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Tuesday 29 October 2013

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des débats
(Hansard)**

Mardi 29 octobre 2013

**Standing Committee on
Justice Policy**

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON JUSTICE POLICY

Tuesday 29 October 2013

COMITÉ PERMANENT DE LA JUSTICE

Mardi 29 octobre 2013

The committee met at 0831 in committee room 2.

MEMBERS' PRIVILEGES

The Vice-Chair (Mr. Phil McNeely): The Standing Committee on Justice Policy is now in session.

ASSOCIATION OF POWER PRODUCERS OF ONTARIO

The Vice-Chair (Mr. Phil McNeely): Our witness this morning is David Butters, president and CEO, Association of Power Producers of Ontario, a government witness.

Mr. Butters, you will now be sworn in.

The Clerk of the Committee (Ms. Tamara Poman-ski): Do you solemnly swear 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, so help you God?

Mr. David Butters: I do.

The Clerk of the Committee (Ms. Tamara Poman-ski): Thank you.

The Vice-Chair (Mr. Phil McNeely): We'll start off with you have five minutes to make a statement, Mr. Butters, and we'll start off with the government after that. You may begin. Just state your name for Hansard.

Mr. David Butters: Yes, I will. It's David Butters. I'm the president and CEO of the Association of Power Producers of Ontario, otherwise known as APPrO.

I just want to say a little about APPrO before we get started, what we do and what we are. We're the trade association representing almost all of Ontario's large-scale commercial generation companies. That includes organizations like Bruce Power, Ontario Power Generation, Brookfield, TransAlta, Northland Power and Trans-Canada, just to name a few, plus a lot of suppliers of various services to the generation sector.

Our members make electricity from all technologies. They own and operate valuable assets across the province, which are important to local communities, employing thousands of people. They also renew and refurbish existing assets and build new ones, creating thousands of additional jobs in construction and skilled trades.

The Vice-Chair (Mr. Phil McNeely): Could you get closer to the mic?

Mr. David Butters: Yes, I could. How's that?

The Vice-Chair (Mr. Phil McNeely): Thank you.

Mr. David Butters: We're primarily an advocacy organization focused on policy-level issues and directions that broadly impact the electricity sector or what we see as significant generation business risk issues, maybe at a more granular level, but we don't get involved in individual members' contractual business matters.

We also put on the premier power conference in the country, November 19 and 20, at the Metro Toronto Convention Centre. If you would like to attend, let me know afterwards. It's well worth your while, I think.

Our vision is for an Ontario electricity sector which is economically and environmentally sustainable and supports the business interests of electricity generators, ratepayers and the provincial economy. That's a tough assignment, but we've been advocating it since 1989. How can we achieve this?

First, we need a stable and predictable policy and regulatory climate. This is critical for cost-effective and timely energy infrastructure investment to meet Ontario's needs and improve system efficiency.

Second, we need to recognize that the private and public sectors both play important roles in developing, building and operating Ontario's energy infrastructure. The bottom line is that ratepayers want value for money. Using long-term contracts and opening competitive procurement will achieve this, but the corollary is that parties to contracts must respect those contracts.

Third, we need a balanced mix of resources—horses for courses, if you will—that includes all the technologies, and we need system plans that are economically rational and based on established planning principles, with clear and measurable timelines and deliverables. Generally, we think that Ontario's hybrid market approach has served Ontario reasonably well. Improvements can always be made to it, but it doesn't need radical surgery. Political involvement, on the other hand, should be limited to larger policy direction, which agencies then implement, or to resolve clear policy failures or shortcomings within the sector.

With that as context, I look forward to your questions.

The Vice-Chair (Mr. Phil McNeely): Ms. Cansfield.

Mrs. Donna H. Cansfield: Thank you, David, for coming and being part of the committee this morning. It's nice to see you.

You mentioned earlier in your comments that you represent a wide range of organizations, and those organ-

ization, presumably, have a wide range of power, different types of power that they produce. Is that correct?

