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(Hansard)**

**Wednesday 13 March 2013**

**Journal  
des débats  
(Hansard)**

**Mercredi 13 mars 2013**

**Standing Committee on  
Justice Policy**

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Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
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111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON  
JUSTICE POLICY**

**COMITÉ PERMANENT  
DE LA JUSTICE**

Wednesday 13 March 2013

Mercredi 13 mars 2013

*The committee met at 0931 in room 151.*

**MEMBERS' PRIVILEGES**

**The Chair (Mr. Shafiq Qaadri):** Chers collègues, j'appelle à l'ordre cette séance du Comité permanent de la justice. Colleagues, I call to order this meeting of the justice policy committee.

**MR. BRUCE SHARP**

**The Chair (Mr. Shafiq Qaadri):** As you know, we're here to hear from a number of different witnesses, beginning with Mr. Bruce Sharp. I would invite him to—for the affirmation. Please have a seat, Mr. Sharp.

**The Clerk of the Committee (Ms. Tamara Poman-ski):** Do you solemnly affirm that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth?

**Mr. Bruce Sharp:** I do.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Sharp. Also, just for the benefit of committee members, once again we'll be going in 20/20/20, 10/10/10 rotations, beginning with the NDP as they have invited this particular witness. Mr. Sharp, you'll have, as was just mentioned, 90 minutes in total in which to give your testimony, five minutes at the top of that for an opening statement.

I would also like to respectfully remind members of the committee that during the course of the committee's deliberations, if your honourable opposition members say something that you disagree with, that is not automatically a point of order. A point of order has a very specific meaning, and I would invite you to review that.

To begin with, Mr. Sharp, you have a five minutes' opening statement, and you're welcome to begin officially now.

**Mr. Bruce Sharp:** Thank you. I thank you for inviting me to appear here today. I get the sense that people may want to know a little bit about me, so I'll just quickly let you know. I've been in the energy sector in Ontario for 25 years. I'm a mechanical engineer. I've been in power generation, energy management, natural gas utilization, energy marketing and electricity consulting. I currently work with Aagent Energy Advisors. Today, I'm speaking as a private citizen, so I'm not speaking on

behalf of Aagent Energy Advisors. I'm here today to provide some independent expert insight, hopefully, and commentary.

The Ontario energy business can be complicated, and in electricity in Ontario in particular it's pretty complex, and so it can be confusing. My view is that there are so many people making money in so many different ways in the sector that when something goes wrong, no one wants to talk about it.

When the Oakville settlement details were made public in September, it was clear to me that the additional cost quoted of \$40 million was low, so I felt the whole subject deserved some attention. At that time, I did an analysis, some details of which appeared in a Toronto Star article and a Financial Post op-ed, both from October 10, 2012.

My analyses of these projects have evolved since that time. As always, I would welcome the release of transparent, spin-free information from originators of costs. I very much look forward to the reports that the Auditor General is preparing on these subjects. I hope that those reports will lead to the full discovery of facts, accurate analysis and a complete reporting of all findings.

Today I'm going to discuss Oakville and Mississauga costs and also make remarks concerning power system planning and the political nature of Ontario electricity policy.

Concerning costs of moving locations of gas plants, we always need to focus on cost additions or differences that arise. So when I talk about numbers, a positive number is an additional cost, and a negative number is a cost reduction arising from a change.

When we talk about Oakville, my current view is that the total cost of moving that plant is \$638 million. There are five elements to that.

The relocation cost of \$40 million, which has been discussed, I don't dispute.

There's a turbine payment of \$210 million.

With that turbine payment, there is a reduction in monthly payments, and I see that reduction as providing a benefit to the project, so that's a reduction of \$284 million.

On the subject of gas delivery and management, I see that as having a cost of \$313 million in transmission that will still be required.

Because of the project move, there's a cost of \$359 million.

So the total from that is \$638 million. I hope my math is right on that.

If we talk about Mississauga, there's a \$190-million number that is pretty much agreed upon. The only comment I would make there is that, in moving the plant from Mississauga to Sarnia, there's a distinct reduction of the gas delivery management costs, and it seems to me that that's a missed opportunity to possibly have a lower settlement for that project than we're currently seeing. So it could be that instead of \$198 million, the cost of moving that project might have been at least \$28 million lower if that reduction in gas management costs had been recognized and fully acted upon in the process of negotiating that plant move.

Now I want to get on to the abandonment of professional power system planning.

**The Chair (Mr. Shafiq Qadri):** Thirty seconds left, Mr. Sharp.

**Mr. Bruce Sharp:** Okay.

We're seeing the results of abandoning power system planning. It's very unfortunate. We're seeing a lot of negative outcomes that are going to come up in the next little while.

On the subject of politics, I would just say that we're sitting here today because of the siren call of political intervention, and we really need to get away from that political intervention and swear a blood oath to not meddle in electricity policy in Ontario.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Sharp. We'll now begin with 20-minute rotations of all the parties, beginning with the NDP and Monsieur Tabuns.

**Mr. Peter Tabuns:** Thank you, Mr. Chair, and Mr. Sharp, thank you so much for coming in this morning. You've introduced yourself. I think everyone at the table understands your credentials.

The total you've calculated for the Oakville plant is a \$638-million cost. The government for a long time has said that the cost of the relocation was \$40 million. I am assuming from what you've said that that is not a credible figure to express the actual cost of relocation.

**Mr. Bruce Sharp:** I would agree with that.

**Mr. Peter Tabuns:** Okay. Do people in the energy industry generally see this as a non-credible number?

**Mr. Bruce Sharp:** I would say the answer to that is yes. I haven't spoken broadly to a lot of people about it. I think that the understanding of the elements is not necessarily that broad, and so there aren't necessarily that many people who really have enough understanding of it or a willingness to talk about it who would comment on that. But I think the people who understand it and are willing to talk about it would acknowledge that the \$40-million number is quite low.

**Mr. Peter Tabuns:** Okay. Last October, you wrote an email to myself, to the then Minister of Energy, to the opposition critic, to the Ontario Power Authority and to the auditor, and you outlined what you saw as the main elements that had to be recognized to understand the cost

of this relocation. I'd like to go through those with you to get a better idea.

**0940**

The first item, and a big-ticket item, is the gas delivery and management services cost. You say \$313 million. Can you tell us why that extra cost is there, why we're stuck with it?

**Mr. Bruce Sharp:** Sure. Gas delivery and management is effectively to move the gas from the referenced gas delivery point at Dawn, in southwestern Ontario, to the plant gate. The key thing here is that in the process of a settlement—I believe it's in the MOU, where it's described how all of the gas delivery management service costs will be transferred from TransCanada to some other party. It could be a cost that the OPA bears, and I think it ends up in the global adjustment. So, that cost is effectively moving it from that Dawn location to the Lennox GS, or the new plant location—we're talking about Oakville here. It's a complete offloading of the cost. So, whereas before TransCanada would have had that cost covered off in the monthly net revenue requirement payments, now that cost is being borne by somebody else. It's a pretty big number; it looks pretty innocuous in the MOU, but it's an annual cost that's in excess of \$20 million. I'm suggesting that the first-year cost is \$24.5 million. When you look at it on a 20-year basis and you apply a conservative discount rate to that, I come up with the \$313 million as a net present value for that cost.

**Mr. Peter Tabuns:** And when the agreement was made between the OPA and TransCanada Enterprises that took that cost and put it on the shoulders of Ontario ratepayers, the OPA would have been aware that this was a cost that they were incurring because the plant was relocating?

**Mr. Bruce Sharp:** I would agree with that. My understanding is, they do a fair bit of analysis on all these projects at different parts, starting with when any kind of idea of the project becomes known as a possibility. So, I would say that they probably had a pretty good sense of the order of magnitude. They may not have agreed exactly with my number, but they would have known that it was a very significant number.

**Mr. Peter Tabuns:** Okay, so, right there, substantially more than the \$40 million figure that was used pretty commonly—just to be clear: Typically, in a generation contract using gas, the monthly payments by the government would cover all this gas delivery and management?

**Mr. Bruce Sharp:** Correct; the payments would come from the OPA. But, yes, typically the monthly payments generally identified as net revenue requirements: The gas management cost would be included in that, yes.

**Mr. Peter Tabuns:** Okay. The next item you had in your memo was transmission costs. If you'll remember, the Ontario Power Authority said that this plant was necessary to provide local support in the southwest GTA. When the plant was moved, instead of having the plant there, transmission lines were going to have to be built.

