PROTECTION
DES CONSOMMATEURS**

Consideration of Bill 58, An Act to amend certain statutes in relation to the energy sector / Projet de loi 58, Loi modifiant certaines lois en ce qui concerne le secteur de l'énergie.

**ONTARIO FEDERATION
OF AGRICULTURE**

The Vice-Chair (Mr Norm Miller): I'd like to call this meeting to order. Our first presenter is with the Ontario Federation of Agriculture, if you could introduce yourself. You have 10 minutes to use as you please. You can either make a presentation for the whole time or leave time for questions, as suits you.

Mr Lynn Girty: I want to make a correction on your sheet. I am chair of the hydro subcommittee. Our current president would feel upset if I all of a sudden usurped him without an election.

First of all, we want to thank the committee for having these hearings. It is important to understand what we believe is a change in the way we are addressing this very important issue of hydro. Clearly, this whole system must be dealt with in a way that looks after the interests of the consumers and not be based on pure ideology, as has been somewhat the case until now. So we do welcome that change.

I have submitted copies. All of you are supposed to have those by now, as I understand. I'm going to take parts and go through them.

Ontario is used to, and generally pleased with, ownership of power lines where the owners are motivated by the need to ensure reliable service. This has worked without a hitch for over 90 years, using PUCs in most of Ontario's cities, and has worked very well until recently in rural and small-town Ontario using Hydro.

The PUCs were effectively regulated by the fact that they were elected and by the fact that they compete with

each other to provide good service at low cost in order to make their towns good places to set up businesses and to live. A great many Ontario people think this kind of public ownership of such natural monopolies works, and works well.

OFA has put their presentation together with a basic set of principles. One principle is that no matter what you do or what we do, the consumer will pay all the costs. You don't have to get fancy about the public and the private going to pay costs. Private enterprises, of which I am one, do not pay costs. We pass costs along. That's why we're there. We're in business to make profits. And if we have to borrow money, then besides the profits we want to make a return on investment. When you keep those kinds of principles in mind, along with the fact that we have an excellent working model in the PUCs, we would like to suggest there are some things we can do to make this system better and more accountable to the public.

First of all, transmission is a natural monopoly. It is the system that controls the grid. He who controls transmission controls the whole grid. The transmission system must be kept in public hands. There are opportunities for the transmission system now to be run by the supposedly publicly accountable Independent Market Operator. There certainly need to be some changes there, relative to the issues of accountability to the public and dissemination of information. Nonetheless, it is still a publicly accountable body that can make contracts with the local PUCs to make sure work is done on the transmission grid to meet the needs of the consumers all over Ontario. That's part of Hydro One, then, that doesn't need to exist any longer.

However, we have a range of ongoing difficulties embedded in the market power agreement that is in place now, and they're on page 2. One is that existing generators at the moment—I'm switching from transmission to generators—do not have to pay for connection to the grid, while new ones will have to pay. This gives existing generators a cost advantage and discourages new generators. All generators should have to pay for connection.

Second, export rates for transmission from Bruce to Detroit are 10% of the domestic rate—one tenth of the cost from Bruce to Windsor. This is an export subsidy and is wrong. We must credit the new minister and the old: they both confirmed these were the facts and have

given us encouragement to keep going. Moreover, it allows the exporter to boost the power price by the difference in transmission cost and encourages export.

Distribution is an entity that has two owners. You have the current PUC model, which works well and has worked well for many decades. That model has worked well because it is publicly accountable. The citizens who have it are the ones who are paying the cost. Those PUCs have to be competitive with their neighbours, or development will not go into those specific areas. At the same time, you have a system that, if it needs to be repaired, will be repaired by the people who pay the cost—again, the citizens of Ontario.

The other part of the distribution system is Hydro One. Hydro One, or old Hydro as it was termed, worked extremely well for many years. However, it suffered from a thousand cuts and is not working well at the moment. We would suggest that the government would be well placed to make it more attractive for the PUCs to pick up their respective rural distribution systems and manage them. In all cases, PUC areas are better served than Hydro One areas. We have an example of that here.

On page 3, at the bottom, we talk about some of the disadvantages of Hydro One at the moment if they continue to go as they are. At the moment we are allowing Hydro One distribution to generate a profit of \$323 million. That is equal to the entire profit out of farming in rural Ontario now. So you're just taking all that money out of the system. That means the rural areas will no longer have spare cash to maintain their areas and to assist in getting development.

0910

At the same time, Hydro One has cut their maintenance fees by \$200 million. It is virtually impossible now for economic development to happen in rural Ontario, partly because there can be no dependability or reliability of service in the rural area simply because Hydro One is unable to do that. We would recommend again that the PUCs take over Hydro One service areas where they can and, in areas where there are no PUCs, that we make it advantageous for PUC-like systems to be set up, again accountable to the public.

One of the other issues with Hydro One that can be resolved with PUCs is that Hydro One has not signed any reciprocal agreements with ambulance, fire or other services to assist in servicing the people. PUCs do that now.

In terms of fundraising for maintenance and growth, the PUC model would raise funds in several ways: the municipality could lend the PUC funds, the PUCs could collect contributions in aid of construction from customers, the PUCs could set rates to fund growth or PUCs could fund growth or maintenance out of retained earnings. In no case would the province be called on to guarantee or assist in funding growth, repairs or maintenance. The costs would be borne and raised locally and local people would enjoy the results, and again you would have the public accountability through the electoral process.

On page 4 we've done a section on the arithmetic of selling Hydro One. I'm not going to go through it all because of time constraints. In essence, you would have to generate a minimum of \$8.1 billion from the sale just to break even with what you have now, in terms of income generation. Even if you do that, you've lost control of the system. We would suggest that is not in the best interests of Ontario citizens.

The minister has indicated, in terms of the trade issue, that he has found a lawyer who has suggested we would win trade arguments if we privatized Hydro. I believe the minister has probably found that lawyer. In our system we have lawyers every day who are paid to argue both sides of any issue, so there is no doubt he's found a lawyer who will argue that. That's irrelevant. What's relevant is what the decisions have been up to now. All decisions have been against that kind of issue where you would have control. If it's privatized, the needs of the consumers will be abrogated or subrogated to the needs of the broader-based trade deficit. That is proven in law. We've had discussions with the new minister—he granted us a meeting after he said that—and he agreed that is probably the case and is certainly going to be an important issue we're going to have to deal with and it's one of the reasons we need to retain public control.

In summary, apart from protecting the environment, the need for a public role in building or maintaining generation is largely past. OFA encourages a market in the generation of electricity and asks that price-setting be made more competitive than the present price rule will allow. Transmission should be owned and run by the province, and new assets should be built with customer participation; this is the PUC model.

We close by suggesting that OFA wants every effort to be made to extend the PUC model to distribution for small and rural Ontario, and Hydro One distribution assets and appropriate shares of the Hydro One debt should be sold or even given to the municipalities, because again, in the end, the customer will pay the debt.

The Vice-Chair: Thank you very much. That allows us time for a question. Mr Hoy, thank you for welcoming us to your riding. Would you like to ask a question?

Mr Pat Hoy (Chatham-Kent Essex): How much time do we have?

The Vice-Chair: You have a minute.

Mr Hoy: First of all, let me thank you for making the presentation today on behalf of the OFA, farmers and rural customers. You mentioned that Hydro One must stay in public hands. There are reports in the media, and even indications from the government, that they might sell part of Hydro One. You say, keep it in public hands. Do you mean 100% of it or some portion thereof?

Mr Girty: We believe that the entities Hydro One controls need to be kept in public hands. The public hands could very well be PUCs, which are in public hands. If you don't want to keep Hydro One, allow the public to own it through PUCs. The government could, if they wanted, sell the building in downtown Toronto, because you wouldn't need it any more, but the entities

that Hydro One controls—transmission and distribution—must be kept in public hands. If Hydro One is not going to be allowed to operate it properly—which they aren't now on either end from a rural perspective—then we have the PUCs operate it, and we disband Hydro One and sell the building.

The Vice-Chair: Thank you very much for coming in today and making your presentation. We appreciate it.

RETIRED TEACHERS OF ONTARIO

The Vice-Chair: Is there a representative from the Retired Teachers of Ontario? Please state your name. You have 10 minutes to use as you please.

Mr John Tomlinson: John Tomlinson is my name. I'm from Windsor, although I was previously bureau chief for the Windsor Star in Chatham and Wallaceburg, so I have some familiarity with the area.

The Retired Teachers of Ontario did present a brief previously, so what I'd like to do is update the brief that has already been presented and make a couple of points.

First of all, the issue of competition: I'd start there, because I think much of the discussion with respect to privatization has been about competition. A concern we have is about the model or models that are used. For example, should there be different models to look at, provincially or internationally? How are hydro generating and transmission systems seen? How do they work in other countries? The most competitive model according to the Geneva-based World Economic Forum, or the most competitive country at least, is Finland, not the United States. Have we looked, for example, at northern and western Europe? What do they do?

Clearly, the key would be controlled management in an efficient way and what is cost-effective. So I think we really need to look at other models. I'm not sure we have done that. For instance, in the Windsor consultation which I was present at, there was nothing that was discussed about Alberta. I believe that is perhaps an issue as well. How does that fit into this? Has it worked well? There seems to be some discussion about how well it has worked.

Since low-cost and stable supply is something Ontario consumers are after, another tangential part of that—it comes back to us being from Windsor—would be safety concerns. I speak to regulation and enforcement: properly funded and supported enforcement agencies.

For instance, one of the things I did when I was a bureau chief for the Windsor Star was to cover energy board hearings, and occasionally, even in the past, there have been some difficulties that farmers have had. I know Union Gas presented in Windsor. I was at a hearing where Union Gas, as a model, had disconnected—if that's the word—one of the farmers, because it wasn't cost-effective or efficient in terms of their economies of scale to have isolated farmers hooked up in some cases. So I'm aware that the Union Gas model presented in Windsor may not always be a useful model. There are some disadvantages, obviously, with respect to rural

areas or isolated areas in the north. If we look strictly in terms of how economies of scale work, if that's what we go by, that would obviously be a concern. It has actually occurred here, which is perhaps surprising. So as a model—and again, there was a salesperson who presented in Windsor—I would simply bring that to your attention.

Another thing that bothers me would be the need to have unscheduled monitoring and checking—I've been familiar with the Chemical Valley in the past—and that has not always been true of government agencies. They haven't always done unscheduled monitoring. Often in the past, people have known in advance. There has been scheduled monitoring. So I think we need to build that in.

Clearly, with respect to the nuclear area being in the Windsor-Essex county area, the Fermi example near Amherstburg is a horror show. It's just a horror story about what can go wrong. Typically, I think if we use the American model, those safety concerns have to be really addressed. In this area, at least in terms of Windsor and Essex county, that certainly has been our experience. We don't believe the private sector has looked after that particular Fermi site very well.

0920

What do we have built into this particular system with respect to whistle-blowing? If people see something wrong in the system, are they protected? Is that part of what we're doing here? We need to do that. We have to do that.