Mr. David Butters: That's correct. We produce electricity from nuclear, water—otherwise known as hydro—gas, wind, solar, biomass—the whole nine yards.

Mrs. Donna H. Cansfield: Now, one of the challenges that's been, I think, right from the beginning is the whole basis on how the predictability of developing a system plan—and you identified that as a system plan, the rationale for a system plan, that you have to look at what's current, but then you have to feed it out to a good five to 10 years. It's not a yearly, necessarily, planning basis. One of the challenges, obviously, in doing that are the unpredictable issues, for example, 2008. Who would have predicted 2008?

So, from your perspective, how do you think we could do a better job on that rational kind of planning?

Mr. David Butters: Well, I think we do a pretty good job, actually, on the planning part. As you say, the challenges are that these long-run, long-life assets that could exist for 20, 40, 60—if you look at the Beck generation station, it has been around since the early 1920s. So they have long lives, and they're always going to be somewhat out of sync with the economy and the political cycle.

I think the important part of planning—and I always fall back on something that General Eisenhower is reputed to have said, that planning is everything; plans are nothing. It's the planning process. So the plans can't be carved in stone. They need to have some degree of flexibility around them.

Obviously, larger assets, once you make a commitment to them, you're there. But I think the trick for long-term energy planning is to make sure you canvass well, you look at the options, you understand what the implications are; that you build some flexibility into it and be prepared to adjust it as need be.

Mrs. Donna H. Cansfield: One of the other issues that has always been something that I think people haven't sort of recognized as part of the planning process is how interconnected we are with the United States when it comes to the distribution and use of power. We typically only hear about it when we talk about shedding.

I think it would be important, from your perspective, in terms of your association and the producers that produce that power and that you represent, that maybe you could explain that interconnectedness with the United States to help us have a better idea around system planning.

Mr. David Butters: Well, it's complex, but we are connected to our friends in the US through New York, Michigan and down into what's called PJM—that's Pennsylvania, New Jersey and Maryland—into that area, and power actually does move all the way from there, through Ontario, into Michigan, from Manitoba. So it's a highly interconnected system. It's actually, if you think of it, one of the largest—probably the largest—man-made piece of machinery in the world. We are connected to that entire northeastern grid.

A lot of that is done through markets—bids and offers and wheeling power and that kind of thing. So it's important to keep that aspect of it in mind, although when we do plan, we don't plan on taking into account what our neighbours have. We do build to make sure that we've got what we need, when we need it. If we're not using it, then we'll sell it. If we find we're short for some reason, or if pricing is such that we can take advantage of it, we will. It's a very a dynamic marketplace.

Mrs. Donna H. Cansfield: Thank you. I think sometimes we forget just how interconnected we are until there's a tree that falls somewhere on a line down in Ohio, and then we have a major blackout that lasts a significant amount of time here, and people say, "How did that happen?" That it is that interconnectedness, and that is the case.

It also speaks to system planning in terms of the type of power that we need and where we put that power because of the complexity around that distribution system, around the transmission system.

I'd like to hear, from your perspective, a little bit about how you feel the planning could or should take place, given that consideration around the system and distribution. I'm talking the big kV lines.

Mr. David Butters: Right. Well, I think the fact is that there are—if you're talking about large-scale generation, there are limited areas where it can be located. If you're talking about gas, you have to be fairly close to gas pipelines. You want to be close to the transmission system. You don't want to have to build any more transmissions than you have to. Nuclear: Obviously, if we were to do new nuclear—and although the government has said that currently they're not planning on doing that, you're going to do it probably where a nuclear facility is already located.

0840

Other resources can be distributed more widely, and we'll probably see more and more of that in the future. Small distributed energy systems can go, really, anywhere. They could be very small and go in your apartment. They could be larger and go elsewhere.

The planners have to take all that into consideration. What are they looking for? What do they need? It's not just capacity. They're looking for the ability to provide what's called "ramp." That's the ability to pick up quickly and turn off quickly. They're looking for things like reactive power. There's a whole bunch of functional things that planners look on—we just always think about the capacity side of it, but they're looking for a lot more than that. We might be looking at very high—how do we use gas in a very high-efficiency way? Cogeneration or even trigeneration.