Was the increase in transmission investment another cost that came out of the relocation?

**Mr. Bruce Sharp:** I believe that is an added cost. When the settlements of the plant move were announced, that number was ignored, as I understand it. In 2009, in a couple of different places, the OPA identified the need for that transmission if the generation were not to be built in that location, and they also put a cost on it. So, in 2009 they talked about the cost being \$200 million—

**Mr. Peter Tabuns:** Yes; that's right.

**Mr. Bruce Sharp:** So, in my analysis, I brought it forward to more current dollar terms. I increased the actual project cost to \$220 million. Then, it seems strange to have a project cost of \$220 million, but a cost to a net present value of \$359 million.

**Mr. Peter Tabuns:** Yes.

**Mr. Bruce Sharp:** But that arises from the fact that Hydro One, assuming they're going to be the owners of the asset, earn a rate of return on that investment that becomes part of their rate base. I did an analysis that showed, based on how that rate base would come into their general rate base and decrease over time with depreciation, they'd be earning a rate of return on it—their equity return, I think, is in the order of 9% on part of it. That just tends to increase the dollars involved, and that's how a \$220-million project cost becomes \$359 million as a net present value.

**Mr. Peter Tabuns:** At the time the Ontario Power Authority made their agreement with TransCanada, and at the time the government announced that this would only cost \$40 million, they would have been well aware that there was this transmission cost that was going to move up and that they were going to have to pay.

**Mr. Bruce Sharp:** Well, I think the OPA had been talking about it for a while—since 2009—so I would believe that the OPA would, in their minds, know that there was some cost coming for the Oakville area if they didn't site the generation there. I can't speak to what the OPA was saying to the government.

**Mr. Peter Tabuns:** No, I know you can't.

**Mr. Bruce Sharp:** But I think the OPA would've known about it. Again, we could quibble about the number, but they would know that there were some not-insignificant costs there for transmission.

**Mr. Peter Tabuns:** Okay. Now, the turbine purchase by the government of Ontario, or the OPA: Your calculation is that they were able to reduce some of their costs by doing that. Is that correct?

**Mr. Bruce Sharp:** Correct. If you view the turbine payment and the reduction in monthly payments in total, then I would say that there's a net reduction in costs between those two elements. That's what I have to say on that.

**Mr. Peter Tabuns:** In your email from last fall, you noted that there were other costs yet to be determined: gas pipeline hookups on the site, etc. Do you still believe that those costs are out there to be determined?

**Mr. Bruce Sharp:** Yes, I do. There are some limitations where, I think, TransCanada—either they pay the

first dollar amount on certain costs or there are caps on what might be borne by the OPA or other parties. I think there are inevitably going to be some additional costs, but I don't really have any comment on their magnitude right now.

**Mr. Peter Tabuns:** With the information that you have available to you, the cost of relocation is in the range of \$638 million and could be higher, as opposed to the \$40 million the government was using as a figure.

**Mr. Bruce Sharp:** Yes, I agree with that.

**Mr. Peter Tabuns:** Okay. If you'll excuse me one second, I want to ask you briefly about Mississauga. You note that there should have been reductions in the payments to the company because the gas supply was closer in Sarnia than it was in Mississauga. How were you able to determine the value of the credit that was missed here?

**Mr. Bruce Sharp:** I've just ballparked the number, based on looking at some tariffs between Dawn and the Mississauga location, and then looking at what they might be charged for the location in Sarnia. I've provided what I think is a pretty conservative, or low, number for that right now.

There are some dynamics that support my assertion that it's conservative. Right now there are definitely some bottlenecks in the system, getting the gas all the way to what's called the Enbridge CDA, the central delivery area. You can't even necessarily say that you'd be paying a published tariff for that; you'd have to go to the market to secure that pipeline capacity on a long-term basis. I'm pretty confident that the numbers are conservative. Again, it's one of those elements where, as with everything I do, there's some uncertainty. If there are people out there who have better numbers to provide to the process in a transparent way, I'm always quite welcome to hear those numbers.

0950

**Mr. Peter Tabuns:** Is there any reason that the OPA wouldn't have known about the potential for a better deal for gas with the relocation of Mississauga?

**Mr. Bruce Sharp:** I think they would have known about it. They're not gas experts, but they have a decent amount of knowledge in that area. They are very aware that it's a significant cost the developers have to bear, and so they should have a pretty good understanding of it.

**Mr. Peter Tabuns:** So in this case, we didn't get the deal that we could have. We could have gotten a better deal?

**Mr. Bruce Sharp:** From what I can see, and I'm surmising that the net revenue requirements at both locations are roughly equivalent. In that case, I think, in seeing that they would have had a lower gas delivery management services cost for the Sarnia location, you might have expected them to have a reduction in their net revenue requirement, because that's typically where that cost gets covered off.

**Mr. Peter Tabuns:** Okay, Jonah?

**Mr. Jonah Schein:** Thank you, Mr. Sharp.

From my standpoint, I'm trying to understand this huge difference between what the government has said

the costs are and what your assessments are. I'm just curious: What kind of documents typically would the government use for this kind of analysis? What should have been produced for an assessment of the risk, the cost of a move here, in your estimation?

**Mr. Bruce Sharp:** Well, I think they probably would have been calling on the OPA or hoping that the OPA would be able to provide them with information. Having said that, I did my analysis just using publicly available information, so I don't think it's impossible, even if you don't have a great flow of information from the OPA, to try to estimate on your own what the costs are.

Did that answer your question?

**Mr. Jonah Schein:** I think so, yes.

Then there's a question here about the kind of power that we have. This is a private power plant. Would you say that we're on the hook not only for the cost of the plant itself but the cost of future profits by the company as well? Does that make sense to you?

**Mr. Bruce Sharp:** Well, they have some pretty good rates of return built into them based on what their capital and ongoing costs are going to be and the monthly payments that they're going to receive. They've got a good rate of return. So ratepayers will be paying for corporate profits—not necessarily an evil thing, but it's a fact.

**Mr. Jonah Schein:** And that's just a fact of making a private power deal?

**Mr. Bruce Sharp:** Yes.

**Mr. Peter Tabuns:** Can I just follow on to that question? In contemplating a cancellation of a contract, the government isn't just looking at gas costs or transmission costs; they're also taking a risk that they'll be stuck with the cost of paying that rate of return that has been lost for the next 20 years and any damages a company will be claiming against them. Is that fair to say?

**Mr. Bruce Sharp:** Correct. I've never been involved in it, but my guess would be that some of the damages you might be liable for if you kill the project completely would be to pay the difference between the equity return that they were going to receive on the project and maybe a more risk-free or utility-oriented rate of return. Paying the difference on that over 20 years could end up being a fairly big number.

**Mr. Peter Tabuns:** Thank you.

**Mr. Jonah Schein:** You talked a bit about this, but can you explain the extra costs for gas in moving the plant to Napanee?

**Mr. Bruce Sharp:** The whole gas cost has been off-loaded in the case of the Oakville plant moving to Napanee. The idea there is that you have to have pipeline capacity that will meet the peak day requirement, and that peak day requirement is a function of how much gas you're going to be moving on an hourly basis and then so many hours per day to that plant. You need to contract for that on a firm basis, so you need to essentially own that capacity year-round.

There's a couple of different sections of pipe: one more what we would call transmission-oriented to get it from Dawn to the general Lennox area, and then there

would be something more local with Union Gas distribution pipe that you need to have. Both of those charges are on a capacity basis, and, really, you need to contract for them for those peak-day requirements. You may not use all that pipeline all the time throughout the different seasons, but you definitely need it for that maximum hourly or daily flow.

**Mr. Peter Tabuns:** Right. Makes sense. Just before we wind up our time, because I assume we're coming—

**The Chair (Mr. Shafiq Qaadri):** Three minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** Three minutes. What you've been able to do in your testimony today is set out a factual basis for understanding the full scope of the cost of relocation that arose from the decision by the government of Ontario. You've noted that when they made that decision, they would have had to account for the risk of paying people for their lost profit for the next 20 years and that we in Ontario are going to bear a pretty hefty cost from that cancellation.

When it comes to the Mississauga relocation, we didn't, as a province—the OPA didn't take advantage of an obvious opportunity in having a much closer connection to the gas supply at the Dawn hub. In one case, we paid a lot more than was ever told, and in the other case, we could have gotten a better deal than we were presented with. Is that a fair summary of the testimony?