Infrastructure spending must be maintained so that many of these problems don't occur. This can't be ignored because of constraints and cutbacks. The infrastructure spending, from what I understand, has not occurred as it should have. This is very serious. It will cost more in the long run. Why would we do that? We can't do that. There has to be consistent infrastructure spending. As well, this increases danger.

Regular incremental rate increases: where there need to be rate increases, there should be rate increases. If we needed to do that before—it's almost like a blame-the-victim mentality in my mind—why have we not done that? If we haven't done that, we should have. Why would we now be in a crisis situation because incremental increases haven't occurred? If they're deemed necessary, fine.

What I think the consumer needs to be looking at is, if there are special deals for the so-called big guys, what happens to low-income people? What happens to seniors? What happens to the average person? All of that is not necessarily clear to me. If we make these special deals at the expense of the average consumer, I don't understand why that's a good thing.

If we need other models, to get back to that question, I have a suggestion. Perhaps after the interim board is no longer there, however that's fixed, I think Howard Pawley, former Premier of Manitoba, distinguished scholar in law and political science at the University of Windsor, would provide valuable input. The Manitoba example is well-run, profitable, expanding and publicly

owned. Why would Howard Pawley not be somebody who would be useful to have on a board? If there's to be a balance, and arguably that seems to be something the government looks to, we have people in our area who I think would be very good. Certainly Howard's reputation in terms of his experience would be something to look at.

So it is trust and confidence in the long term and stability; not the whims of the marketplace, not worrying about US shortages, not worrying about NAFTA challenges if a partial sale occurs, because we don't know who is in control. I think that is a danger if we look at partial sales.

Essentially, as the retired teachers group, we are opposed to privatization, as many municipalities have expressed, as the polls have expressed. Seemingly the majority of people are opposed. But I think it's the slippery slope of partial privatization that concerns me at this stage, because if in fact some of this is privatized, where does that leave us? Why would we do that? We may be opening up a situation that we really don't know how to address. Certainly, again, the NAFTA case is very significant.

I'll conclude. Again, these are just a couple of sentences from our brief. Based on research undertaken by our members, it is evident to RTO/ERO that the government has neither the support nor the mandate of its electorate to deregulate electrical energy. The government has no political mandate to sell Hydro One or any other component of the public hydro system. It also does not have the legal right to do so. Meaningful consultation with the public is not to be confused with governing by polls. Governing by leadership is not to be confused with listening to the people.

Our concerns, which again are on page 2 of the brief that was previously submitted, would include the negative experiences of jurisdictions outside of Ontario, including Alberta and California; the unlikelihood of maintaining stable, affordable prices for this precious commodity in a privatized retail market; having to sign, in many cases, with unknown suppliers; lack of legislation and regulations in place to deal with the control of transmission costs, generating costs, safeguarding against the creation of shortages by American retailers to falsely increase prices, maintenance of lines and poles, which has often been spoken of in the consultations, servicing remote areas and small isolated communities, which I've spoken to, and pollution—an interesting issue as well; that would be perhaps a separate one—and nuclear waste control for private retailers, which is very serious; the lack of a legal mandate by the government to sell this valuable commodity to the private sector; and the lack of resources of the private sector to manage the distribution of service as compared with government resources to deal with an emergency—a major point—such as eastern Ontario's ice storm of several years ago.

The Vice-Chair: That allows time for a short question. It's time for the third party. Mr Bisson, welcome to the committee. Go ahead and ask a question.

Mr Gilles Bisson (Timmins-James Bay): Unfortunately, I only heard the last part of it, so I'm going to

reserve the questions for my colleagues who are here. But just by way of apology, it took about 30 minutes to find a cab from the airport, so I'm a little bit late flying in from Timmins this morning. I apologize. But I'm here for the duration. I cede my time to the Liberal caucus.

Ms Caroline Di Cocco (Sarnia-Lambton): You were saying there is an assumption that the private sector is going to invest. One of the comments that I found interesting was the possibility of partial privatization. Can you just reclarify for me the notion of what you consider that slippery slope of partial privatization?

Mr Tomlinson: As I understand it, under NAFTA, if we start to partially privatize Ontario Hydro, we are opening up a situation that we really don't know where it will lead. So if we basically keep it publicly owned and publicly managed, it seems to me it would be much safer. In the long term, my opinion, for what it's worth, is that if we look at other models where there is public ownership, they've been very efficient. Why would we want to open up this possibility? For example, we could be doing something that is quite legitimate but we could find ourselves in the courts having to defend a position which perhaps is justified but, because of NAFTA challenges, we may be having our hands tied. So I just feel that's a very unfortunate position to take as a government when we don't need to do that, in my opinion.

The Vice-Chair: Thank you very much for coming and taking the time to make your presentation this morning.

WALTER SPENCE

The Vice-Chair: Is Walter Spence here? Welcome, Mr Spence. You have 10 minutes to use as you please.

Mr Walter Spence: I'm here this morning as past president of the chamber of commerce, representing my age group, the senior citizens.

I'm not sure whether you have the first part of this presentation or not, because it's been presented to a couple of committees already. I'd like to briefly touch on the part of it that has been presented, just in case you haven't already seen it, but I'm pretty sure there's a copy for everybody.

Hydro deregulation: \$38 billion, which includes the cost of all high-paid COs who came and left over the years. I would ask a question: show me any place where this type of system has worked in the past when they've tried to use it—Canada, the United States, you name it.

As you know, the Pennsylvania system of electrical deregulation was held in very high esteem by the former Premier, Mr Harris. A Canadian promoter, Mark Adler, said Pennsylvania is held up as the best example of where everybody wants to be at the end of the day. Mr Ridge, a friend of President George Bush, carelessly promoted the Pennsylvania scenario as an eager energy star and, by doing this, he has somewhat hindered his presidential outlook. As you know, this caused a lot of financial problems in the States and I don't think we really want to go into a situation like that. When you read

about the Pennsylvania fiasco, I hope this committee convinces Premier Eves to stop this movement to sell Ontario Hydro once and for all. Once you read that, I can't understand why anybody would make a decision to do otherwise.

I'm sure you have all heard—and this is the part that hits home because, as I said, I'm in that age group now—about these so-called contracts for sale of electricity, natural gas and telephone. I would hope that all members of this committee have looked at one of these contracts. If you haven't, I urge you to look at one. The problem that exists with these contracts, and the high-pressure salespeople who sell them, is that they are immoral, illegal, and should not be sanctioned by the government the way they are written.

0930

I have a news release that was printed in the local papers and I would like to make sure the people in the province of Ontario read this, because it states that the "Quick Buck" contract is a deliberate and binding document that will take away your pocketbook and your savings. This has been proven in California, where so many thousands of senior citizens have lost their savings and even had to mortgage their homes. I don't think we really want that to happen in Canada, in the province of Ontario. We stand for a lot better than that.

You will find a response covering part of this news release, "The Privatization of Hydro One." I have also given you copies of a news release from the Hamilton Spectator with a copy of the Ontario Hydro mission statement. Hydro made a mission statement; you should read it. It's not very long, and it should be accompanied with this; I'm pretty sure I put it in here. Yes: "Ontario Hydro—Proud to Serve Ontario." But read their mission statement. I would ask that you read it and draw your own conclusions on selling Hydro One, which, as you all know, the province does not in any way, shape or form own. How can you sell something that you do not own? In 1997, when they tried to do the same thing, I stood up at the meeting with the provincial government at the Royal York and I said, "You're going to sell this?" "Oh, yeah. We're going to sell everything." I said, "No, you're not. You don't own it." It stopped dead in its tracks and I heard no more of it until now. Now they're doing it again. Did they think I forgot about it that quickly? You can't do something like this. It's against the law.

Advocating the sale of Hydro One, or any part of it, has brought about very different approaches to the way utilities sell hydro, the way utilities are charged for hydro, and the threat to utilities for the large debt payments to cover the \$38 billion that Hydro is supposed to owe—supposed to owe. A statement was made recently by our Ontario Treasurer that selling a portion of Ontario Hydro, approximately 40%, for \$2 billion would help balance a \$65-billion budget. Now, I've only been in business for 46 years, and if you can show me where 2.5% will balance a provincial budget, then I think we need to look at a new accountant. Since when would 2.5% help balance that, when 40% of Hydro is worth

\$12 billion to \$15 billion? Forty per cent of Ontario Hydro holdings is worth \$12 billion to \$15 billion, and we're going to sell it for \$2 billion? This is the real world, ladies and gentlemen.

I would draw your attention again to the irresponsible, illegal, immoral and fraudulent way the government is allowing these contractors, if you wish, to sell hydro, gas and telephone to the public at large. As part of the contract you sign, along with large increase in costs, the company may require you to pay a \$200 deposit up front in case they're not making any money. I'm sure you've all read this, because you can print it right off the Internet and it tells you what they're going to do to you before they do it.

When you stop and think about this, the Ontario government allowed these companies to become incorporated by licensing from the provincial government. I would say the provincial government should cancel these incorporated bandits. Why do I use the word "bandits"? Well, I get telephone calls and people coming to my office, and they say to me, "Last night at 9:30, two young people came to my door and demanded to see my utility bill. When I said no, they got very arrogant about it and said, 'If you don't show us your bill, we're going to cut your hydro off.'" Now, if the word "bandit" doesn't fit that, I don't know what does.

I would draw your attention to item 1 on the back page of this presentation. I'm pretty sure the back page shows a copy of my utility bill. To make it simple, the bill itself for energy is \$20.95; the water and wastewater portion of the bill is \$6.48. Adding these two together, you get \$27.43. Now, when you add up all the charges on the bill—and I don't know what you call them; you look at it and you tell me what you call them—my bill comes to \$174.85 for \$27.43 worth of energy and water. This is what the government of the day is forcing the utilities to do. They say they've got to pay this big debt; they're going to have to do this and they're going to have to do that. Pretty near every other day they are getting something telling them they've got to charge for. If my bill was \$27.43, I've got a 500% increase in service charges.

I would like to leave you with one saying. I know maybe a lot of you don't go back this far, but it's a phrase from Tennessee Ernie Ford's song and it went like this: "Another Day Older and Deeper in Debt.... I owe my Soul to the Company Store." That's just about exactly what's going to happen if this fiasco proceeds. You might think the line really doesn't mean much, but ask 100,000 senior citizens in California and other areas where this was allowed to happen, who lost their savings and mortgaged their homes, how they feel about it. I don't want this to happen to anyone in Ontario who has worked all of their life and is now a senior citizen enjoying the benefits of their labour.

I challenge the Premier of this province—and I can do it because I've known him for years; I dealt with him, having been 30 years in politics—and the elected MPPs not to allow the sale of Hydro One or the continued sale

of these ridiculous contracts. If you do, you are deliberately deserting your people in this province.

Thank you, Mr Chairman.

The Vice-Chair: Thank you, Mr Spence. That allows time for one short question from the government side.