It's a very complex planning thing. As I say, it is constrained by where you can locate, where the transmission lines are, and then you get into the issue of what I would call social licence and acceptability. Those all have to be taken into account.

Mrs. Donna H. Cansfield: I'd like to chat a bit about that in a minute, but I'd like to talk a little bit more about

transmission. How long have you been involved in this field of energy? A long time.

Mr. David Butters: It seems like forever.

Mrs. Donna H. Cansfield: Forever. In fairness, David, you have a really good background and a solid footing when it comes to the whole energy sector, from the production to the distribution to the installation to the price—the whole gamut of it. One of the areas where we haven't had as much in the field that's relatively new in technology is the whole area around distribution—how important it is in terms of siting close to those large distribution towers or the big transformer stations. Again, from your perspective, is there room for us to be able to change that?

Mr. David Butters: Well, I think so. I think we are moving—one of the things that when APPrO started out—this is long before I arrived. In the late 1980s or early 1990s, it was called IPPSO, the Independent Power Producers' Society of Ontario, and it was very focused on things like combined heat and power, local distributed power. I think we will see more of that in the future as we reinforce our grids. But the problem is always one—it's scale.

If you're going to replace, say, a 1,000 megawatt power plant with distributed generation, then how many of those do you need? You need 10 that are 100 or 1,000 that would be one megawatt. It then becomes a question of where can you locate them.

It would be desirable, I think, to move to more distributed generation. With a smarter grid, we should be able to do that, but that's still some ways away. As I say, it requires a lot of investment in our distribution sector, and we're still behind the curve on the distribution sector too.

Mrs. Donna H. Cansfield: David, you were there during the whole process, and not from afar, I'll say, around the siting of the Mississauga plant and the Oakville plant. Part of the mandate of this committee, or the mandate, is to look at how we can do things better right from the get-go in terms of planning right through to involving that siting, and you identified that as one of the more important aspects, balancing that relationship with communities.

I'm going to ask, from your perspective of someone who's been involved for a long period of time, if you could step back and say, looking at Mississauga and looking at the Oakville plant, what do you believe in terms of what we could have done better, the siting itself—and I appreciate that probably their clients are members of APPrO, so I know that—but again, I'm asking this because I think you've got a lot to offer in terms of your particular perspective and your background around the siting of those two plants.

Mr. David Butters: Right. Well, I think that, clearly, we've learned a lot, and I thought that the work that the Ontario Power Authority and the IESO did over the course of the summer on the consultation on siting recommendations was worthwhile and valuable. We participated in that very actively, and I think the recom-

mendations that they came out with, 18 or 19—I don't recollect the exact number; I think there were 19 recommendations—were very sensible, thoughtful.

I think what we really learned is that at the very front end of this, there are two things that we have to do. One is that we have to do a much better job of discussing with the local community what is the real situation, what is the need, what are the choices, and allow them to contribute that. It's my belief and my association's belief that we can't let local objections always trump provincial mandates or needs. That being said, we could do a better job of that. We talk a little bit about energy literacy. I'm not sure how much we can ensure that people have energy literacy, but we could certainly have a more robust, open discussion with them. That would be one thing.

A stronger provincial policy statement that official plans have to take into account—and I think when we look at official plans and official planning, that is a rigorous, active process. People do get involved in that very much, so there's an excellent opportunity for local communities to have these discussions with the help of the OPA and the ministry, presumably.

I think the other thing we can do a better job of is actually, if we're doing competitive procurement, we can make the scoring criteria higher for the kinds of processes that people have been involved in, the permitting they may already have—that kind of thing. So I think if you add those things all up—and I have to say that there's no guarantee. I don't think there's any guarantee ever that you can get these projects through. But I think that would go a long way to helping to manage this issue of what I would call “social friction.” I don't like to use the word NIMBYism because it sounds pejorative to me. What we're really talking about is social friction: different views about how the world should unfold. You can't always bridge those, but we can go a long way to making sure that people make the best-informed judgment they can. I think that's probably where we need to focus.