**Mr. Bruce Sharp:** I would say, on Oakville, yes. The only comment I would make about Mississauga is that the idea about there being a missed opportunity—that's the way it appears from the outside. There are a lot of moving parts to these things; you never quite know where there might have been a give-and-take. But it does seem on the surface that they might have missed out on an opportunity to lower those net revenue requirements in recognizing the reduced gas costs. The net present-value savings would have been about \$28 million.

**Mr. Peter Tabuns:** Just a last, if I can: I think we can assume that the OPA would have had the expertise to analyze, in advance, these cancellations—what the risks would have been.

**Mr. Bruce Sharp:** I would think so, yes. If somebody said, "We're going to be laying all the gas management costs from TransCanada onto the OPA," I think they would have had a pretty good idea of what those numbers would be. With that and other elements, I would think that they would be pretty well on top of those numbers.

**Mr. Peter Tabuns:** Okay. Do I have any other time left, Mr. Chair?

**The Chair (Mr. Shafiq Qaadri):** Twenty-five seconds.

**Mr. Peter Tabuns:** Twenty-five seconds. Are there other expenses related to the Lennox site that you think we should be looking at, that we should understand more clearly?

**Mr. Bruce Sharp:** I think there are, but I don't have any comment on their magnitude right now.

**Mr. Peter Tabuns:** Okay. So it is worth our while to continue looking at that?

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Tabuns; thank you, Mr. Sharp.

I'll now pass the floor to the government side. Mr. Delaney, 20 minutes.

**Mr. Bob Delaney:** Thank you very much, Chair.

Good morning, Mr. Sharp. Thanks for coming in. You're a pretty active blogger and commentator on this, sir. Were you following the issue during 2011, during the election?

**Mr. Bruce Sharp:** Yes. I would say: probably more on the Oakville plant move, yes.

**Mr. Bob Delaney:** Okay. All right. Were you keeping up to date on the Mississauga plant as well?

**Mr. Bruce Sharp:** I would say yes. My comment on the Mississauga plant is that the information that's generally available is less detailed, less accessible and has more to do with debt financing, that kind of thing.

**Mr. Bob Delaney:** Had you done any analysis or calculations prior to the 2011 election?

**Mr. Bruce Sharp:** On either of the plants?

**Mr. Bob Delaney:** Yes.

**Mr. Bruce Sharp:** I don't think so, no.

**Mr. Bob Delaney:** Okay. Were you following who made commitments or decisions regarding the location of the plants at the time?

**Mr. Bruce Sharp:** No. Do you mean, which party might have been saying what?

**Mr. Bob Delaney:** Which parties had made decisions regarding the siting of the two plants.

**Mr. Bruce Sharp:** Not that closely. I just knew that there were discussions about them being moved and some of the more public processes to do with the Oakville plant, some of the celebrity people involved—that type of thing.

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**Mr. Bob Delaney:** Do you know which parties had made a policy commitment regarding the location of either or both of the two plants?

**Mr. Bruce Sharp:** I have a sense of it, but not really of the timing. I know what has been said in the press recently.

**Mr. Bob Delaney:** Would you know or recall whether one, two or all three parties had made decisions regarding the relocation of either or both plants?

**Mr. Bruce Sharp:** I can't say for sure if I knew exactly who said what.

**Mr. Bob Delaney:** All right, then let's get specific. Did the Progressive Conservatives make an announcement, to your knowledge, during 2011 regarding the locations of either or both plants?

**Mr. Bruce Sharp:** I can't speak exactly to what was said. My understanding of it, if I can comment generally, is that these were decisions that were made by the government, and the Conservatives and the NDP, I think, might have been somewhat manoeuvred into having to support the idea after the fact.

**Mr. Bob Delaney:** So in other words, you don't recall whether or not the Progressive Conservatives, during the

course of the 2011 election, made a decision to cancel the Mississauga gas plant?

**Mr. Bruce Sharp:** I don't recall, no.

**Mr. Bob Delaney:** You can't recall whether the Progressive Conservatives made a decision during the 2011 election to cancel the Oakville gas plant?

**Mr. Bruce Sharp:** Correct.

**Mr. Bob Delaney:** Do you recall whether or not the NDP made a decision during the 2011 election to cancel the Mississauga gas plant?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Do you recall whether, during the 2011 election, the NDP made a decision to cancel the Oakville gas plant?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Do you recall, during the 2011 election, whether or not the Liberal Party made a policy decision to cancel the Mississauga gas plant?

**Mr. Bruce Sharp:** I don't know about the Liberal Party. I just knew that—

**Mr. Bob Delaney:** I'm asking about the Liberal Party.

**Mr. Bruce Sharp:** Well, it was—

**Mr. Bob Delaney:** A yes or a no.

**Mr. Bruce Sharp:** I would say yes.

**Mr. Bob Delaney:** Okay. Do you recall, during the 2011 election, whether or not the Liberal Party made a decision to cancel the Oakville gas plant?

**Mr. Bruce Sharp:** I'm pretty sure I would say yes.

**Mr. Bob Delaney:** Do you recall, during that period of September to October 2011, whether or not the government of Ontario made a decision to cancel the Mississauga gas plant?

**Mr. Bruce Sharp:** It sounds a bit like we're getting into semantics here. I would say—

**Mr. Bob Delaney:** It's just a yes or a no.

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Do you recall, during that period of September/October 2011, whether or not the government of Ontario—which, by the way, includes the Ministry of Energy—made a decision to cancel the Oakville gas plant?

**Mr. Bruce Sharp:** I can't remember the exact timing of these things.

**Mr. Bob Delaney:** Okay. All right.

**Mr. Bruce Sharp:** I just know that they occurred.

**Mr. Bob Delaney:** Okay.

**Mr. Bruce Sharp:** And I am pretty sure they occurred before the election, because my recollection of things is that these were election issues.

**Mr. Bob Delaney:** Then, taking what you've just said, acting on the assumption that those decisions would have been the same under all three parties, as all three parties in fact made the decision within days of one another, in your opinion, would the cost have been any different had the government of Ontario been either a Conservative or an NDP government? A yes or a no.

**Mr. Bruce Sharp:** So if there were a different government after October 2011?

**Mr. Bob Delaney:** Would the costs facing the government of Ontario, regardless of which party were running the government of Ontario, have been any different?

**Mr. Bruce Sharp:** I think back in September or October 2011—

**Mr. Bob Delaney:** A yes or a no.

**The Chair (Mr. Shafiq Qaadri):** I need to intervene for a moment. The witness is able to answer the question as he sees fit, and it's not part of the protocol of the committee to force a yes-or-no answer. So I'd invite you to continue.

**Mr. Bruce Sharp:** I think back in September-October 2011, there was probably a lot of uncertainty about what added costs would arise from the decisions made.

After the election, it's really hard to conjecture whether or not the ultimate costs, especially of Oakville, would have been different, because the settlement agreement wasn't announced until September 2012. So, depending on which party was in power, they might have directed the OPA and the Ministry of Energy to negotiate a different way, and they might have achieved different outcomes.

**Mr. Bob Delaney:** Okay. Have you in the past, in your writings, been critical of the energy policies of the current government?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. Have you been critical of any of its green energy initiatives?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** And have you taken issue with the government's costing on a few occasions?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. I just want to run through a few things here. You made reference in your earlier testimony to a number of different organizations. With regard to the proponent of either the Mississauga or the Oakville gas plants, have you ever worked for either of them?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** As in "been employed by." Has your firm ever been retained by either?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Have you ever met with people in either organization?

**Mr. Bruce Sharp:** I've been in the business for 25 years, so I just have to think about that.

**Mr. Bob Delaney:** During the period under question. In other words—

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Okay, thank you. Regarding Enersource in Mississauga, again, the same questions: Have you ever worked for Enersource?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Been retained by Enersource?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Met with Enersource's planners or decision-makers?

**Mr. Bruce Sharp:** Not any time recently, no.

**Mr. Bob Delaney:** Okay. The Ontario Power Authority: During the time period in question, have you ever worked for the OPA, been employed by them?

**Mr. Bruce Sharp:** The only clarification I want to make is that I'm here speaking as a private citizen today.

**Mr. Bob Delaney:** Yes.

**Mr. Bruce Sharp:** I can speak to Aegent Energy Advisors, where I work now, but I don't think it's necessarily germane to the discussion.