Mr Steve Gilchrist (Scarborough East): Thank you very much, Mr Spence. You raised a number of issues, and I wish I had the time to refute a number of the incorrect assumptions you make here. For example, Pennsylvania's wholesale price has dropped 10% in the three years since their market opened. I would be happy to share these detailed statistics with you.

Let me go right to your bill, at the tail end. In fact, your rate went down. If you look carefully at your bill, what it's saying to you is that the top line was the charge for the last six days of April. Your bill straddled May 1 when the market opened. You were paying .0743 for your power in April. That dropped, when you add up the other charges, to .0728. The only difference is that now the charges are broken up. For the first time in your life, you know where your money's going when you pay your hydro bill. You probably didn't know you were going to subsidize all of your life people in northern Ontario. You probably didn't know there was a distribution charge that went one way and a generation charge that went the other way, because there have always been private generators in this country.

Mr Spence: That's correct.

Mr Gilchrist: So your rate went down. I see here as well that your previous month's bill was \$185. The month you're suggesting there was a 500% increase, it went down to \$174.

Mr Spence: That has no bearing on it, because a year ago—and I should have brought the bills—I was paying \$107 for the same thing.

Mr Gilchrist: But the rate didn't change up until May 1.

Mr Spence: But I'm paying a lot more now than I paid then.

Mr Gilchrist: Then you're using more power.

Mr Spence: No, I'm using less power.

Mr Gilchrist: Well, sir, unless your local utility raised their rates, I would invite you—you say you were in politics for 30 years. I'm going to tell you that Chatham deserves some credit. They're one of only about two or three communities in all of Ontario that didn't jack up the profit on all of their power to the maximum allowed by law. They went to only 6.04%. Every other utility in this province, save one or two, added 10%—9.88%. They turn and point a finger at us. They raised your rates 10% if you live outside Chatham and 6% in this community, and they've gotten away with it because it has always been buried in your bill and you never saw that before.

So I agree with you: we don't want to see rates go up. But let's call a spade a spade, and if the Chatham PUC raised your rates, please don't suggest that Queen's Park had a hand in that.

0940

Mr Spence: They're telling me that they have to raise the rates because of the charges that are going to be

coming for the cost of paying off Hydro's debt. You can go to the PUC and ask them.

Mr Gilchrist: They have always been non-profits. They always had to cover their costs. They are now covering their costs and adding another 6%. That's what the Chatham PUC is doing to you today.

Mr Bisson: That's the legislation, Steve. It clearly has allowed that, plus the legislation has increased in order to pick up the retired debt. So be truthful.

Mr Gilchrist: This wasn't your turn. And that's not being truthful. They can continue to operate as non-profits. There's no law that said they had to jack up the rates for Mr Spence.

Mr Spence: I don't mean to cause an argument, Mr Chairman, but what I wanted to do was get my point across to the government to look at this stuff. Whether it's right or wrong, I want it looked at because the senior citizens are being taken down the road and I'm not going to stand for it.

The Vice-Chair: Thank you very much for coming, Mr Spence. We appreciate it.

COUNCIL OF CANADIANS, CHATHAM-KENT CHAPTER

The Vice-Chair: Is the Council of Canadians representative here? If you could please introduce yourself, and you have 10 minutes to use as you please. Welcome.

Mr Victor Knight: Thank you, Mr Chairman, for the opportunity of 10 minutes to address an issue which can have catastrophic effects on the province of Ontario.

I am the present temporary chairman of the Council of Canadians, Chatham-Kent chapter, and a former retired teacher of the mentally challenged, as John Hodson, professor emeritus of Waterloo University, liked to introduce me when we were speaking on matters of economics.

Privatization: Who Benefits, Who Pays? Each of you on the committee has a copy of this.

In the summer of 1995, the then-Premier, Mike Harris, announced that Ontario Hydro would be privatized. The reason given was that it was in the financial interests of the people to privatize Ontario Hydro in order to save the public money. Subsequent to his announcement, the Ontario government has proceeded with this policy, the results of which you are familiar with.

It is apparent from steps which have been undertaken and statements made that not a single member of the provincial Legislature understands the differences between a publicly and privately owned corporation, the differences between publicly and privately created credit, their mandate under the Constitution Acts of 1867 and 1982, the Bank of Canada Act and the municipal financing act, Bill 143. The consequences of privatization are of such magnitude that I find it hard to believe that members of our governments are making decisions on which they are so ill-informed.

Private versus public ownership: the position of the government is that the private sector corporation can

provide services at a lesser cost to the public than a publicly owned corporation. But comparison of the costs of a publicly owned corporation and a privately owned corporation providing exactly the same services may prove revealing.

Since we are talking about electricity, imagine that the government has decided to build two identical generating plants, one to be publicly owned and the other to be privately owned. Being identical in all respects other than ownership—ownership—the tendered cost of the plants being \$100 million, financed at 8% over 25 years, the cost to the public of the publicly owned generator is \$228 million in round numbers. For the privately owned generator, the public pays \$228 million in round numbers. It is obvious from the chart that the total cost to the public through their utility rates for both the publicly owned and privately owned generator is exactly the same: \$228 million.

There are, however, differences that few politicians apparently are aware of. In the case of the publicly owned corporation, the public, through its utility rates, paid the total cost of \$228 million and retained ownership of the asset. Once paid for, the public no longer has to continue to pay for the asset they own. In the case of the privately owned corporation, the public, through their utility rates, paid exactly the same amount—\$228 million—yet they do not own it. The public has bought and paid for the asset of the private owners. The private owners in fact have got the asset for free.

In the case of the publicly owned asset, the public no longer has to make payments of principal and interest after they've paid the \$228 million. In the case of the privately owned asset, not only did the public buy the generator for the private owners but, most importantly, they must continue to pay what amounts to payments of interest and principal forever. The public is thus indentured to pay in perpetuity to the private owners. The privatization of Ontario Hydro will mean that my children and my grandchildren and your children and your grandchildren will continue to pay forever for the debt of Ontario Hydro.

Private versus public credit: the public has for the last 15 to 20 years been bombarded by the press and politicians that we can no longer afford the level of services we enjoy, that the country is so far in debt that the IMF will move in if we don't get our house in order. It would bode well for the public, and might prove invigorating to politicians, to see if there's not something fundamentally wrong with their understanding of what we loosely refer to as "money."

Assuming that, having risen to the position of public figures, you understand that banks do not earn money per se but create credit, we can refer back to the example of the identical generating plants. There are basically two sources of credit: (a) the private banking sector, primarily chartered banks; and (b) the public banking sector consisting of the Bank of Canada and the Province of Ontario Savings Office.

Let us imagine that one of the generators is financed by the private sector and the other financed by the public

sector. Plant A, the cost being \$100 million, is a publicly owned institution. That's their source of financing. It's paid for through the public utility rates. The total interest charged is \$128 million. The total cost to the public is \$228 million. Plant B, privately owned, is paid for through public utility rates. It pays exactly the same amount of interest and has a total cost of \$228 million.

In both cases, the public at first glance pays in their utility rates exactly the same amount of \$228 million. There are, however, profound differences between the cases. In the case of plant A, where the financial institution is owned by the public, the government in trust, the interest on the credit—\$128 million—is paid to the government acting as trustee for the public. The public then in fact receives back the interest as a dividend. This reduces the cost of plant A to \$100 million. Further, as the capital was borrowed from a publicly owned institution, the public, government as trustee again, receives the capital back. The cost to the public of plant A is now zero. If plant A is publicly owned, the public also retains ownership of the asset. The actual cost to the public of generator plant A is zero dollars.

In the case of plant B, where the financial institution is owned by the private sector, the consequences are profoundly different. Since the institution financing plant B is privately owned, the interest flows to the shareholders of the private banks. In this case, \$128 million in interest is the cost to the public. Further, since the original capital of \$100 million was created by the private bank, the \$100-million original capital cost is a cost to the public of \$100 million. The total cost of the privately financed generating plant to the public is now \$228 million.

It is critical to understand that in both cases, the public paid exactly the same amount of money through their utility rates, yet in one case they got all their costs back and in the other case they got none of their costs back. If plant B were owned by the private sector, the public would be committed to paying for the asset in perpetuity. Ownership determines cost to the public. It is mathematically impossible for the private sector to provide a service at a lesser cost than the public sector.

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Almost anyone of modest intelligence can, at the very least, appreciate that paying for something in perpetuity is more expensive than a defined payment period. Few, I think, amongst you would be willing to make payments on your car forever. Fewer, I think, would be willing to make mortgage payments on your homes forever. Politicians—you—have a fiduciary responsibility to the people who elect them. This is the fundamental principle of democratic government. The privatization of any part of Ontario Hydro or, for that matter, any public trust, is a gross violation of public trust.

Public versus private ownership: private ownership means payments forever of what amounts to principal and interest and profit. Public ownership means a limited number of payments of principal and interest until the debt is amortized. Private ownership means the public

pays the principal and interest on the capital debt for the private owners. In effect, the private owners get the asset for free or at no cost. Public ownership means the public pays the principal and interest but retains ownership of the asset. Thus, as pointed out in one and two above, there are not payments in perpetuity.

Private ownership, if it were to fall into non-resident hands, means that under NAFTA, the Ontario Energy Board has no power to regulate supply or cost. Public ownership means that the Ontario Energy Board has the power to regulate supply and cost. Private ownership in non-resident hands means that neither the federal, provincial nor municipal government has the power to impose environmental regulations; eg Ethyl Corp. Public ownership means the federal, provincial and municipal governments can enforce environmental regulations.

The Vice-Chair: Mr Knight, if you could conclude soon. We've gone over your time a little bit.

Mr Knight: OK. I just want to make one point. I think it's worth taking the extra time, since it's 10 minutes and I've been working on this for at least 10 or 15 years.

The net cost difference to the people of the province of Ontario, based on \$38 billion at 10%, amortized over 25 years, is \$76 billion. That is, the privatization of Ontario Hydro will cost the public \$76 billion more if it is privatized and, further, after it's paid for, the public will continue to pay for it over and over again. I'm sure you're capable of reading. I point out what the cost would be on the return on equity. At 10%, the cost to the people of Ontario is \$289 billion over the next 25 years. That's \$361 billion that's proposed by Mr Thompson, chairman of the Toronto-Dominion Bank.

If you take a look at some of the information that's enclosed in your package, you will see some articles that I've written as far back as 1975. I suggest you read them because they point out very concisely what has happened.

For those of you who don't think the legislation exists, here's a copy of the bill. I asked my member of Parliament to provide me with a copy of the bill, which he did. I doubt that one of you sitting around this table even knows that there was such an act.

The Vice-Chair: Thank you very much, Mr Knight. Your submission will go on the official record as well—the complete submission.

Mr Knight: I hope it does. I hope you do something with it.

The Vice-Chair: Thank you very much for taking the time to come in today.

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL 636

The Vice-Chair: The representative from the International Brotherhood of Electrical Workers, local 636, if you could please introduce yourself. You have 10 minutes for your presentation.

Mr Patrick Vlanich: Good morning. I'm Patrick Vlanich and I'm the education officer for local union 636 of the IBEW. On behalf of local union 636 and our 3,600

members, I would like to thank you for the opportunity to be here before you today.