Mrs. Donna H. Cansfield: Well, I don't disagree with you in terms of—I think that, ultimately, people want the lights on; it's just they don't want the power plant too close to them sometimes, and you can understand why. I agree there's social pressure.

There's also some responsibility, too, that rests with the companies themselves in terms of their capacity and ability to engage the public in those conversations, because typically in the past, that hasn't necessarily happened. It hasn't been maybe part of the norm. It hasn't been part of the contract, if you like, that you have to have that social engagement expertise, that you have to have the conversations that need to take place. Sometimes it's the fact that big business walks in, or even private business walks in, OPG, and says, “Well, we know better than you do”—pats you on the head—“and we're going to do it.”

What do you think your organizations have learned from this experience?

Mr. David Butters: Well, a couple of things. First of all, I think I would say that our members do have a lot of

experience in this area. Look, they built power plants all over the world, all over Ontario, all over Canada, all throughout the United States. So I don't think it's an issue of them not having the ability. I think they're constrained in some ways by the contracts and the requirements. But that being said, we've thought about this, and I think, yes, we probably need to do a collectively better job at the front end.

And maybe it's not necessarily the respective contractor, the respective builder, whoever—whether it's OPG or it's somebody else. I think that if we're going to continue along the road with central planning and central procurement, then I think the power authority has really got to step up to the plate and take on a lot of that work. At some point, you're going to select a contractor to do it, but you want to lay the groundwork pretty well and make sure—if I could use an agricultural analogy—before you plant the seed, you've plowed the field.

Mrs. Donna H. Cansfield: Essentially, I mean, that's changing the rules a bit, and it's not a bad idea. In the beginning, you put out a contract for 250 or 300 megawatts—that's the contract—then you say, "Go find a place to build it." That's what happened in Mississauga. When Mississauga council changed that siting and allowed it to become industrial, commercial and power-based, then that's where they went and that's where they purchased the—but you're suggesting, which is the California model, to do that siting up front, prior to a contract being awarded, as to appropriate sites for different-sized power plants based on need in the area. Is that what you're suggesting?

0850

Mr. David Butters: More or less. I'm not suggesting that we get into central selection of sites—you know, that the government or the Ontario Power Authority go out and purchase a site and say, "That's where we're going to do it." But I think the whole issue of planning from the top down and bottom up would go a long way. At least communities would know and they would have to take that into account in their official plans. As I said, that's an area where people can have a lot of discussion at a municipal level. They'd have to take that into account and then they would clearly know what the options might be for their community.

Then after that, let there be a competitive procurement that finds the best site there for the kind of facility that we're talking about.

Mrs. Donna H. Cansfield: Were these the kinds of recommendations that you made when you—I think you were involved with the planning of the new long-term plan.

Mr. David Butters: Yes. We made very similar recommendations to the OPA-IESO siting working group.

Mrs. Donna H. Cansfield: In the next—what, they're saying 10 or 12 years, maybe 15 years—there's going to be another four million people in the GTHA. Obviously, they're going to need power for a whole host of things. Where is that power going to come from? How do you

plan that power? You have to plan that power now. It takes a long time to build. Yesterday we might have had some surplus, but it's not necessarily there tomorrow. So planning is really essential.

Do you think there's another process or way in terms of planning to involve the municipalities and the regions so they take some responsibility? I mean, sometimes it seems to me that what happens is they sort of say, "Well, we need power but it's not our problem; it's the province's problem."

Mr. David Butters: Yes. Well, that always has been an issue. I recollect appearing before a committee looking at Bill 51 some time ago—this was in 2006—and talking about the same issue. With water, roads and everything else, municipalities have to look at that very carefully and make sure that they have that in place before they expand. Not so with electricity, at least in the past.