**Mr. Bob Delaney:** So you've never been employed by the Ontario Power Authority?

**Mr. Bruce Sharp:** I have not, no.

**Mr. Bob Delaney:** And your firm has never been retained by the Ontario Power Authority.

**Mr. Bruce Sharp:** Aegent Energy Advisors, whom I'm not speaking for today, did some work for the Ontario Power Authority around July 2012.

**Mr. Bob Delaney:** Did you participate personally in that work?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Okay. Did you meet with planners or decision-makers from the OPA during this period in question?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Okay. Hydro One: Have you ever been employed by Hydro One?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Been retained by Hydro One?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Met with key decision-makers or planners from Hydro One?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Ontario Power Generation: Ever been employed by them?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Has your firm ever been retained by them?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Have you ever met with power planners or decision-makers—regarding these two plants—from OPG?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** TransCanada: Ever worked for TransCanada?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Has your firm ever been retained by TransCanada?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Ever met with planners from TransCanada?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Enbridge: Have you ever worked for Enbridge?

**Mr. Bruce Sharp:** I worked for the predecessor company, Consumers Gas.

**Mr. Bob Delaney:** Okay.

**Mr. Bruce Sharp:** It has been Enbridge for a long time. The last time I worked there was 1997.

**Mr. Bob Delaney:** Okay, thank you. During the period in question, was your firm ever retained by Enbridge?

**Mr. Bruce Sharp:** We recently did some work for Enbridge.

**Mr. Bob Delaney:** And what was the nature of the work, please?

**Mr. Bruce Sharp:** It was a training course on generation.

**Mr. Bob Delaney:** Okay. In the course of that work, did you perform any capacity analysis? Did you do any quantitative work for Enbridge?

**Mr. Bruce Sharp:** For that specific type of generation that we're talking about, we did some analysis, yes.

**Mr. Bob Delaney:** Could you table that analysis with the committee, please?

**Mr. Bruce Sharp:** Give a brief summary of it?

**Mr. Bob Delaney:** No, we'd like to see a copy of your analysis. Would you table it with the Clerk of the committee, please?

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**Mr. Bruce Sharp:** We could provide, I think, some—we have a training deck that we delivered. I'm still not sure of the significance of it, given that I'm here speaking as a private citizen, and you're asking me to provide something from Aegent Energy Advisors.

**Mr. Bob Delaney:** Yes. Could you table that with the Clerk of the Committee, please?

**Mr. Bruce Sharp:** I can't commit to that right now. I'd have to speak to somebody at Aegent.

**Mr. Rob Leone:** On a point of order, Mr. Chair: The witness has declared that he is here acting on personal interest. Now you're trying to betray his professional—I think that this is witness intimidation.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Leone. I think procedurally I would have to rule that the witness has made reference to those particular documents, and as a legislative committee we have the power to essentially subpoena those documents if the committee so chooses. So it is in order.

Mr. Delaney, unless you want to continue this point, I'd invite you to continue.

**Mr. Bob Delaney:** Okay. Thank you very much.

So, again, I'm coming back to the analysis that you wrote. I've got this email that you had sent to Mr. Tabuns dated October 11, 2012. Over and above this two-page analysis, Mr. Sharp, what other quantitative work did you do?

**Mr. Bruce Sharp:** I would have looked at different gas tariffs to see what the annual tariffs are going to be. I would have done some calculations on how much gas the plant would use, based on making certain assumptions. Then I did some fairly rudimentary discounted cash flow analysis, where I would take annual payments over, say, a 20-year period and bring them back to net present value terms.

**Mr. Bob Delaney:** Okay. Did you send this analysis to Mr. Tabuns?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** To Mr. Bentley?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** To anyone in the government?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Would you table it with the committee, please?

**Mr. Bruce Sharp:** Sure.

**Mr. Bob Delaney:** Okay.

I'm having trouble getting to the essence of your conclusions here, because your conclusions are based on an email, but you haven't substantiated your email. Is there a reason that you didn't table some of your analysis with the committee prior to this so that we could have a look at it? I'm not questioning your methodology, but I'd like to see your methodology.

**Mr. Bruce Sharp:** I'm happy to share it with you. I didn't necessarily know you needed it.

**Mr. Bob Delaney:** Okay. So, to review your article, you don't take issue with the \$40 million attributed to the sunk costs. Correct?

**Mr. Bruce Sharp:** Correct.

**Mr. Bob Delaney:** So when we talk about sunk costs, we would include such expenses as fees for architects, engineers, consultants and things like that?

**Mr. Bruce Sharp:** I don't recall the details, but I would generally agree, yes.

**Mr. Bob Delaney:** Okay. Basically, then, your focus is really on other costs that are associated with the relocation, such as turbine payments, gas deliveries, transmission and things like that?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. In your article, you talk about a turbine payment. You might also be aware that, to offset the turbine payment, the OPA negotiated a lower price for the power produced for the new plant. Correct?

**Mr. Bruce Sharp:** Correct. They negotiated a lower net revenue requirement or monthly payments, yes.

**Mr. Bob Delaney:** Okay. So, although you said that you had not been briefed by OPA, to quickly recap, the original plant in Oakville was to receive \$17,277 per megawatt capacity per month for 20 years. Is that figure familiar to you?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. And the new price negotiated was \$15,200 per megawatt per month. Also familiar?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** All right. So, to do the quick math, over a period of 20 years that would add up to roughly \$450 million. We're still on the same page?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. To look at your costing, which we both agree is not formal—this is just an email, and you'll table with us your formal costs—where is that \$450 million in savings?

**Mr. Bruce Sharp:** The \$450 million—I'm trusting you on doing the 20-year math there—those are nominal dollars. For all the dollar amounts that I talk about in my analyses, you need to be able to compare apples and apples. I bring them all back to net present value terms so

that you can—it's just a common project analysis methodology used.

You take those nominal dollars in each year and you discount them back, using some discount rate, to net present value terms. That's how the roughly \$450 million in nominal dollars become, in this case, \$284 million in net present value dollars.

**Mr. Bob Delaney:** So in other words, you've discounted the value by half, based upon a series of assumptions in the calculations that you will table with the Clerk to distribute to the committee, which we can then have a closer look at, correct?

**Mr. Bruce Sharp:** Correct.

**Mr. Bob Delaney:** Thank you. Speaking about delivery charges: In general, no matter what we're talking about, any plant is going to incur certain delivery charges, right?

**Mr. Bruce Sharp:** Correct, yes.

**Mr. Bob Delaney:** So in your estimate, you've attributed \$346 million to gas delivery charges with respect to the new Lennox plant.

**Mr. Bruce Sharp:** That was my number back in October, and I've just revised it. My current number is \$313 million, but certainly in the same order of magnitude.

**Mr. Bob Delaney:** How can you be certain? Because that plant hasn't been built yet.

**Mr. Bruce Sharp:** I'm just working off of the general technical understanding I have of the plant: the number of megawatts, the type of heat rate that that plant would have; how much gas would arise from that many megawatts, that heat rate; how it works out to a daily gas flow, and then looking at current gas tariffs as I understand them.

**Mr. Bob Delaney:** In other words, it's a ballpark estimate.

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay, that's fine.

**Mr. Bruce Sharp:** We won't have an opportunity to know the exact dollars until the plant is operating.

**The Chair (Mr. Shafiq Qadri):** One minute.

**Mr. Bob Delaney:** Okay; thank you very much.

One last question: With regard to transmission fees, you've suggested an additional cost related to this type of fee that is directly attributable to relocation, right?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. I'm going to explore that in a little bit more detail in our next round of questioning.

Mr. Chair, I'm going to wind it up here.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Delaney.

To the Conservative side: Mr. Fedeli.

**Mr. Victor Fedeli:** Welcome, Mr. Sharp. First of all, I want to say thank you for being here as a private citizen on your own time and on your own dime. Much appreciated, to have you here.

After the questioning from the Liberals, we've now determined that you are an expert, certainly with a long and successful career. Again, I appreciate you being here.

I was very impressed with the track record that you have established here.

I want to ask a couple of things. Following up on both sets of questions, I want to get to the nub of the \$638-million number that you have, just kind of outlining again the various components that go into that.

Let's talk about the gas delivery again. You're suggesting we start at \$40 million as one of the numbers that we use to come up with the total. The next number was \$313 million, and that was for the extra gas delivery. Was that correct?

**Mr. Bruce Sharp:** It's for the gas management costs being offloaded from TransCanada onto the Ontario Power Authority. It's the complete cost of moving gas from Dawn to Lennox-Napanee.