Ours is a diversified organization that has earned the representation rights for bargaining units in both the public and private sectors across Ontario. Over our 80-year history, we have expanded our jurisdiction into such areas as health care and manufacturing but the majority of our members continue to work in the utility industry. It is important to remember that these men and women are also voters and consumers of electricity. Like most of their fellow citizens, they believe in public power and fully support the efforts to protect this invaluable asset.

We can think of no better cause to rally behind than that of preserving our power grid. In earlier submissions, the IBEW made clear its opposition to the radical changes introduced in the electrical industry by this government. Our position remains unaltered.

This government would like us to think that it has listened to at least some of the concerns raised during the consultations held prior to the drafting of this bill. Unfortunately, their decision to abandon the Hydro One IPO was probably motivated more by an instinct for political survival than a commitment to the common good. This is further evidenced by the government's appeal of the court decision by Justice Arthur Gans that blocked the proposed sale of Hydro One. Regardless of the outcome of such proceedings, through Bill 58, this government has legislated itself the authority to override a ruling that was not to their liking. Such action is proof positive of the wisdom of Shakespeare, who wrote, "Power corrupts; absolute power corrupts absolutely."

It was the Walkerton tragedy that first alerted the people of Ontario to the importance of drinking water. Prior to that horrific event, many simply took this precious and essential resource for granted. Today, not only across our province but also from coast to coast, Canadians have a renewed appreciation for water quality and a greater respect for those who are responsible for maintaining the integrity of our treatment facilities.

For Ontarians, similar alarms should have been sounded with the passage of the Electricity Act in 1998, which dismantled Ontario Hydro and forever altered the electricity industry in our province. However, it was not until the market opened to competition in May of this year that ratepayers began to understand the magnitude of the changes introduced. Recognizing that the reliable and affordable power that had been such an integral part of our province's growth and development was now in jeopardy, a grassroots campaign began to keep the power system in the hands of those who had built it. We remain committed to this pursuit.

At the local level, Ontarians have already shown their interest in maintaining ownership and control of their electrical systems. In turn, municipal politicians have listened to their constituents, as evidenced by the large number of local distribution companies, or LDCs, that have not been sold to either Hydro One or private investors. In fact, more than 24 municipalities, representing nearly five million of our fellow citizens, have already

passed resolutions urging this government to rethink its plans for privatization. With such broad-based support, this campaign can no longer be dismissed as merely that of disgruntled unions, environmentalists and social activists.

Unlike Ontario Hydro, most of the former MEUs, or municipal electrical utilities, operated with balanced or surplus budgets. They also played an important role in their communities by providing an economic advantage to business and industry, and service reliability was maintained for all consumers. With this in mind, we suggest that consideration be given to allowing municipalities to purchase the government-owned assets associated with their publicly owned distribution systems. Not only would this assist in paying down the debt of both Ontario Power Generation and Hydro One but it would also ensure that these assets remained in public hands. In order to succeed, this model would further require that LDCs operate as publicly owned, not-for-profit corporations.

Access to affordable power in Ontario is a right and cannot be made a privilege. Those who will feel the greatest impact of this legislation are those who can least afford it: seniors, those on fixed incomes and the impoverished. Many of them will face yet another financial dilemma that requires them to choose between basic necessities, such as food and shelter, and electricity. Industrial leaders and business owners alike may also find themselves having to shift production schedules in order to afford to run the businesses they have.

Look around us and it becomes evident how much we have come to rely on electricity in our daily lives. For industry, commercial operations, hospitals, schools, business offices and residences, electricity is truly the lifeblood of our society. Anyone who questions how essential this service is need only recall the images of the ice storm that hit eastern Ontario and Quebec in 1998. That act of nature could not be controlled. We must not now surrender control of the electrical industry to other forces that may wreak even greater havoc by their actions.

In California, deregulation allowed market generators to withhold energy supplies at their whim. This often resulted in rolling blackouts across the state. We simply cannot allow our province to be held hostage by private power brokers who place profit above people.

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There can be no denying that the escalating debt amassed by the former Ontario Hydro had to be brought under control. The government has repeatedly been quoted as saying that this was the reason for restructuring the electrical industry. From our perspective, relinquishing public ownership and selling off public assets is certainly not the way to deal with such a problem. This fire-sale approach to divestment certainly does not reflect a sound and responsible business practice. In the end, the quick infusion of cash will do little to offset the debt and is certainly not worth the permanent loss of this very precious public asset.

Admittedly, my training, background and experience do not qualify me as a financial expert. I will leave the analysis of income statements and balance sheets to those more scholarly in this discipline. However, it would appear that the business practices currently being exhibited by Hydro One are not consistent with a corporation in need of liquidation. If investors from the private sector are clamouring at the door to take over this operation, how troubled is it really and why can't the current owners—the citizens of Ontario—be given an opportunity to turn things around?

The only reason we can see is this: this government wants to convince the public that Hydro One and OPG are no longer viable and thus there is no alternative but to sell them. Once the dirty deal is done, the money will likely be used to balance their budget or finance tax cuts for the rich, in much the same way that most municipalities responded when their local utilities were wrestled from public control.

At first blush, this bill appears to offer a positive response to the concerns raised by the public on this most controversial venture. The lofty goals for Hydro One were made clear by Minister Stockwell, and Premier Eves has outlined the objectives of the legislation. Closer scrutiny of the legislation leads us to conclude that this government has failed to satisfy any of the principal objectives upon which it was supposedly founded.

The good news is that this bill has not yet been passed and there is still time to defeat it. The bad news is that the market has already been opened to competition, the government's scheme requires Ontario Power Generation to sell off 65% of its generating stations to private energy companies, and plans are already afoot to increase transmission capacity and obviously exports of hydro to the United States.

The ugly reality is that this bill masks the true intention and desire of this government, which are to privatize the electrical industry. If this were not their real aim, why would this legislation even be introduced and why would they be proceeding with such zeal in their current court appeal?

This government has indicated that it intends to retain a majority interest in Hydro One, at least for now. However, if this legislation is passed they will be free to acquire, hold, dispose of and otherwise deal with securities, assets, liabilities, rights, obligations, revenues and income or debt obligations of, or any other issues related to, Hydro One and its subsidiaries. I don't know about anybody here, but that certainly doesn't give me a great deal of confidence that there is any long-term commitment to public power in Ontario. The people of this province will not be fooled by this wolf in sheep's clothing.

Similar attempts to restructure industries such as the electrical one have been made by governments around the world. In countries such as Britain, Australia and the United States, open-market competition had a devastating impact on the economy, the environment, consumers, and the workers who build, operate and continue to maintain

electrical systems. Apart from increased prices, these botched experiments resulted in significant reductions in system reliability, diminished quality in customer services and substantial staff reductions. As parents, we teach our children to learn from the mistakes of themselves and others. I ask this government why we can't do the same.

The government's ill-conceived notion of privatization is bad for the economy, the environment and the people of Ontario. Any sale of Hydro One, whether in whole or in part, constitutes a fundamental breach of public trust. This is not acceptable to local 636 or our members. Today this government may have the authority to take the power grid away from the people of Ontario and the public; however, I remind those elected and those who support such action that they should remember that it is the public who will ultimately have the power to take away their right to govern.

The questions of deregulation, privatization and market competition in the electrical industry are important to all of us regardless of our political stripe. We would like to believe that these hearings provide the people of Ontario with an opportunity to present meaningful and constructive ideas on how to answer such questions in a way that best serves the collective best interests of all communities. Unfortunately, with the passage of this bill expected prior to the Legislature adjourning next week, our faith in this process has been understandably shaken. Nevertheless, we offer the following alternatives for your consideration.

First of all, we ask that Bill 58 be scrapped and replaced with legislation that reflects a true commitment to build, support and protect a publicly owned, not-for-profit electrical system at both the provincial and municipal levels.

Next, we ask that you provide true protection for the consumer by closing the retail market. Hydro One has already sold its retail subsidiary out of concern for what it describes as "...the inherent risk in commodity price and volume risk associated with this business."

Next, we ask that restructuring of Hydro One occur to limit the number of subsidiaries that it operates and allow it to concentrate on its core business: construction, maintenance and operation of the transmission grid.

Next, we ask that the government withdraw its appeal of the April 19 court decision of Justice Arthur Gans.

Finally, we ask you to establish strict guidelines that require reinvestment in the electrical system infrastructure that can be enforced by the OEB.

Cancellation of the Hydro One IPO and the replacement of its board of directors were encouraging signs that the government may be recognizing the error of its ways. There remains much work to be done. We certainly hope that Premier Eves and Minister Stockwell are prepared to roll up their sleeves to get this job done.

Today Ontario sits at the crossroads, with one path leading us to a brighter tomorrow, while the other will take us back to a time most of us have never known.

Almost a century has passed since Sir Adam Beck pressed the switch that brought power to the people through the largest transmission system in Canada. Prior

to the establishment of what was then known as the Ontario Hydro Electric Power Commission, the Toronto Electric Light Company held a virtual monopoly on supplying electricity to cities across the province. This meant that they could charge customers whatever rate they wanted and determine who got power and how much they actually received. This begs the question as to why we would even consider returning to such a time. But that is precisely what will happen if this government proceeds with its intentions of putting public power into the hands of the Bay Street power brokers.

As he travelled along the campaign trail, our new Premier assured voters that his view of Ontario was different from his predecessor's. From his attitude and approach thus far, it would appear this is not the case. The dismantling of Ontario Hydro is an affront to all of us and is a fundamental breach of public trust that elected governments should be committed to honouring. Some call this initiative deregulation, others call it revitalization. We just describe it as a nightmare.

In the wake of the failures evidenced in California, no less than 22 states in the United States have now suspended their plans to deregulate and privatize the electrical industry. The time has now come for this government to decide whether it will flip the switch or pull the plug on public power. We can only hope and pray that we're not all shocked by your decision. I thank you for your time.

The Vice-Chair: Thank you very much for taking the time and effort to come in here today.

Our next presenter—

Mr Bisson: Chair, do we have time for a short question?

The Vice-Chair: No, we don't, I'm afraid. We went over by a number of minutes.

RENZO ZANCHETTA

The Vice-Chair: Is Renzo Zanchetta here? Welcome, Mr Zanchetta. You're free to use your 10 minutes as you please.

Mr Renzo Zanchetta: I have prepared a brief statement.

For some months now, the government of Ontario has been trying to convince the people in this province that their plan to deregulate and privatize the hydro system is a good idea. The government has spent millions of taxpayer dollars on advertising in this fruitless pursuit.

The process, at times appearing undemocratic, has forced this government to hold public hearings. The hearings, to some, are a sham, because it appears the government is not listening when citizens say, "We don't want our hydro system privatized."