As I say, I think the recommendations that the OPA and the IESO have put forward—and the government, as I understand, has accepted them—would go a long way to resolving a lot of those issues.

Mrs. Donna H. Cansfield: If you were looking at what's happened in the last number of years—I mean, I was involved back in 2005; it's always been of interest to me. Would you say that things have improved in terms of power and the distribution of power in this province?

Mr. David Butters: Well, I was at a dinner last night and we were having this discussion. We have come a long way in Ontario, and we should be clear about what we've accomplished. We have reduced our carbon footprint by 65% to 70%. We have refurbished nuclear units that had been given up as basically dead. We have built a lot of new natural gas plants around the province. We're done a tremendous amount of work investing in renewable energy; we brought that to a new level in Ontario. We've invested in the smart grid. When you look at conservation and management, we've made huge progress there. I'm an optimist by nature. I don't think we should stand back and sit on our laurels, but I think we have done an awful lot in Ontario.

When I arrived at APPrO, we were in a deficit situation. We were relying on imported power a lot. Today, that's not the case; we have a surplus. We're long on power today, but that's not going to be the case in the next, let's say, four to five years, once we start refurbishing—and I'm sure we will—the Bruce and the Darlington units. Those are big, chunky units; they'll have to come out of service. And we'll be using a lot of that power.

The Vice-Chair (Mr. Phil McNeely): One minute.

Mr. David Butters: I think we've done a good job in 98% of the cases.

Mrs. Donna H. Cansfield: I agree with you; it's not been without its challenges, but I really do. I look back. I remember with the power workers when we redid the Pickering plant on time, on budget. It's pretty amazing. There are things that we have accomplished and lots to be able to do.

I want to say thank you. I look forward to seeing your recommendations in the long-term plan. I really appreciate your being candid about how you feel we can move forward in terms of better siting, better engagement and making a difference, ultimately, because your job and ours—whoever's in government—is keeping the lights on at the end of the day. Thank you very much.

Mr. David Butters: Thank you.

The Vice-Chair (Mr. Phil McNeely): That's a good time. It's just 10 seconds left.

We'll go over to the official opposition and Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much, Mr. Butters, for joining us this morning. I appreciate you coming in and I appreciate the work that APPrO has done and continues to do. I had the opportunity for many years as the energy critic to interact with you and your people on a pretty regular basis. You talked about the premier conference: I certainly and wholeheartedly agree with that. I know you're going to be holding another one in November, and I expect that it will be as successful as all of the other ones in the past.

Ms. Cansfield talked about getting valuable input on this committee as to how we might handle the siting of power projects differently. That's all great, but it's all hindsight. This committee is also about what happened there in Mississauga and Oakville. I know that you, as APPrO, represent, as members of your organization, any and all of the proponents that would be bidding on almost any power project in the province of Ontario. Is that not correct?

Mr. David Butters: It's pretty accurate, yes. Perhaps not all.

Mr. John Yakabuski: You haven't got them all?

Mr. David Butters: I don't claim to represent everyone, but pretty close to everybody.

Mr. John Yakabuski: I don't claim to represent everyone either—although, yes, I do represent everyone in my riding. I just don't claim to have their support.

So there are still some outliers out there in energy land that are not necessarily members of APPrO and that still bid on power projects?

Mr. David Butters: That's true, yes.

Mr. John Yakabuski: On the Oakville and the Mississauga plants—are you a golfer at all, Dave?

Mr. David Butters: Fair to middling.

Mr. John Yakabuski: Fair to middling? Well—

Mr. David Butters: I'm working on it. It's a life's work.

Mr. John Yakabuski: That would probably apply to most people in the world and all of those folks at APPrO and those who aren't members today. In golf, there's a saying: "You don't follow-up a bad shot with a bad decision." In public life and in the military, we tend to use the phrase, "When you're in a hole, stop digging." They have pretty similar meanings.