**Mr. Victor Fedeli:** So the Dawn facility is near Sarnia.

**Mr. Bruce Sharp:** Yes.

**Mr. Victor Fedeli:** And you're suggesting that by moving the gas from Sarnia to the Oakville plant, but now moving it from Sarnia to the Bath plant, or the Lennox plant, that's the difference in the extra miles? Is that putting it in plain English?

**Mr. Bruce Sharp:** Well, the added cost related to gas management arising from the decision to move the plant from Oakville to Lennox is the total gas management cost. The difference in moving it to Oakville versus moving it to Lennox is really irrelevant. Before, TransCanada was going to pay the gas management costs itself in the Oakville location. Now there is a higher cost associated with Lennox, but they've offloaded the total cost of gas management onto the Ontario Power Authority.

**1020**

**Mr. Victor Fedeli:** So in the original arrangement, TransCanada would have absorbed that cost of gas management within their own house and their own pricing structure, but in this new deal, they were able to spin that cost off to the OPA. Is that what you're saying?

**Mr. Bruce Sharp:** Correct. Typically, the gas management costs are embedded or paid for in the monthly net revenue requirement.

**Mr. Victor Fedeli:** So that is an extra \$313 million that would have normally been absorbed by TransCanada but now is being paid by the OPA or some other government agency and that will end up in global adjustment, which will end up on our hydro bill. Is that your estimation of the number?

**Mr. Bruce Sharp:** For Lennox, yes. At Oakville, it would have been some smaller number that I can't really comment on right now. But the key thing is that the complete cost, as documented in the settlement MOU, has been offloaded onto the OPA.

**Mr. Victor Fedeli:** So \$40 million in sunk costs, \$313 million in gas delivery/management: Is that a fair, simplistic way of putting it?

**Mr. Bruce Sharp:** Yes.

**Mr. Victor Fedeli:** Okay. I understand that the gas delivery and management service cost is allegedly offset with the \$17,277 per megawatt per month going down to

\$15,000. I understand, historically, that there are contracts from the OPA in the \$10,000-a-month range and that the average in Ontario is just a shade over \$13,000 a month. Would you concur with those numbers?

**Mr. Bruce Sharp:** I just want to tackle the first part before I get onto the monthly numbers. I'll just tackle what you said. Maybe if you'd kind of bear with me, I'll just quickly go through the costs that I mentioned in my remarks and speak to what you're asking about.

We have the relocation costs of \$40 million. We already talked about gas delivery and management services, right now at \$313 million. There's a turbine payment of \$210 million.

The reduction in monthly net revenue requirement payments: I see that individual component itself as having a benefit, mitigating the general cost of the project. It has a benefit of \$284 million.

Transmission: I have a net present value number of \$359 million.

I'll definitely acknowledge that now—I said that my analysis has evolved, and I have a different view of particularly the interaction between the turbine payment and the reduction in monthly payment, so—

**Mr. Victor Fedeli:** You think there is a relationship between that?

**Mr. Bruce Sharp:** Well, I kind of viewed them together before, and I saw it kind of in a negative light. But I think I needed to change my view to have a consistent analysis methodology, consistent with the way I looked at gas delivery and transmission.

**Mr. Victor Fedeli:** Go to the second part of my question. This is from \$17,000 and change, to \$15,000. Is the industry average approximately \$13,100 per megawatt per month? And are there contracts out there in the \$10,000-per-megawatt-per-month range?

**Mr. Bruce Sharp:** My understanding is, there are contracts in the \$10,000 range. I can't recall if the industry average is in the order of \$13,000 or \$15,000.

You might be referencing an email that I think came out—it might have come from somebody in the Ministry of Energy to possibly the press gallery—last summer that talked about those monthly net revenue requirement payments. It's either \$13,000 or \$15,000.

**Mr. Victor Fedeli:** So dropping from \$17,000 to \$15,000 is nothing magnanimous, in your opinion, then, considering that is more the norm than unusual?

**Mr. Bruce Sharp:** I would agree with that.

**Mr. Victor Fedeli:** We've got \$40 million in sunk costs and \$313 million for gas delivery management. The next one you talk about is transmission.

I have an internal document from the Ontario Power Authority, and I'll read you one line. It says, "We've said before that the cost of the transmission alternative"—they're speaking about Oakville here—"is approximately \$200 million." This is a 2009 document. This was a question and answer that the OPA and the Ministry of Energy had back and forth with each other. Number 8 was, "How much will the transmission" have cost? The

answer is, "The cost of transmission project is estimated at \$200 million."

In 2009, they said that if we do not do this Oakville plant, we need to add \$200 million to transmit power into Oakville. They're at \$200 million, which is not included in the \$40 million anywhere. You have included a number and then extrapolated the number to net present value. Can you just talk a little about why you believe the number should be included and what your number actually is, please?

**Mr. Bruce Sharp:** In addition to providing confirmation of this \$200-million number, I think the \$200-million number and the general need for either generation or transmission reinforcement in the area was in the public domain back in 2009 when the OPA was really introducing the project—I think when they had an RFP to acquire the generation supply.

**Mr. Victor Fedeli:** So it's, "If you want power there, you need to either make it there or transmit it there"?"

**Mr. Bruce Sharp:** Correct; increase the transmission—

**Mr. Victor Fedeli:** So the \$200 million back in 2009—what's your net-present-value number on that today, the number you used in your calculation?

**Mr. Bruce Sharp:** I took the nominal \$200-million number from 2009, brought it forward to about 2014, increasing it roughly 10% to \$220 million, then I looked at how a \$220-million transmission project translates into an annual rate base, and then how that rate base translates into transmission costs paid by ratepayers. I looked at a cash flow analysis and then discounted it back to net-present-value terms using a discount rate of 5%. It comes in higher than \$220 million, I believe, because of things like the equity rate of return that Hydro One is allowed to make on their rate base. So that \$220-million project cost in 2014 becomes a net present value of \$359 million.

**Mr. Victor Fedeli:** So your number of \$638 million—does that include the \$40 million?

**Mr. Bruce Sharp:** Yes.

**Mr. Victor Fedeli:** Okay. Are you aware, through the media or through any other way, that in recent history, TransCanada was offered \$712 million to settle this claim, which happens to be pretty close to your number, incidentally? Were you aware that TransCanada was offered and rejected that offer?

**Mr. Bruce Sharp:** I heard about that. I think I saw it in one of the documents that came out of the initial 50,000-page dump. I heard that \$712-million number, yes.

**Mr. Victor Fedeli:** I'm sorry?

**Mr. Bruce Sharp:** I did hear the \$712-million number, yes.

**Mr. Victor Fedeli:** So you were aware, then, that TransCanada was offered \$712 million and rejected it—a number reasonably close to the number that you have developed?

**Mr. Bruce Sharp:** Yes.

**Mr. Victor Fedeli:** Okay. Back to your cost of \$40 million and the gas delivery management and the trans-

mission: In your opinion, would the OPA or the Ministry of Energy have known of these numbers as well—that there would be transmission costs or a gas-delivery-management-service cost?

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**Mr. Bruce Sharp:** While I think the OPA would have known about those costs and had some opinion on them, I can't really comment on the Ministry of Energy. My sense is that, in this particular area, there's probably more expertise at the OPA than there is at the Ministry of Energy.

**Mr. Victor Fedeli:** Okay. So the fact that the government has cancelled the Oakville plant, moved it to the Lennox facility—a site considerably farther away that has additional gas delivery management and additional transmission costs—I want to know: In your analysis, the fact that they sole-sourced this new plant to TransCanada in a new location—they've come up with a number of what they're paying TransCanada, the sole source. Would you have attributed any of that sole-sourced costing to your projection, or, once it's determined what the difference in the sole source is, would that be considered extra to this contract?

**Mr. Bruce Sharp:** I didn't make any judgments about whether or not I felt something was sole-sourced, so I don't really have a comment on that.

**Mr. Victor Fedeli:** So if it was indeed—well, they are the only proponent, and they were awarded the contract without a bid, so we can assume that that sole-sourced contract will have costs attributed. Would any of those costs have factored into your math at this point, or would I consider those to be yet-to-be-determined extra costs?

**Mr. Bruce Sharp:** I think to answer that, I would just reiterate that when I looked at this whole event occurring, whether it be Oakville or Mississauga, I was just trying to evaluate the incremental costs of the move. So to make a judgment on sole-sourcing, I would be perhaps making a judgment about what the costs would have been if the plant had remained in Oakville. It really just wasn't the intent of my analysis. I saw one number come out in the public domain, and I felt the number was different, so I tackled it on an incremental basis.