The citizens in this province have said no to higher electricity rates and to supply problems that have befallen other jurisdictions which have ventured into the market. These citizens, unlike this government, are wise enough to know when they have a good thing. In polls and municipal resolutions, people across this province have said, "Keep Hydro public." They have told this govern-

ment to hold an election on this issue, because it has no mandate to sell Hydro One. Further to that end, the Superior Court in this province has ruled the government does not have the legal right to sell off the public asset. When the people and the courts agree, why does this government persist?

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In another show of democracy, the government now seeks consultation on Bill 58, a bill that will allow it to do what the people in this province do not want. Personally, I believe the government pursues this course at its own peril, which will be evident in the next election. It does, however, have time to do the right thing. I urge this government to abandon all intentions to privatize any portion of the system and to shelve the proposed legislation. I urge you to keep the system 100% publicly owned.

I further urge the government to consider how this valuable public asset could be better managed for the benefit of all people in Ontario. I suggest a new round of public consultations should be held to tackle the important issues of accountability, the debt, security of supply and Hydro's role in the environment. Public ownership means public responsibility. The citizens of Ontario are ready to participate in that process. Thank you.

The Vice-Chair: Thank you, Mr Zanchetta. That allows time for questions.

Mr Hoy: Thank you for taking the time to be here this morning and no doubt adjusting your schedule as the government has moved these hearings from place to place and time to time. We do appreciate you making the effort to be here.

You answered one of my questions completely. You want Hydro One to remain 100% public. That's unequivocal, so I appreciate that comment.

I want to let you know, during my time to question, and put on the record reference to a previous presentation. The budget bill repeals the Province of Ontario Savings Office Act and enacts schedule H, which contains a new act entitled the Province of Ontario Savings Office Privatization Act. So it appears the government is not done with privatization beyond Hydro One; there's more yet to come.

As well, in speaking to appreciating you being here, we're informed by the government that third reading of this particular bill we're talking about today will be held on Thursday with one hour of debate. We'll do our very best to ensure the government understands your position. Thank you for being here.

Ms Di Cocco: You talk a lot about transparency in the context of real public hearings to really hear what the people of Ontario are saying. One of the things that's concerned me about the whole process of deregulation/privatization is management. It's about management, not necessarily privatization. One of the things that concerns me is what I consider the cloak of secrecy that has been blanketed on to electricity generation and the breakup of the power systems. Can you address that as a citizen?

I find it unconscionable that we have excluded—and it's in this current act as well. "The powers of the Market

Surveillance Panel are expanded. Certain records of the panel and the Independent Electricity Market Operator relating to activity in the IMO-administered markets or market participants will be protected from disclosure under the Freedom of Information and Protection of Privacy Act." The privacy commissioner has spoken on this, saying the public will be excluded from knowing a lot of the things that are happening in that. Can you give me a comment as a citizen about a publicly owned asset that has been, since 1998, away from the purview of the public's right to know?

Mr Zanchetta: It is incredible that the government would set up a mechanism that would allow the public to be ripped off. A deregulated market, as we understand it, as we've seen in California, is rife for manipulation. To allow that to happen, and then to put in place a mechanism to deny people that information, speaks of corruption and collusion.

Mr Bisson: In last week's budget, there was a line item that said the government, by way of sale of assets or rental of property, is basically counting on \$2.4 billion to shore up its spending in this year's budget. Part of that we know was from the partial sale of Hydro One. Do you think it's wise that a government budgets its spending on sale of assets?

Mr Zanchetta: Well, once you've sold all your assets, what do you do for a second act? It's very difficult following this in discussion because ostensibly the system was supposed to be sold to pay for the debt. Now it's being sold to balance the budget. What is the point in all this? I think the government has clearly lost its way on this because it has changed its position, it has flip-flopped and the numbers just keep changing. I'm sure there are other factors involved, like who really wants to buy this and who benefits, and that keeps changing with the mood of the people, I hope. I really hope it is the citizens of this province who are making these fluctuations happen.

Mr Frank Mazzilli (London-Fanshawe): Thank you very much for presenting your position, sir. Clearly, what I've heard from most people here is that most object to any form of a sale. But I just want to make it clear for the record that the only person in the Legislature who has been opposed to 100% ownership has been Howard Hampton. He's been consistent from day one, as Mr Bisson knows. Certainly Mr McGuinty, right up to December 12, has suggested that he would support some form of privatization. I just want that clearly on the record, sir, and I appreciate your presentation.

The Vice-Chair: Thank you very much for coming in today and taking the time to make your presentation.

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PAUL CLARKE

The Vice-Chair: Is Paul Clarke here? Welcome, Mr Clarke. You have 10 minutes to make your presentation.

Mr Paul Clarke: Thanks for letting me come today. I have about 14 points here. A lot of them will have already been covered.

I think we have to give the Harris government some credit for at least trying to do something about the terrible Hydro mess. I can imagine that when they started thinking about this about six years ago, they had no idea of the harsh realities of NAFTA and what it would do to privatization and they thought they could just go ahead clearly with privatization. But now the harsh realities are obvious, the latest insult under NAFTA being the United Parcel Service suing the Canadian government for \$250 million just because they think that Canada Post is somewhat subsidized by the government. We have to realize that NAFTA means the United States calls the shots.

These two items have been mentioned before, but I must clarify my position just to make sure you know. The first item is of course that once you go private, then prices are made in the States and we have no more control. We lose that sovereignty. The second item, outside of prices, is the proportion you have to export to the States. Once we get in the position, say, of exporting half our power to the States, we have to do that forever under NAFTA. That's a harsh reality and, for some reason, the government will not face up to that harsh reality.

I got a letter only yesterday from Mr Stockwell. He tells me, "With respect to your concerns regarding electrical exports, it's important to understand that the North American free trade agreement already binds Canada, the US and Mexico together in energy matters. We have been importing and exporting electricity under this framework for years. With or without NAFTA, cross-border flows of electricity are a fact." That of course is very true. The government of Quebec exports huge amounts of electricity to the States with no worry, and the reason there is no worry is that it is a government agency. What our government will not face is that once you switch from a government agency to a private agency, then NAFTA kicks in and we are no longer in control of what happens.

What I also worry about is that it is the beginning of foreign control of hydro. Professor Myron Gordon of the University of Toronto and John Wilson, in a story in the Star on May 18, say, "These matters are the first steps in complete foreign ownership and control of Ontario's energy market. If it goes ahead, rates will rise to US levels, jobs will be lost, enormous profits will flow abroad." He is a very well qualified man to speak to this particular matter. You say, "Don't worry about foreign ownership; that's just off in the clouds," but foreign ownership virtually has already occurred.

The Ontario Power Generation people leased the Bruce power plant—the Bruce power plant is worth at least \$10 billion—to British Energy. British Energy is now in control of the generation aspect of it. This same very learned professor points out that we would have been better to have sold off the Bruce generating plant for \$1, because under the crazy terms of this lease, at the end of it, Ontario has to decommission Bruce and look after the spent fuel rods. Nobody even knows how they're going to do it. It will be a huge cost and we're on the ticket for that. So we cannot say that foreign control

is out of the question. There is a case where we already have foreign control of a huge and very profitable generating station.

The Bruce station brings in \$500 million a year and when Bruce A also gets on stream, there will be another \$500 million a year. I could be wrong here, but most of that goes to British Energy, which has the lease. That \$1 billion a year could be going to pay down the Hydro debt if it had been handled differently.

What we are begging you to do is not sell Hydro One and get into the same situation as we have already with its sister company, Ontario Power Generation.

We have a problem with the brownout provisions. Several experts predict we might have brownouts even this year until our nuclear plants get back on stream. The question is, if under NAFTA we already have to export half our power, how do we handle a brownout and provide our own people with power if we have to send this amount to the States? And don't doubt it, we have to do it. The States just rule.

We're talking about privatization as if it was some panacea, and I can assure you it's not. Recently we have seen that private company CEOs are only interested in glory, growth and greed. You have Monty at Bell, you have Nortel, you have hundreds of other CEOs who have taken their private companies down a terrible path and lost billions of dollars. Maybe we should give it to them, because they lost billions of dollars just overnight. It took Hydro 30 years. Actually, it took Hydro a lifetime to lose billions of dollars. So maybe private people could do it better than Hydro does it.

But we must not think that the public is the answer. A few years ago when the Ontario government decided to sell off Hydro, they told Hydro to start acting like a public company so that it would be more attractive to purchasers. And indeed, Hydro did. They fired hundreds of employees and then they jacked their own management rates up to millions of dollars and so on, but they did become much more efficient. As you know, they made \$641 million in 2000. There's no reason why the Ontario government cannot continue to operate Hydro efficiently. Admittedly, no government has yet, but it can be done and it must be done. We can't let it go private.

Philosophically, the privatization of a public monopoly is a very badly flawed concept. No matter how well-regulated the private monopoly would be, new accounting tricks come to light every day—for instance, Enron and so on. The people of Ontario want a publicly owned monopoly. We feel it's our heritage. We're kind of silly about that but we still want it. You've heard about California: "We don't need to worry about it." But my concern about monopolies being privatized is that it invites the giant global companies to move in and gobble stuff up. Essentially, British Energy has gobbled up the Bruce generating station. It's a lease but it's a complicated lease and it might as well have been given to them. So a global company has moved in already and gobbled up part of our precious assets.

Departing from Hydro for a moment, privatization—and you'll be having more groups like this in the near

future on water and sewage—is already proving to be a real disaster. Huge European companies, mainly French, like Vivendi and Suez, will go into places like Brazil and bribe the officials to let them go public. When this happens, disaster follows. The poor people suffer tremendously. In some of those cases, at tremendous expense, the governments have managed to buy the monopoly back from these huge companies, but very few.

Anybody talking about privatization should read Maude Barlow's book called *Blue Gold*. It should be an absolute necessity for everybody to read if you're talking privatization.

Of course we all think Hydro rates will go up. I think the greed of CEOs, and the greed of shareholders clamouring for more, means the rates have to go up. If you want to see the greed of chief corporate officers, look at the April 23 *Globe and Mail* which reports the millions they are getting. That has to be paid for somewhere and it would have to come from our Ontario payments.

1030

We have the notes that so far market deregulation has done very well and I think the rates have come down a little bit, but this is a completely different subject from the sale of Hydro One. It's got nothing to do with Hydro One and we mustn't let the government confuse us—which they're trying to do—by saying that this is great. Look, the government keeps saying that competition is great, and I'm quoting again from Stockwell's letter to me of only yesterday. I think it's wonderful that he took the time to write to me but, again, he says, "Competition and adequate supply are the best protection against unwarranted increases in the price of electricity." That's absolutely true but it's got nothing to do with the sale of Hydro One.

The Vice-Chair: If you can conclude, that will be great.

Mr Clarke: Do you want me to stop?

The Vice-Chair: If you can wrap up soon, that would be great. Thanks.

Mr Clarke: OK, but I would like to go through these in a hurry. I spent many hours on this.

The Vice-Chair: Go ahead.

Mr Clarke: I admit I'm over 80 years old. I should be in my rocking chair but I'm really concerned about this and so I did try to come out—

The Vice-Chair: Continue, please.