When we talk about the front end—you mentioned having a better process and better decision-making based on the front end. It's clear that in Mississauga and

Oakville, the decisions made on the front end were done not on whether or not the power was needed in those locales—but there certainly wasn't the investigation done as to where the communities stood on these particular projects and at those particular locations. When you look at the Mississauga plant, it was already in progress. They had already started building it when they made the decision to shut it down.

I'm not asking you for your political views on that, because that's not what you're here for. But as a member of an organization that represents providers of power or builders of providers of power—you might say the OPA or the IESO or the OPG are the providers or whatever, but you build the plants. Your people build the power plants or whatever that may be. What was the initial reaction, not about the politics about it, but about the decision to, in the middle of the power plant, say, "Shut her down, boys"?

Mr. David Butters: Without knowing—and we don't—the details of every one of those contracts, at a high level, at a principal level, I think the general reaction was of concern. Contracts are the foundation of the kind of investment that we need in the Ontario electricity sector. That's how we've gotten that investment. When you unilaterally change those things, there is concern about it.

At the end of the day, if the buyer doesn't want it, I'm not quite sure what you do. Then it comes down to, how do both sides play that out. I can't offer any opinions on that, but it is of concern. Thinking forward, if it were to become a habit, I think what you would see is a risk premium being built into all of those projects, and ratepayers would pay for that. In general, I think people were—it was like, "Oh, that's of concern."

0900

Mr. John Yakabuski: Yes.

Mr. David Butters: Then the parties have to figure out how they're going to manage that.

Mr. John Yakabuski: Right, and in this case, Dave, the buyer clearly indicated they did want it, because not only was the contract signed, sealed, delivered, but construction on the plant in Mississauga had already begun. So the marriage was consummated, as they say. Maybe they were still waiting for children, but the marriage certainly had been consummated. Somewhere on the honeymoon, in the midst of all the euphoria, the groom decided to bolt. That, I'm sure, was of concern to everyone. That's the Mississauga situation.

Then we look at the Oakville situation, and I'll go back to the golf analogy. You, in your organization, while you wouldn't be directly involved, I don't believe, in any of the decisions, once your members have secured the contract, as you say, your job is to advocate for ensuring that Ontario has an adequate supply of power and that the producers that are best suited to be doing that are the ones that you're working with and they're bidding on those contracts. But the decision, then, in Oakville was, after massive concern in the community on the part of the residents—and this had gone on since 2004 when

the site was chosen by the government. I think, yes, the OPA may have made the announcement, but George Smitherman made the call or Dwight Duncan or one of those two; Dwight Duncan, I guess. Clearly the decision to continue with that was like hooking your drive deep into the woods.

Now, the next question was, “Okay, how do we get out of this?” The decision that they made was, “Well, let’s go build a plant up in—where? Napa-what? Napanee?” I mean, how far from Oakville, Mississauga, Toronto do we want to go with a power plant?

Again, I’m not asking you to comment on the politics of the decision, because that’s what we do here. But the OPA opposed the decision to relocate at Napanee from a perspective of efficiently providing for the electricity needs of Ontario. Would you be prepared to offer a view as to the decision to—when their backs were to the wall, so to speak—come up with a plan to locate a plant in Napanee based on the additional costs? Have you had a chance to look at the auditor’s Oakville report? We do know that just the cost of relocating to Napanee is an additional \$513 million. Could you comment on that?

Mr. David Butters: You know, I don’t think I could. I’m not close enough to all of the inputs, all of the decisions. So, no, I don’t think I could say that clearly that’s where it’s going—

Mr. John Yakabuski: Okay, and fair enough. I understand that.

Now, because you were called as a witness today, I have to ask you a couple more questions. Did you personally, as the head of APPRO, or your organization have any involvement in the decision to cancel the Mississauga or the Oakville power plants? Were you consulted on those?

Mr. David Butters: Never consulted and no involvement whatsoever.

Mr. John Yakabuski: No involvement whatsoever. So you had no part in the decision to relocate the plants, and you had no part in the decision, as choices of relocation, regarding Sarnia and Napanee?

Mr. David Butters: No, no involvement whatsoever.