**Mr. Victor Fedeli:** That's fair. So we can assume, then, that both the sole-sourced contract for Oakville and the sole-sourced contract that went to the Lambton site would be somehow above and beyond the numbers that you have developed. I will make that assumption, then, based on what you're saying, that it's not in your math today. I can then assume that once we determine the real value of the contract in Oakville or the real value of the contract in Mississauga—formerly Oakville, formerly Mississauga—we'll be able to get to that further number, those further hundreds of millions, in the near future.

But you mentioned Mississauga and the fact that because it's now in Lambton, there's actually a lower cost to get the gas to Sarnia, but that hasn't been accounted for anywhere. So I would ask you: Who's making the money, then, on the savings? In your determination, who's making that extra \$20 million or \$30 million that you talked about if it doesn't show up yet?

**Mr. Bruce Sharp:** First of all, I just want to say that that's my assumption, based on my understanding that the net revenue requirement hasn't changed at all, or has not been reduced materially. Having said that, I do believe there is a lower gas management cost. Without even looking at the numbers, you just, I think, can generally understand it intuitively. So if that lower cost is occurring and there is no change in the monthly payments otherwise to the project developers, operators, then that's a bit of a windfall for them. They'll be pocketing that money. So it will just improve their economics relative to where they otherwise would have been.

**Mr. Victor Fedeli:** Okay. Would you concur that there's a fiscally responsible way to have moved these gas plants and an irresponsible way to move the gas plants?

**Mr. Bruce Sharp:** I can't really comment about responsible or irresponsible. I think once you make the decision to move them, then you just really need to negotiate the best deal possible for ratepayers once you've made those decisions.

**Mr. Victor Fedeli:** Would you agree that the decision to build those comes before the decision to move them?

**Mr. Bruce Sharp:** To build the plants at their original sites?

**Mr. Victor Fedeli:** I'm sorry?

**Mr. Bruce Sharp:** Sorry—the decision to build them at their original sites comes first?

**Mr. Victor Fedeli:** Yes.

**Mr. Bruce Sharp:** Yes. I believe that the OPA has a very capable power system planning group, and they didn't site these plants in Oakville and Mississauga just to make trouble. They were there with a specific purpose in mind in terms of where the load is, where generation is coming from, how easily that generation flows to those areas, so I think that they were sited there very deliberately.

**Mr. Victor Fedeli:** Okay. So my final question would be: What are we missing, Mr. Sharp, that could help your analysis continue?

**Mr. Bruce Sharp:** I don't necessarily want my analysis to continue.

**Mr. Victor Fedeli:** But if you were so asked, what do you need from this committee to help in your analysis? What are the missing pieces?

**Mr. Bruce Sharp:** As I said before, what we really need to do is for the people who have a good handle on these costs to come forward with very transparent numbers; not just a single number, but—

**Mr. Victor Fedeli:** Do you think we have all the information at this point?

**Mr. Bruce Sharp:** Not in the general public domain. They may be buried in documents somewhere, but I think it just needs to be presented a little more transparently, a little more concisely, with all the underlying assumptions accompanying that.

**Mr. Victor Fedeli:** So you're looking for the government to be honest with all of the documents and provide all of the documents?

**Mr. Bruce Sharp:** Oh, I don't think I'm going to answer that question. I would say, we'd just be looking for, as I said earlier, a transparent and spin-free disclosure of—

**Mr. Victor Fedeli:** Do you think we have that today?

**Mr. Bruce Sharp:** Not in the general public realm, no.

**Mr. Victor Fedeli:** Okay. Thank you, Chair.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Fedeli.

Mr. Sharp, your analysis will, in fact, continue at least for the next 30 minutes, in 10-minute rotations. To the NDP now.

**Mr. Peter Tabuns:** Thank you, Chair. Mr. Sharp, thank you; you've been very level and even in your presentation today. I appreciate the fact that when you analyzed the overrun, you also looked at where the government should get credit for an action that was taken. So you took a very balanced approach to giving us numbers.

I appreciate your offer to bring forward your background documents on this analysis. I want to note that it's the committee as a whole that can require documents, not any individual member. I understand that one of my fellow committee members may be asking us to require a presentation from you on a gas plant training deck. Can you tell us what that is?

**Mr. Bruce Sharp:** Again, I don't think it's really relevant to what we're talking about here today—

**Mr. Peter Tabuns:** No, I don't think so either.

**Mr. Bruce Sharp:** It has to do with my day job, so to speak. I'm not here speaking on behalf of my day job employer, but—just a training course that we're giving to some people at Enbridge to provide them with a little more technical depth on the subject of combined heat and power generation. I don't think it has anything to do with what we're talking about today.

**Mr. Peter Tabuns:** No. Based on your earlier comments, it didn't sound like it, and what you just said makes it pretty clear. We are inquiring into two decisions made by the Ontario Power Authority and, frankly, the government of Ontario. Having your company show documents on how to run gas power plants for Enbridge has no relevance in terms of what we're dealing with here.

Another question Mr. Delaney raised was around the credit for the net revenue requirement, the monthly payments per megawatt. He did a quick calculation and gave himself a much bigger number; you have another. I understand it's an accounting convention to set up what's called net present value. We're trying to make everything apples and apples so we can compare value, and what was presented to you was an orange and an apple. Can you tell us why you try and make sure we have apples to apples in these comparisons—why you use that accounting approach?

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**Mr. Bruce Sharp:** Sure. It's really a financial analysis technique.

Let's say you're doing a project analysis. You have different elements of a project cost and they have num-

bers that vary throughout the life cycle of projects—say, over a 20-year term. You want to be able to bring it back to one common reference point and then, for each element, add up the numbers. Then you have, basically, a net present value. In project-analysis terms, it would often be, "If I have a positive NPV at the end of the day, then it's a good project for me. I'm going to go ahead and do it." In this case, we're not necessarily talking about a go/no-go decision, but we're just trying to bring it back to one reference point.

It just so happens that in the three areas where I was using the discounted cash flow technique—reduction of monthly payments, gas delivery management and transmission costs—I was using a common discount rate anyway. That's part of why my analysis viewpoint changed from October: because I was applying a common rate. That's why my view on, say, the reduction in net revenue requirements changed.

It's certainly nothing I invented; it's more of a financial analysis technique.

**Mr. Peter Tabuns:** My experience is that most normal human beings don't understand these accounting concepts. I wrestle with it occasionally; I get glimpses of it, but what you tried to do in a very standard way was make sure that everyone could understand: "This is an apple, this is an apple, this is an apple; you can compare them." We're not mixing a whole bunch of other elements in here and then—

**Mr. Victor Fedeli:** Fruit salad.

**Mr. Peter Tabuns:** Yes, I know. I wasn't going to go there, because I knew it would get us into all kinds of trouble.

I'm just trying to make sure that there was clarity.

**Mr. Bruce Sharp:** Sure.

**Mr. Peter Tabuns:** You've pointed out, effectively, beyond the sunk cost the government claimed, two other costs that we must take into account if we want to understand how much extra is being paid for this cancellation. One is the gas management charge and one relates to building new transmission capacity. These are not secrets in the industry; I'm assuming that everyone recognizes that if you move the plant, you're going to have to have transmission lines to get its power there. Agreed?

**Mr. Bruce Sharp:** Well, the transmission project identified by the Ontario Power Authority and that I'm talking about isn't about moving the electricity from, say, the new Lennox location to the load—

**Mr. Peter Tabuns:** No, that's correct.

**Mr. Bruce Sharp:** —but it's really about providing transmission that you would need to build in the Oakville area because of the decision to not site new generation there.

**Mr. Peter Tabuns:** But we could have one or the other. We could have generation or we could have transmission. We all recognize that that cost comes forward if you move the generation away.

**Mr. Bruce Sharp:** Correct. A transmission cost will be incurred.

**Mr. Peter Tabuns:** And if you vary the contract with TransCanada so that the ratepayers of Ontario now pay all this gas management cost, that's another damage that comes out of the relocation. That's correct as well?

**Mr. Bruce Sharp:** Yes.

**Mr. Peter Tabuns:** What I'm trying to get at is, we're talking very simple pieces here. There may be argument about the scale; maybe we could say transmission costs were \$200 million, not your number, but \$200 million is not a number that was admitted by the government previously. The gas management charges—that's pretty standard in the industry, to understand the cost, the scale and the importance. You may find someone who disagrees with you on that, but that's a big charge, and it's one that's going to have to be recognized when we talk about this relocation cost.