Mr Clarke: I want to mention government promises. One of the saddest things about the recent budget is that it proves the government never had any intention of keeping its promise to take all the money from the sale of Hydro One to pay down Hydro's debt. As a matter of fact, on May 18, Stockwell said, "Every cent that is raised from Hydro One will go directly to the debt of the old Ontario Hydro." We see now that was never meant to be so and we have to assume that any promise that we won't sell off the rest of Hydro will also go by the boards. So we have to oppose the sale of any kind of hydro.

This gentleman asked about the pillaging of our provincial assets, and please let me mention this. The govern-

ment has got to stop selling off the precious assets which belong to us. It's agreed that Highway 407 was given away for half its value and it made corporations like SNC very rich. What you don't hear much about is that the Bruce generating station which I've been talking about was worth \$10 billion and was given away for essentially nothing. In the sale of Hydro One, it's worth billions. The hydro rights-of-way alone would be worth billions.

Mr Gilchrist: They're not being sold. The act specifically says they're staying with the government.

Mr Clarke: It's going to stay with the government?

Mr Gilchrist: That's what the act says. You know, reading the act would be a good start.

Mr Clarke: Thank God for that.

Mr Gilchrist: We're well over time. That's my opinion; you're entitled to yours.

Mr Clarke: The loss of security is also important. Control of environmental practices and pollution will be diminished and as we send more money to the States, more coal-fired generation will come on and we'll get more pollution.

It will also dilute how we react in emergencies. Everybody agrees a fabulous job was done in the ice storm. I don't think a private company could do quite as well as the government, pulling that stake.

I guess you want me to quit, so I will quit, but I have left these points with the secretary.

The Vice-Chair: Thanks very much for coming in and taking the time to make the presentation today.

LARRY CARNEY

The Vice-Chair: The next presenter is Mr Larry Carney. Mr Carney, you have 10 minutes to make your presentation. You can use it all or you can allow time for questions, as suits you.

Mr Larry Carney: I'd like to begin by thanking you for the opportunity to give my views today.

First of all, I have disagreed all along with the direction the government is taking by trying to sell Hydro One. I think the plan was based more on an erroneous business philosophy rather than on sound economic policies.

The basic argument that private corporations can do things more responsibly, better and more cheaply than public corporations has been exploded recently in the media by a number of events. I think the previous speaker referred to them quite well, actually, from Enron and the situation in California with their power, on up to our own situation here with the problems with water regulation and checking the quality of water in Ontario. I think we too quickly tend to undervalue what we have and basically we try to sell the crown jewels at bargain basement prices.

As to Bill 58—I managed to get a copy of it and waded through it; I have to admit I'm really not sure what an awful lot of that was all about in there, but I did struggle my way through it—I think it's just another attempt to somehow rewrite the old Electricity Act of

1998 in such a way as to get around Justice Gans's decision of April 19. I still think the government has no authority to try to privatize Hydro One in any way. The judge's decision was basically against privatization. I say and feel that the same principle holds true whether we're talking about privatizing halfway with 49% or whether we're talking about complete privatization.

Premier Eves has stated that he wants to consult the people of Ontario and follow their will. I presume this hearing is part of this consultation process. I have to admit that I feel a certain skepticism, even as I speak here today, just judging from past experience.

As Renzo mentioned before, I found the previous hearings to be shams. I read about one of the hearings in the Windsor Star. I had a friend who somehow found out about it the day before and called in to give his views, and the day before it came out in the paper, he was told that the list was already filled up. I had to dig every which way to try and find out where the hearings were in Windsor, what time and the situation, and see if I would at least be free to be present at them. I found that out. They seemed to be set up with a few people who were all giving their approval and giving their views in favour of the privatization of things.

Today, for this particular hearing, I was informed only two days ago that I was accepted. I called about a week or so before, wondering about having this, coming from Windsor to Chatham today for this hearing. I think somebody had told me on the phone that I would have been told the previous Friday or so. I had a meeting this morning that I had to back out of, because the time was changed from this afternoon to this morning as well. So there doesn't seem to be a wholehearted attempt to get the participation of the people and get their views.

The basic tenet that I'm getting at is that Hydro One belongs completely to us, the people of Ontario. On such a monumental issue, we need to make the decision, not the politicians. The polls have shown repeatedly that the vast majority of people are opposed to privatization and are in favour of some kind of an election on the matter to make a final decision. I believe the majority of the people of Ontario still oppose selling even 49%—or any per cent—to any kind of private owners.

In the past couple of years, the government has tried to hide many of the facts involved in this issue. On May 14, the Globe and Mail exposed a study by Cambridge Energy Research Associates that warned of the dangers of any kind of privatization. The government, I believe, commissioned this study but fought for 18 months to keep the Globe and Mail from getting the true facts and getting the story out. Basically, the idea was that prices can soar to hundreds of times the normal level in a more competitive market.

When you have private stockholders, I think the temptation is too great to make money for the stockholders. They will want to sell power to the US for higher prices. As the previous speaker mentioned, with NAFTA in place, I think they will no longer be able to keep prices lower for us, the citizens of Ontario.

In conclusion, I believe that selling even 49% ownership of Hydro One is still a form of privatization. The government has no mandate to do so, and an election will be needed to determine the true will of the people. Thank you.

1040

The Vice-Chair: That allows time for a short question from each of the three parties. We'll start with the official opposition.

Ms Di Cocco: First of all, thank you for your presentation. I know it is difficult when things are changed so quickly, and the notification sometimes is not enough. I understand that.

There are a number of things that came out of your presentation. Again, the whole notion that we have for the last few years been fed, a simplistic notion that privatization is good and public is bad, is a very simplistic way to look at things. And yes, Justice Gans said you can't privatize this and that the government has no mandate. That's clear.

This bill is up for third reading. It has passed second reading and it's up for third reading on Thursday. There is a sense of fait accompli, that this bill is going to enable the government to do as it sees fit. It can say that the IPO is off the table and all of that, but section 50 in the bill allows for the crown to dispose of securities. I can read it, but it's section 50.1 that allows the government to do those things.

Another point that has been made that I think is extremely important is that, yes, the public interest is what this is all about. It is not about the shareholder, whom privatization tends to take care of. What's important in the whole context of the positions taken by the various parties is that Hydro One should not be sold off.

As you know, in Sarnia, TransAlta is coming on-line and there is green power already in the generation side. In the context of competition, of allowing the private in with the public—because that's what's happening now—do you have any thoughts about that at the generation side in the context of, as I said, the cogeneration that's in Sarnia that's in with the public?

Mr Carney: I'm not sure if this is relevant to your question or not, but one of my big concerns is that as you get into other generating companies being allowed, first of all, because people are looking for the cheapest kind of electricity you can find, the coal generating ones and things like that, it seems to me that the next step is always the move for the environment and to make it that much worse, that you have cut down your environmental standards, which seems to be happening all over North America. We in Windsor feel it especially. You can probably hear it in my voice here today. The air is so bad already, and I don't think people take these environmental things seriously enough.

Mr Bisson: I have a couple of quick questions. Let me just get to them.

The Vice-Chair: One.

Mr Bisson: This is a public utility. I've heard you and others say the government doesn't have a mandate to sell

this public utility. Considering that this bill, like every other bill in the Legislature, but this one in particular, has been time-allocated, with three days of debate at second reading and basically time-allocated to committee, hardly any committee hearings—10 minutes is what you get, and you're lucky you got that with this government, and we've virtually got one hour of debate at third reading—do you think that's a democratic process?

Mr Carney: It doesn't sound very democratic to me, no. I agree with you 100%.

Mr Bisson: The other thing is on the opening of the market. It was raised by the man before, Mr Clarke, and you have raised it again. We've moved now to where we have an open market where basically the price is set out not by the old Ontario Hydro, but now by the new process that they've set up. We've been in it for about a month. They've been fairly well behaved because they know the public is looking at them, and the worst thing to happen to the government at this point is if that opening of the market was really to have acted like it would normally do under a private system.

Are you confident in the longer run, once we get out of this legislation, once the government has moved to 49% sale of Hydro One, that the market will really stay the way it is, or do you fear that we'll see what happened in California, Pennsylvania and other places?

Mr Carney: I basically have those same fears. I have to admit I don't understand the whole process well enough to see how it would happen, but I have grave fears that you'd start getting repeats of the type of thing you had out there. Somehow or other I think that 49% can be a pretty powerful 49% in the overall control of things.

Mr Bisson: Do I have time for one more?

The Vice-Chair: No; it's time for the government. Mr McDonald.

Mr AL McDonald (Nipissing): We've seen that the federal government really didn't have a mandate, but they privatized Air Canada and they sold off Petro-Canada as well. It's very clear that this government wants to sell off 49% of Hydro. Mr McGuinty, back in December, said that he was for privatizing Hydro as well.

From what I'm hearing today from everybody here, you're supporting Mr Hampton's view, because he's the only leader who stated right from day one that he was against privatization of Hydro. What I'm hearing today is that you agree with Mr Hampton's position.

Mr Carney: Basically, from what I've read of his positions and what I've heard of them, I think I would be in agreement with him, yes.

Mr McDonald: The NDP is the only party that stated right from day one that they are against privatization. I think that's what we're hearing today, that they agree with Mr Hampton.

Interjections.

The Vice-Chair: Thank you very much for making your presentation today. We appreciate it.

HAROLD KOEHLER

The Vice-Chair: Is Harold Koehler here? Welcome, Mr Koehler. You have 10 minutes to make your presentation.

Mr Bisson: Is that all the presenters we have today?

The Vice-Chair: Yes. Go ahead, Mr Koehler.

Mr Harold Koehler: Thank you very much, Chairman Miller, members of the standing committee on general government and ladies and gentlemen.

Let me say at the outset that I'm unalterably opposed to the selling of Hydro One. It is a system that is already owned by the people of Ontario and it is ludicrous to try to sell them something they already own.

Government advertising repeatedly states that I have a choice in how I buy my electricity. My choice is to buy from a publicly owned utility that not only includes the power but the transmission lines that bring it from the generating stations. I expect the government to respect my choice.

I find Bill 58 to be exceedingly complex. Its very complexity alone makes Ontarians suspicious, and it should be scrapped.

The new Ontario Premier, Mr Ernie Eves, says, "We might keep Hydro One." I sincerely hope he means all of it, not sell 40% now and the rest at some opportune time.

The Conservative government's sneaky plan to sell off 40% of Hydro One this summer must be stopped. The rushed and secret sale is the government's attempt to duck public scrutiny and the wrath of the 70% of Ontarians who oppose the sale of Ontario's transmission grid. The government does not have a mandate to sell Hydro One. An election should be called to decide the future of public power transmission in the province. There should be a freeze on secret sales until the people have spoken.

The government is trading away a crucial economic asset to balance their budget. That's no way to run things, and it will cost everyone in the long run.

More than 20 municipalities, including Toronto, Kingston, Windsor, Niagara, St Catharines and Oshawa, representing nearly five million Ontario residents, have now endorsed a resolution calling on the province to stop hydro privatization and deregulation.