Mr. John Yakabuski: One other question: Were you involved in any way, shape or form in the attempt to cover up the information from getting out as to what the costs of those cancellations and relocations was going to be?

Mr. David Butters: No.

Mr. John Yakabuski: No.

Did you have any involvement in deletion of emails to do with anything to do with these decisions: cancellation, relocation and cover-up? Did you have anything to do with the deletion of emails or advise anyone inasmuch?

Mr. David Butters: No, I had no involvement in that.

Mr. John Yakabuski: No involvement whatsoever.

That’s it for me, Chair. I’m going to turn it over to my colleague Ms. Thompson.

Ms. Lisa M. Thompson: Thanks very much.

Mr. John Yakabuski: Thank you very much, Mr. Butters.

Mr. David Butters: Thank you.

Ms. Lisa M. Thompson: Thanks for being here, David.

I was taken by your comments earlier in your opening statement, that we need to balance power with clear and measurable outcomes. You alluded to the stronger policy that we need in terms of planning and local autonomy, because there are other sectors of the industry that would benefit from that as well. But we’re not here to talk about that today.

One thing I’m curious about is stability in the energy sector. This past summer, we had heard from some authorities that part of the issue that led to the debacle with the Oakville and Mississauga gas plants was the instability. For instance, since 2008, there were six ministers through that portfolio; technically five individuals, but Gerry Phillips cycled through a second time for a mere two months.

I was wondering if you could speak to or share your opinion on, in terms of a long-term vision of where we need to go, what will make the energy sector stable in Ontario, to bring it back as a pillar of our go-forward plan.

Mr. David Butters: Yes, I have seen quite a few ministers and deputy ministers, but in fairness, I think one would say that the plan this government introduced when it came into office has been—apart from the Green Energy and Green Economy Act, I think they’ve stuck to it reasonably well. But, you know, the last point I made in my opening remarks was about political involvement. We’re not naive. Electricity is fundamental to our economy; it’s essential to human welfare. We’re never not going to have political involvement in the electricity sector. That’s not the case anywhere else in the world.

I think the question then becomes what that involvement should be, in what way should the people’s representatives be involved in the electricity sector, because if you get it wrong, it’s a serious issue. I think if we could try to limit that involvement to the setting of long-term policy, long-term plans, as I said, correcting obvious issues—if there’s a fault with siting, for instance, it’s probably appropriate for a standing committee of the Legislature to look at that and make recommendations. I think that’s a perfectly valid thing. But getting down into kind of day-to-day operational issues, the temptation to do that is strong, and I think we need to resist that. We’ve seen the results too frequently in Ontario’s history, and it’s not just over the past few years; this goes right back to the early days of electricity, what happens when we get too politically involved in things.

I know that’s going to probably be a tough temptation to set aside, but unless we bring ourselves the discipline to do that, I think we are going to continue to—the reality is that those kinds of decisions do have consequences, and they invariably wind up on the account of ratepayers.

Ms. Lisa M. Thompson: I really appreciate your comments there. Thank you.

One last thing: When we talk about the long-term energy plan, I trust you participated in a seminar or two

this past summer when they were being hosted around the province. What worries you? When you think about where we're going, do you feel there might be something that could potentially be missed in this long-term energy plan, or what do you hope will be recognized as paramount going forward? What should be the pillars of the long-term energy plan?

Mr. David Butters: Well, I have a lot of confidence in the Ontario Power Authority and the planning people there. I think they're professionals and they know what they're doing. There are a lot of people out there providing lots of good information and good thinking about the kinds of things, the options that we have, and how we might put those all together.

I don't think I have any worries necessarily, but I think the central part of the long-term energy plan has to revolve around nuclear refurbishment: What and when are we doing refurbishment at Bruce and Darlington? I'm speculating here, but I'm pretty certain that will take place. But the timing of that will be important, because that triggers everything else: when they come out of service, what other assets we have to have in place, what that means to transmission, all of the construction supply chain behind all of that. To me, that's the critical piece.