**Mr. Bruce Sharp:** Certainly the gas management really jumped out at me, because that was an item discussed in the MOU related to the settlement agreement. That was something I saw immediately as a potentially big number that looked fairly innocuous within the document. Then, on the transmission front—just from a general logic standpoint—everyone knew that the whole idea behind putting the generation there in the beginning was, if you don't have generation, then you're going to need transmission to fix the problem.

**Mr. Peter Tabuns:** I think in the course of Mr. Delaney's questioning, it became pretty clear you don't have a material interest in any of the parties that were part of this, and that you put forward an analysis to make it clearer to the public what we were actually spending and not spending.

**Mr. Bruce Sharp:** Correct. I just have a general desire for things to be transparent, and for things that I feel should be in the public realm to be in the public realm. I think disclosure of these types of things goes a long way to shining a light on policy and political decisions, so that we can, hopefully, learn from them.

**Mr. Peter Tabuns:** Okay.

**The Chair (Mr. Shafiq Qaadri):** A minute and a half, Mr. Tabuns.

**Mr. Peter Tabuns:** A minute and a half? Oh, good. Thank you, Mr. Chair.

In the course of your work on gas systems, have you seen any other circumstance where the gas transmission cost has been taken over by the government from a power provider?

**Mr. Bruce Sharp:** I haven't seen that. I have a general sense that because it is such a big number, it is something that more and more project developers in Ontario would like to see offloaded. It is a number that some of those developers might have been a little bit surprised by when they were working on developing their projects and putting in competitive bids and the like, early on in the process.

**Mr. Peter Tabuns:** So, in fact, this is a huge benefit to TransCanada Enterprises. One might even see it as a payment to them for all the inconvenience they went through.

**Mr. Bruce Sharp:** Well, it's a huge benefit to them. I can't comment on how it might be portrayed.

**Mr. Peter Tabuns:** Fair enough. But it would be a very huge benefit at \$300 million. Is that the low end of your estimate?

**Mr. Bruce Sharp:** I wouldn't say it's necessarily the low end. Really, it is certainly one of those areas—

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Tabuns. I'll intervene there.

The floor goes now to the government side: Mr. Delaney, 10 minutes.

**Mr. Bob Delaney:** Well, thank you. Chair, I'd like to pass to the witness and, through the Clerk, to the committee a 2010 document called Ontario's Long-Term Energy Plan.

Mr. Sharp, if you have a look at page 44, it has a short section entitled "Future Needs" that talks about upgrading Ontario's infrastructure. In that respect, you'll see that the long-term energy plan called for transmission upgrades in the southwest GTA, regardless of whether or not there's a gas plant there.

In your analysis, you refer to transmission costs, but in reality, back in 2010, those costs were planned and would have been incurred regardless of the relocation. Would that be correct?

**Mr. Bruce Sharp:** It sounds like that's what the document is saying. I really can't comment on how the decision to move the plant would have impacted that.

**Mr. Bob Delaney:** Given the depth of your analysis, had you read Ontario's Long-Term Energy Plan prior to this?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. So have you actually read this document?

**Mr. Bruce Sharp:** This document?

**Mr. Bob Delaney:** This document.

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. All right. So again, going back to your own numbers, I think you'd agree with me that your estimate isn't necessarily right. I think you've done your best to be accurate, but by necessity you've based your calculations on some conclusions and assumptions that, throughout your testimony, even you have admitted—you know, you say that in various times, you ballparked the number; that you've done a fairly rudimentary analysis; that this is the general technical route. So this is in fact your estimate, correct?

**Mr. Bruce Sharp:** Correct.

**Mr. Bob Delaney:** Okay. Why are your estimates different from those of other experts who have weighed in on this subject?

**1050**

**Mr. Bruce Sharp:** I'm not familiar with what experts you're talking about.

**Mr. Bob Delaney:** For example, your estimates are different with other experts who were directly involved in the project and might be in a better position to derive their estimates from accurate figures.

**Mr. Bruce Sharp:** Can you tell me which other opinions you're referring to?

**Mr. Bob Delaney:** Okay. I'm sure you're aware that the Auditor General is already reviewing the relocation of the Mississauga gas plant. You're probably also aware that it was the Premier who asked him to expand his review to include the Oakville gas plant.

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** You would support both of those decisions, I hope?

**Mr. Bruce Sharp:** That the Auditor General is going to look into those two things?

**Mr. Bob Delaney:** Yes.

**Mr. Bruce Sharp:** Yes, definitely.

**Mr. Bob Delaney:** Okay. So, in your opinion, do you believe that the gas plant should still be sited at its original location in Oakville?

**Mr. Bruce Sharp:** Well, I think if we could unring the bell—

**Mr. Bob Delaney:** I'm sorry. Again?

**Mr. Bruce Sharp:** If we could unring the bell to have avoided all this issue in the first place—moving it to Lennox, the added costs and everything else—I would still support putting it in Oakville—

**Mr. Bob Delaney:** OK.

**Mr. Bruce Sharp:** —with the caveat that I would say, “What is the latest view on the correct siting from the Ontario Power Authority and its power system planning people?”

**Mr. Bob Delaney:** That's fine. You said earlier, and I'm going to use your own words, that the OPA has a very capable power plant siting group. You also said that they, referring to the two power plants, “were sited there very deliberately.”

So again, to refer to the Oakville and Mississauga power plants, in your opinion, both plants should be sited where they were originally planned by the OPA?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Okay. Thank you.

You've been in the field a while, by your own admission, so you're aware that there are a lot of different factors that determine where a plant such as either Oakville or Mississauga should be located, such as population forecasting, electricity demand, conservation initiatives, transmission availability, existing infrastructure. Correct?

**Mr. Bruce Sharp:** Sorry: Do I have expertise in all of those areas—

**Mr. Bob Delaney:** No. I'm saying that—

**Mr. Bruce Sharp:** —or am just generally familiar with those factors?

**Mr. Bob Delaney:** —such things are factored in.

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** You factored population forecasting into—

**Mr. Bruce Sharp:** No, I didn't factor any of those things into my analysis.

**Mr. Bob Delaney:** Electricity demand?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Conservation?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Transmission availability?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Mississauga's and Oakville's existing infrastructure?

**Mr. Bruce Sharp:** No.

**Mr. Bob Delaney:** Okay. Thank you. So would you agree that if a decision is made and one of these key factors changes, it might be fair to revisit the decision?

**Mr. Bruce Sharp:** Yes.

**Mr. Bob Delaney:** Thank you.

Should a community have any input into any of these decisions?

**Mr. Bruce Sharp:** I think a community should have some input into any type of electricity infrastructure that is envisioned for their area and for any type of generation, whether it be a gas plant, renewable energy or transmission.

**Mr. Bob Delaney:** If a town like Oakville or a city like Mississauga has a previously published official plan, should the official city or town plan be taken into account when such factors as the siting of a power plant are considered?

**Mr. Bruce Sharp:** I can't speak for how the OPA's power system planning function go about collecting information, but that's certainly a piece of information that I think would be worth referencing.

**Mr. Bob Delaney:** Okay. If such a project isn't compatible with the town or city plan, should the city be able to intervene prior to a decision being made and say, “We have a published town plan,” or city plan, “and therefore this isn't compatible with it”? Would you agree with that philosophy?

**Mr. Bruce Sharp:** I don't think I'm going to answer that just because it's well outside my area of expertise to talk about what rights or how much say a municipality should have over power system planning and siting decisions.

**Mr. Bob Delaney:** Okay. Which of the three entities should bear the most weight in the location of a power plant: the city or town, through its official plan, the Ontario Power Authority or the Ontario Municipal Board?

**Mr. Bruce Sharp:** Again, I don't really feel fully qualified to answer the question. I just think that we shouldn't lightly dismiss the siting decisions made by the OPA.

**Mr. Bob Delaney:** Should the Ontario Municipal Board be able to override a decision by either the Oakville town council or the Mississauga city council?

**Mr. Bruce Sharp:** That's well outside my area of expertise.

**Mr. Bob Delaney:** That's fine. All I wanted to ask is your opinion on that.

Okay, I'd just like to run a couple of quotes by you and get a reaction from you.