If it is for sale, what is its value? As much as \$5.5 billion? How do you put a value on such a system? If it is sold, will the purchaser pay its real value to compensate for the revenue that it will generate or will it be a financial plum sold for a fraction of its worth?

1050

The sale of Hydro One is reminiscent of the government's ill-conceived sale of Highway 407, which drove tolls sky-high and removed the public's right to own the highway outright, toll-free, in the future. Privatizing the transmission assets will force hydro prices higher and threaten the system's reliability and, again, remove from citizens the right to own a power-at-cost system that has served them well.

The Premier said, "I don't believe it's in the best interests of the people of Ontario to have the transmission

and distribution corridor of the province in the hands of a foreign entity.” I am told that that perhaps could bring additional revenue, but I don’t believe that’s in the best interests of the people. I do not believe that financial interests, whether in Ontario or Canada, really have an ethic that provides for our best interests, but I expect that our government will act in our best interests and stop the sale of Hydro One.

A recent Ontario Supreme Court decision that clearly says the province does not have the legal authority to sell Hydro One is a great victory for all the people of Ontario who are the rightful owners of a most valuable public asset. The judge is on the same page as the people of Ontario who are saying Hydro One is a public asset, and the people are ultimately the ones who should decide its fate. The recent introduction of Bill 58 is essentially devised to make an end run around the judge’s decision. There are many reasons to respect the judge’s wishes represented by his decision.

There is a widespread myth that privatization and corporatism is always good. The evidence of a world economy that has hundreds of millions of people living in poverty should be a warning. And we know that privatization and deregulation have been expanding for a decade. The regulations of the International Monetary Fund, the World Bank and the World Trade Organization have only made things worse, precipitating the collapse of the Indonesian and Argentinean economies, and now even Japan is threatened. Furthermore, the gap between rich and poor is increasing. I hope the government of Ontario pays attention to that experience and does not contribute to the growing malaise by selling Hydro One.

So most of us are wondering why on earth the Conservative government would take us down a path that threatens our economic and environmental well-being. The answer is simple: it’s about money, and it’s going to be coming out of our pockets. We expect you to act now to stop the sale of Hydro One before it’s too late.

While the sale of generating stations may make some sense because there may be an opportunity in that sector for competition to exercise some control, the same is not true of the transmission corridors. They are essentially a monopoly because there can be no suggestion that transmission systems should be duplicated to make competition a factor. That is a reason that Ontario must retain control of Hydro One to make sure it is operated in the best interests of our people and industries.

Latest reports are that a transmission line is to be built under Lake Erie to make lucrative the sale of Ontario’s power to the markets of Pennsylvania, Ohio, Michigan and Illinois, where rates are typically 50% higher than Ontario’s. The result will be an inflation of the price of power, with a resultant penalty to the people of Ontario. More importantly, it will have a negative effect on the profitability of Ontario industries, resulting in a loss of jobs and the deterioration in the Ontario economy.

The Conservative government’s sneaky plan to sell off 40% of Hydro One this summer must be stopped. The rushed and secret sale is the government’s attempt to

duck public scrutiny and the wrath of the 70% of Ontarians who oppose the sale of Ontario’s transmission grid. The government does not have a mandate to sell Hydro One. An election should be called to decide the future of public power transmission in the province. There should be a freeze on secret sales until the people have spoken.

The government is trading away a crucial economic asset to balance their budget. That’s no way to run things and will cost everyone in the long run.

The operation of the transmission system is a particularly dangerous industry, with the hazard of electrocution and falls of workers required to do their jobs at high elevations. Private industry has poor safety records. To keep the workers safe, procedures, equipment and training must be provided. I would expect a public corporation to be more sensitive to these concerns.

Another reason for keeping Hydro One public is that private companies have a dismal record in labour relations, with few unions to protect the workers. That record is emphasized in this city by the disgusting situation precipitated by the Navistar International truck plant.

I call on your committee and the government to scrap the sale of Hydro One and bring in a system of accountable public power transmission. The first priority for such a public power system is to keep the utility subject to full public hearings and binding rulings by a public regulator, instead of leaving the rates only to provide for private profiting. I thank you for your time

The Vice-Chair: Thank you very much. We’ll take time for a question from each party, starting with the official opposition.

Ms Di Cocco: I noticed the government members are consistently not responding, in my view, to some of the presentations. The position of the Ontario Liberals is definitely not to sell Hydro One, period. That is the position. The actions, more importantly—

Mr Gilchrist: That’s your most recent position.

Mr Mazzilli: What day?

Ms Di Cocco: No, no, the actions. I’m talking about action here, not rhetoric. Bill 58 is a duplicitous attempt at overturning the decision of a justice who said that the government did not have the authority to sell a public asset. In the context of the position of the sale of Hydro One—and it is a monopoly—there is no business case; the government has no mandate to sell it. What we heard today is definitely a strong collective voice saying no to the sale of Hydro One. The government talks about market discipline. I don’t understand exactly what they mean by that and again their simplistic ideology.

Can you respond, if you could, to how important this whole notion of public ownership is—the public owns these assets—and whether or not this government, under any circumstances, should be selling off Hydro One, whether in part or with some of their schemes of what they call public-private partnerships, in any way, shape or form, in your opinion.

Mr Koehler: I think that Hydro One particularly should not be sold because there is no possibility that the guidelines and the responsibilities of competition can be

met because there is no competition possible in the operation of Hydro One. I think we've seen in the past the areas where competition has not been possible. For example, in Bell telephone, the profits and costs of Bell have gone unchecked for many years, despite that there is so-called regulation of the rates, but the regulation is done by governments, which in the past have had little responsibility to the people they claim to represent.

1100

Mr Bisson: First of all, I want to thank you and those who came today to present. Unfortunately, we don't have enough time to do justice to the hearings that we should, going across the province in order to talk to people. What I've seen here this morning is that the vast majority, as the polls indicate, think this is really a dumb idea, that we shouldn't be privatizing. So I want to first of all thank you.

I want to ask you the same question I asked someone else, and that is the issue of the price being set by the market. We have since May 1 had an open market in which the price is set by way of the market. There have been some spikes, there have been some hikes, but on average it's been pretty stable. This is while there's been a lot of public scrutiny on this whole debate. Do you have confidence, if we move to a 49% sale of Hydro down the road, when people aren't paying as much attention, that the way we set the price in fact will better serve you or serve you worse over the long run, as has been the case in California and others?

Mr Koehler: I think there's a difference in the sale of the generation, which is amenable to some form of competition, and the sale of Hydro One. If you wish to exercise your decision on the transmission company, you prefer to provide the transmission of the power from the generating station to your switchboard, who else are you going to buy from? Who else, I submit, is a possible supplier to enable competition to act and provide the restraint and the benefits that the mythology of private ownership supports?

Mr Mazzilli: I appreciate your coming in from London and I apologize for the inconvenience to you. We did put ads in the papers and on the parliamentary channel. It was well advertised. We had two people in London sign up to make presentations. So I appreciate you being here. I didn't want you inconvenienced, but you have been. You made it down and I appreciate hearing your views.

In relation to what you said on the generating side, we've heard different opinions on that today, obviously. Certainly in my age group we can remember the Kincardine area was very hard hit when Bruce was closed down. They were giving away homes, if you would, in the area. I agree with some of the presenters that there could have been other options looked at, but the reality is that is a vibrant community today. I think the people of Kincardine wanted someone to do something and I'm certainly happy that decisions were made to make that community vibrant. Would you agree with that at all?

Mr Koehler: First of all, I'd like to respond to my trip from London. I came in from London just as Frank Mazzilli came in from London this morning and I consider that a small price to pay, provided the government sits here and listens to the presentations that have been made and prevents the sale of Hydro One.

Mr Bisson: Have you convinced them?

Mr Gilchrist: We're not selling control of Hydro One.

The Vice-Chair: Order.

Mr Mazzilli: Mr Koehler has the floor.

Mr Koehler: With regard to the situation at Bruce, I have very mixed feelings on that contract. I haven't studied it in detail but I suggest that the situation that prevails at the generating station when the British consortium ends its rental agreement will leave Canada with hundreds of tonnes of spent fuel and the cost of its disposal and eventually the decommissioning of the station at Bruce, which may be 10 years in the future or 50 years in the future. But whenever it is it will be a gigantic cost that obviously will not be borne by the British company.

The Vice-Chair: Thank you very much for making your presentation and for making the trip in from London today.

Mr Koehler: Thanks for listening.

CHATHAM-KENT HYDRO

The Vice-Chair: Is there a representative from Chatham-Kent Hydro, Dave Kenney? Welcome, Mr Kenney.

Mr Dave Kenney: Thank you, Mr Chairman. I'd like to thank the committee for holding these hearings and giving me the opportunity to speak. My name is Dave Kenney and I'm the president of Chatham-Kent Hydro.

Chatham-Kent Hydro Ltd was incorporated on October 1, 2000, due to the requirements of Bill 35 and the Electricity Act, and consists of the electrical distribution assets of Chatham-Kent PUC. The company is a regulated subsidiary of Chatham-Kent Energy, while the other affiliate, Chatham-Kent Utility Services, is a non-regulated company and provides customer service and billing for both Chatham-Kent Hydro and Chatham-Kent PUC. The municipality of Chatham-Kent is the sole shareholder and is the community that was formed through the amalgamation of 22 municipalities within the boundaries of Kent county in 1998. Chatham-Kent Hydro is the electrical distribution company for the urban communities within Chatham-Kent, including the former municipalities of Blenheim, Bothwell, Chatham, Dresden, Erieau, Merlin, Ridgetown, Thamesville, Tilbury, Wallaceburg and Wheatley—11 in total.

There are approximately 50,000 electrical distribution customers located within the boundaries of the municipality of Chatham-Kent. The two distributors are Chatham-Kent Hydro, with 32,000 customers, and Hydro One, with 18,000. The Hydro One customers are represented by the same local elected council as the Chatham-Kent Hydro customers, but are not being provided the

same level of service that the local distribution company is providing. There is no longer any local Hydro One customer service or management staff located in Chatham-Kent, which causes a significant degree of frustration for the customers, local municipal council and their administration.

Hydro One assets are contiguous to Chatham-Kent's service territory. Currently, Hydro One's and Chatham-Kent Hydro's service vehicles drive through each other's service territories to service their customers. Customers are frustrated by having two service providers with different rates, service policies and response times, while at the same time being under the municipal control of the municipality of Chatham-Kent. Also, during storm-related power outages, the Hydro One customers cannot understand why the Chatham-Kent Hydro crews do not stop to restore their power, and they have to wait sometimes hours or days for power to be restored. Communication is also very difficult for these customers, as they are trying to relay their problem to a Hydro One operator located somewhere in the greater Toronto area. Quite often, they will call Chatham-Kent Hydro to see if there is anything we can do.

While each company's assets are embedded in each other's service territories, there are 28 wholesale metering points required to settle each company's wholesale power costs with the Independent Market Operator. These will result in approximately \$2.8 million over the next six years to upgrade these points to current market standards and will also require approximately \$250,000 in annual operating costs. If Chatham-Kent Hydro were the only distributor in the municipality of Chatham-Kent, approximately 50% of these points would not be required, thus reducing the rate impact on our customers.

The majority of the industry in Chatham-Kent are Chatham-Kent Hydro customers who find it frustrating with the process we are required to go through to demonstrate to Hydro One the need to improve the reliability of their distribution system to our area. We have been told on occasion by Hydro One that there are important issues to address in the greater Toronto area. Several of our customers, who employ hundreds of employees in Chatham-Kent, have indicated that the poor reliable supply from Hydro One may force them to relocate their operations to the USA.

Many of these issues would be resolved locally if Chatham-Kent owned the asset and could invest capital to improve supply to these customers who are critical to the economic stability of Chatham-Kent. We have received numerous requests from local industry to see if it would be possible for them to switch to become Chatham-Kent Hydro customers.

1110

Chatham-Kent Hydro is very involved in the local municipal strategic planning process and works closely with the economic development staff to promote investment and employment in Chatham-Kent. We are members of the local chambers of commerce, the home-builders associations and the Ontario Electrical League,

while Hydro One does not participate in any of these groups.

With the introduction of the Reliable Energy and Consumer Protection Act, Bill 58, there is an opportunity for the government to promote the rationalization of the distribution assets in Chatham-Kent by providing the opportunity for the transfer or purchase of Hydro One assets to Chatham-Kent Hydro.

We appreciate the government's position that the status quo is not acceptable, but it is time to stop the illegal growth pattern of Hydro One and it is time to reinvest in the Hydro One infrastructure for the long-term benefit of the people of Ontario. Continuing to operate two distributors in this municipality does not make sense, as there are duplication and reliability issues and costs the customers are unnecessarily required to bear.

In our review of the proposed amendments to the Electricity Act in Bill 58, we believe the alteration of ownership structure can include a transfer, purchase or lease-to-own arrangement of the distribution assets and that the minister can dispose of and otherwise deal with the assets. We trust that this interpretation is correct. We realize that this proposal would be a made-in-Chatham-Kent solution to rationalize the distribution sector while, at the same time, would provide the government with needed capital to reduce the stranded debt. The government has been promoting local accountability of other services and we believe that transferring the control of the distribution of electricity to local government is consistent with some other government initiatives.

We believe Hydro One should retain the transmission assets, as it is a natural monopoly for the benefit of the citizens of Ontario and needs to operate in a provincial, inter-provincial and international manner to remain robust and reliable.

A couple of points in closing: I would like to remind the government of the Macdonald white paper on restructuring Ontario Hydro and the Ontario electric industry. Chatham-Kent Hydro continues to support one of this report's recommendations of building shoulder-to-shoulder distribution companies. At present in Chatham-Kent, we have 11 service islands in a sea of Hydro One and, even operationally, this does not make sense. We would also like to applaud the government on the introduction of the energy consumers' bill of rights, as the concerns of our customers, which we share, are addressed in an appropriate manner.

Another final point I'd like to make is that, as one of the members indicated, Chatham-Kent Hydro is one of only of two distributors in Ontario that did not maximize our rates to 9.88%. The unfortunate part of that is that the other 18,000 Hydro One customers who pay taxes in this community were not provided the same opportunity. Thank you.

The Vice-Chair: Thank you, Mr Kenney. We'll allow time for a question from each party, starting with the official opposition.

Mr Hoy: Thank you for your presentation this morning. Other than on the occasions that I might mention it, I

think it's probably the first time anyone has mentioned Merlin for the Hansard, so I'm really pleased at that.

Yes, there are some unique circumstances here in Chatham-Kent, perhaps brought about in the main by amalgamation, and I think we all understand that. Apparently at the time of amalgamation, there were some 26, I believe, committees looking at what would happen to various services etc here in the former county and city.

I took with note the communications problem of going to the greater Toronto area, as you mentioned, in service to Hydro One customers. I've always believed in getting services as close to local communities as can be had, so I appreciate your comments on that. Notwithstanding that this might be a made-in-Chatham-Kent solution, it might be a made-in-Chatham-Kent problem, too, going back to amalgamation time.

But I don't know whether to change it. I don't think the answer is changing the ownership of Hydro One to solve the problem of whether there's service here or whether the service comes from the greater Toronto area. I don't think you're saying that, either, because you say you believe that Hydro One should retain the transmission assets, as it is a natural monopoly.

So, yes, there are some concerns here that I take with great note and I appreciate all you've said today. But some of these problems I don't believe would be solved just because Hydro One was privatized, and I don't think you're saying that either.

Mr Kenney: No.

Mr Hoy: If you'd care to respond.

Mr Kenney: Sure. On the issue with calling Toronto etc, the closer the distribution company is to local ownership, in our opinion, the answers come a lot quicker, the response is a lot quicker. That was my point. Our view is local accountability. I feel our municipal council has the same view and they also find it frustrating.

Mr Bisson: I come from Timmins, a little bit north of here, where Hydro One is the only operator. We don't have any local PUCs in our area. Just an overall observation: in the past, prior to a lot of the restructuring we've seen at Hydro One, they were much more involved in our communities and did provide a fairly good service when you had outages. I think part of the problem we're having is the same as yours: Hydro One is not as effective as it was as an organization to respond to what's happening out there. I think part of it is restructuring.

The second part, I guess, is the question. As I understand it, as a result of amalgamation, you end up with a geographical area where there were existing local PUCs or a PUC and Hydro One, and it doesn't make any sense to me that we'd have competition within that area. Was it that the rural areas were Hydro One and Chatham and the other urban areas were PUCs?

Mr Kenney: That's correct.

Mr Bisson: Can you explain to me how that happened?

Mr Kenney: The rural was Ontario Hydro at amalgamation time and all the municipalities were PUCs.

Mr Bisson: What you're suggesting then is that within that geographical boundary, that all becomes one PUC. But what about the transmission from town to town? Would that remain with Hydro One? Is that what you were suggesting?

Mr Kenney: We feel the distribution assets should be one PUC border-to-border in Chatham-Kent.

Mr Bisson: OK. So the transmission that goes through from town to town would still be Hydro One, but how you distribute off that transmission system would be a local PUC.

Mr Kenney: That's correct.

Mr Bisson: That would be a not-for-profit corporation as normal PUCs used to be.

Mr Kenney: That would be a corporation as it's set up now.

Mr Bisson: They're not-for-profit corporations, right?

Mr Kenney: We're for-profit.

Mr Bisson: For-profit—that's right, too. What am I thinking? They changed the legislation.

Mr Kenney: It's every LDC in Ontario—

Mr Bisson: I guess my question is, do you feel you'd be better served as constituents if we went back to the old model of the PUCs because the way they were set up in the past is different than now? That's what I'm asking you. If we went to one system, would we be even better off if we went back to the older system of PUCs that were not-for-profit?

Mr Kenney: I believe the system we have currently works well and is very effective, but we feel two distributors is the problem.

Mr Bisson: I agree with you on that, but would we be better off if you had one distributor under a not-for-profit model? That's what I'm asking you.

Mr Kenney: I feel it would be equal either way.

Mr Gilchrist: Thank you, Mr Kenney. I appreciate you coming before us. It was nice to have the last sentence of all the presenters at least recognize the other half of this bill, which is that the bill provides far greater consumer protection. To those who would have us throw out the bill, they're throwing out those consumer protections at the same time.

I appreciate your suggestion. You're the third utility that has come before us to make a similar suggestion. I'm struck by the fact that it would appear that Judge Gans's ruling says we can't sell that to you because he says we can't sell assets. Judge Gans really goes further and says no one in the province of Ontario has property rights. That's why this bill is necessary and that's why the court challenge is necessary. He says you need a specific law to say you can sell something and it's not an implicit right under common law. I thought we had that since the Magna Carta in 1215, but Judge Gans obviously thinks otherwise.

I guess my question to you is, we had an opportunity for rationalization—and I appreciate there were some utilities that responded faster because there probably was less confusion at the time, but it seems to me the sword cuts both ways. To bring about that rationalization and

those efficiencies, why didn't Chatham-Kent sell its customers to Hydro One? When you answer that, would you be prepared to buy the Hydro One assets at the same price they would have offered you?

Mr Kenney: I can't comment on the reasons local council made the decision they did to retain local ownership. My opinion is that they wanted local accountability to stay in Chatham-Kent and they wanted control for the benefit of the economic future of this community.

Mr Gilchrist: The other half of my question is, would you be prepared to pay Hydro One the same price they were prepared to pay you for that integration?

Mr Kenney: We certainly think Hydro One paid exorbitant prices for the utilities they bought throughout Ontario. So we would be prepared, whatever the rate is at the time—and what that rate is, I'm not sure.

Mr Gilchrist: Could I just ask you a quick supplementary? By the way, AL McDonald, it should be noted, as the deputy mayor of North Bay—

Mr Mazzilli: Was.

Mr Gilchrist: —former deputy mayor of North Bay—was responsible in the last election campaign for seeing that North Bay was the other utility that did not go to the maximum rate. I appreciate that AL brings that perspective to the table here today.

Is there a commitment, considering that the utility is 100% owned by the municipality, that every penny of those profits will be used to offset property taxes?

Mr Kenney: I can't speak for the municipality.

Mr Gilchrist: So they've never made any resolution to that effect?

Mr Kenney: The profits from Chatham-Kent Hydro do go back to the municipality.

Mr Gilchrist: Right. So we can—

Mr Kenney: But what programs—

Mr Gilchrist: Hopefully the local citizenry here will make sure, through their politicians, that they don't have their pocket picked twice because—

Mr Kenney: That's up to—

Mr Gilchrist: You would agree with me there was no law that made you add 6.04% to your former not-for-profit model, was there?

Mr Kenney: No, there wasn't.

Mr Gilchrist: Thank you very much, sir.

The Vice-Chair: Thank you very much for taking the time to come in and make your presentation. To all those who came out this morning, thank you as well.

This committee stands adjourned until—

Mr Hoy: Mr Chair?

The Chair: Yes, Mr Hoy?

Mr Hoy: I think it's a reasonable question to ask. Either through you or the clerk, my understanding is that deputants here this morning said there was advertising on the local news this morning that we were sitting this afternoon. I guess I have two questions: is there sufficient word going out to the people that we are not sitting this afternoon, and will there be government members here to meet them should they not have heard that word?

The Vice-Chair: Yes, the clerk did contact the radio station and have them broadcast that it was this morning. She's leaving instructions so that anyone who didn't get the original message will have an opportunity to make a written or electronic submission that will be taken into account.

Mr Hoy: When would the final date for that be?

The Vice-Chair: The written submission must be received by noon Monday, written or e-mail—

Mr Hoy: It remains the same?

The Vice-Chair: Sorry?

Mr Hoy: It remains as it was, then—Monday noon?

The Vice-Chair: Yes, that's correct.

This meeting stands adjourned until Monday at 3:30 in Toronto.

The committee adjourned at 1122.

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