**The Chair (Mr. Shafiq Qadri):** About a minute left.

**Mr. Bob Delaney:** Okay. Ted Chudleigh, the PC member from Halton, said: “The people of Oakville have told you they don't want the proposed gas-fired power plant ... and I agree with them.” Then, on October 19, he said: “I was pleased when it was cancelled.”

Would you agree with Mr. Chudleigh?

**Mr. Bruce Sharp:** Do I hold the same opinion as him, that—

**Mr. Bob Delaney:** Would you agree with his opinion?

**Mr. Bruce Sharp:** I think it's unfortunate that it was cancelled.

**Mr. Bob Delaney:** Okay. Chair, thank you very much, and Mr. Sharp, thank you very much for having come in and for very carefully answering my questions.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Delaney.

Final round of questioning to Mr. Wilson.

**Mr. Jim Wilson:** Thank you, Mr. Sharp, very much for coming and for sharing your expertise with us.

Just going back to the history of the Mississauga plant: As you know, I served as Minister of Energy from October 1997 to April 2002. I recall being asked many times by, first of all, Ontario Hydro, and then later, when we set up OPG, to build the plant in Mississauga. I'm just wondering if you have a comment that it would be fair to say that the Ontario PCs during our entire eight years in office, from 1995 to 2003, refused to build the plant in Mississauga.

**Mr. Bruce Sharp:** Well, we certainly didn't have any new plant after the Lakeview closure and everything, so I would say that's accurate, given that we don't have a plant. I can't exactly comment.

**Mr. Jim Wilson:** But you would maybe recall that in the industry it would be known that OPG would be asking the government to build a plant in Mississauga because of the need.

**Mr. Bruce Sharp:** Generally, yes. I think if we had a gas plant built on the old Lakeview GS site, none of this Mississauga-Oakville-plant-moving discussion would have ever happened.

**Mr. Jim Wilson:** Right. And on Oakville, I don't recall during our—you can comment on this or not—eight years ever being asked to build the Oakville plant. I recall that coming after 2003. Do you have any comments on that, what the history might have been on asking the government to build that plant?

**Mr. Bruce Sharp:** No.

**Mr. Jim Wilson:** Okay.

**Mr. Rob Leone:** Thank you, Mr. Sharp, for your testimony. I want to take aim at what I consider the line of questioning from Mr. Delaney, in the sense that he was trying to trick you, in effect; the mean-spirited and vindictive way—

**Mr. Bob Delaney:** Chair?

**The Chair (Mr. Shafiq Qadri):** Mr. Delaney.

**Mr. Bob Delaney:** Chair, I don't believe that the member is allowed to ascribe motives to me or to any other member, which is apparently exactly what he's doing.

**The Chair (Mr. Shafiq Qadri):** Your point of order is well taken, and I would invite all members of the committee to adopt parliamentary language and tone. Thank you.

Mr. Leone?

**Mr. Rob Leone:** Thank you, Mr. Chair. Mr. Fedeli previously cited the transmission costs for the Oakville

plant in a document that was in the first tranche of documents that were dumped. It came out in 2009, and the estimate at that time was \$200 million. We know that Ontario's Long-Term Energy Plan was printed in 2010. So is it entirely possible that the government accounted for the transmission costs when they were coming up with the long-term energy plan in 2010?

**1100**

If you need some help answering that question, I'll point you to page 44, where it states clearly that "a transmission solution to maintain reliable supply in the southwest GTA will be required," and page 34, which says that because Oakville is no longer going to be required, "a transmission solution to maintain reliable supply in the southwest GTA will be required."

On account of that, do you believe that you're fully justified in adding transmission costs to your analysis?

**Mr. Bruce Sharp:** I am just looking for the second reference that you mentioned here.

**Mr. Rob Leone:** Page 34; it's about the third paragraph. "However, a transmission solution to maintain reliable supply in the southwest GTA will be required." They've accounted for your \$200 million in this document that came afterward. That's all I'm asking.

**Mr. Bruce Sharp:** I will say that the reference on page 34 seems to relate not building the plant in Oakville with having to spend money on transmission. There's not an absolute concrete connection there, but you can infer it.

**Mr. Rob Leone:** Thanks. So you've stated that the Ontario Power Authority had more expertise to assess the costs of the cancellations of these plants. That was essentially what you said earlier today.

**Mr. Bruce Sharp:** That's my sense of it, yes.

**Mr. Rob Leone:** The OPA knew the costs, we believe. They stated in a press conference here at Queen's Park that the costs were much higher than the government was talking about. Do you believe that the OPA frequently converses with the Minister and Ministry of Energy with respect to things that are going on in the energy sector on a frequent basis? Would you be of that opinion?

**Mr. Bruce Sharp:** I'm not sure I can really fully comment on that. I would believe—or just assume, maybe—that at the staff level there's a level of communication between the OPA and the Ministry of Energy, but I can't really comment specifically on what the Minister of Energy knows at any given time or who's speaking to whom.

**Mr. Rob Leone:** Do you believe that the government's insistence that the Oakville cancellation costs only \$40 million to be a true statement? In your professional opinion.

**Mr. Bruce Sharp:** No, I don't think that's accurate.

**Mr. Rob Leone:** So if you believe that, would you agree then that the government is still hiding the true costs of the cancellation of the Oakville plant?

**Mr. Bruce Sharp:** I wouldn't want to portray it that way. I would just say that I think the public deserves to know the accurate costs.

**Mr. Rob Leone:** So in saying, though, that we don't have the full costs, one can infer that the truth still hasn't been told with this story, on the government's account—in your view.

**Mr. Bruce Sharp:** I don't want to make a judgment like that. Again, I would just go back to saying that whenever something like this happens, the public deserves to know the full story and have accurate numbers as part of that full story.

**Mr. Rob Leone:** Okay. In terms of the release of the 56,000 pages of documents that we've seen so far, you yourself have seen, I'm assuming, some of those documents in the course of your analysis. You will know that there were blacked-out portions in those documents, information that was removed. Do you believe that some of the information that was removed in those documents would have helped in your analysis to come up with the true cost or even greater cost if those costs are there?

**Mr. Bruce Sharp:** I think it's possible. I think that the bigger barrier to getting good information out of those documents was the volume and the general level of disorganization in the documents.

**Mr. Rob Leone:** So you would believe that a proper analysis of the true costs would be in a much more tabular form—in a spreadsheet, for example—that they could've at least released something like that that would actually enumerate the true costs rather than going through 56,000 pages?

**Mr. Bruce Sharp:** To evaluate the cost of these two moves with more accuracy and greater certainty, the information you need would probably be contained in 10 pages.

**Mr. Rob Leone:** How long is your analysis?

**Mr. Bruce Sharp:** It's really just some discounted cash flow analyses after looking at some of the individual elements. If you were to document it in a report with two or three spreadsheets, the whole thing would be under 10 pages itself.

**Mr. Rob Leone:** So do you believe that the 56,000 pages that we've received have created a smokescreen,

let's say, on individuals like yourself, trying to find out exactly what the true costs are? And let's be clear: We, as the estimates committee—I sat on the estimates committee—actually requested a costing document that we haven't received yet.

**Mr. Bruce Sharp:** As I mentioned, the nature of the documents that have come out really make it challenging to pull the information out of it.

**The Chair (Mr. Shafiq Qadri):** One minute.

**Mr. Bruce Sharp:** Certainly before the document dump was searchable, I had very little interest in sifting through it. Even when it's searchable, I haven't necessarily seen a full searchable form and done a lot of searching myself. So it's a big barrier.

**Mr. Rob Leone:** So in your view, that's basically obstructing your work of trying to provide some transparency and knowledge to the public?

**Mr. Bruce Sharp:** I wouldn't want to call that obstruction. I'm just saying it makes it—

**Mr. Rob Leone:** Well, I'd call it obstruction. You can agree.

**Mr. Bruce Sharp:** —highly, highly challenging. It makes it highly, highly challenging.

**Mr. Rob Leone:** Okay. At the end of the day, what we're seeking is the same thing that you were seeking, which is a bit of honesty from this government, a bit of openness and transparency, something that they've refused to provide and we have yet to see.

I want to thank you for taking the time to join us today in committee to let us know, given your immense expertise and interest in this field, what exactly you know in this area, despite some of the—

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Leone. I'd like to intervene on behalf of the committee and thank you, Mr. Sharp, for your testimony and presence today.

I just announce that we have a subcommittee meeting in 20 minutes. Until then, the committee is officially adjourned until 8:30 a.m., Tuesday, March 19.

*The committee adjourned at 1107.*





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