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And then I think the other part is, where are we going with renewable energy? What's the target? How do we integrate all of that? Those are probably the two big issues for me.

The Vice-Chair (Mr. Phil McNeely): Is that—?

Mr. John Yakabuski: Yes, we're done.

The Vice-Chair (Mr. Phil McNeely): You're done. We'll go to the third party: Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Mr. Butters, for being here this morning. My colleagues have been very efficient. They've asked every question I had planned to ask you, so I'll say thank you, and I turn it back to the Liberals.

Mr. David Butters: Thank you.

The Vice-Chair (Mr. Phil McNeely): Ms. Cansfield.

Mrs. Donna H. Cansfield: I appreciate that the responsibility within this committee is broad and has some other perspectives, but I also know that it is really important that there have to be some definitive recommendations coming out of this committee on how to move forward in terms of engagement and siting. We would be remiss if we don't do our due diligence on that.

I know that you have had, as I said before, significant experience that I appreciate. I was at some of those events this summer as well. There's no question in my mind that the people who are involved in power production from all sectors were very vocal and very candid in their conversations with the energy board, the OPA, and that they heard quite clearly the whole issue around combined distribution, combined heat and power, distributed energy, things we have more work to do on.

I guess my last question to you would be, how do we make sure we follow through, we follow up, and we are ultimately accountable? Those are the things that are

important to me as we move forward—lessons learned. You can't just walk away from here and say it was a committee. We have to come forward with some pretty good recommendations.

Mr. David Butters: Well, I think there are two parts to the answer. The first part is, it really depends on you collectively, as legislators and as the government. I think the other part, though, in a plan is that it has to be measurable; it has to be specific. There's an old saying that if you can't measure, you can't manage it. It's got to be measurable, with defined timelines, and it's got to be doable and rational. I think if you have that, if you have the commitment from policy-makers to take a longer-term view and to let the experts do the planning—I'm not saying get out of the way entirely, but only insert yourself when it's really necessary—then I think we probably should be successful.

The energy system is always going to be somewhat out of step with the political cycle and the economic cycle. That's just the nature of the beast. But that doesn't mean that we should throw the strategies out just because they don't seem, at the time, to be quite lined up with reality. I think that's the issue: You have to take a long view on the power sector, because these are assets that are going to be here for decades, and people will continue to pay for them for decades. There's a huge element of public responsibility there.

Mrs. Donna H. Cansfield: Right. Therein lies the challenge as well, because ultimately it goes on the rate base and on the ratepayer.

It's interesting. I go back and remember, in 2002, I guess it was, the Tories put together a really good plan around conservation and renewable energy. It was Steve Gilchrist. It was really, really well done. I know because I inherited his office. And then before that, the NDP had put together a pretty good plan as well on how to move forward on renewables, and then we had. You would think we could all get our act together, get the politics out of it and move forward. Ultimately, hopefully, that will be some of the accountability that will come out of this committee.

I thank you, David, for coming in and sharing your thoughts with us this morning.

Mr. David Butters: Thank you. My pleasure.

The Vice-Chair (Mr. Phil McNeely): Thank you, Ms. Cansfield. We'll go to the official opposition and Ms. MacLeod.

Ms. Lisa MacLeod: Welcome to committee, Mr. Butters. It's nice of you to come in today. We'll keep it brief. I think you've been very forthcoming, and I think we've touched a lot of ground.

One of my major concerns—and it's no secret; I've asked several questions about it in the Legislature. I had the opportunity last week to talk to the former Minister of Energy and Finance, Dwight Duncan, about what the cost impact would be on consumers, whether that is a family or a senior on a fixed income or if it's a business or if it's on industry. I'm wondering, in your role with the power producers in the province, have you done an assessment

of what impact the cancellation will have on the bottom line of your producers in terms of cost base?

Mr. David Butters: No, we haven't.

Ms. Lisa MacLeod: Just in your professional opinion, would you expect a government, when they're making a cancellation of a billion-dollar program, or if they're investing in a program—that there would be a cost analysis done on what that would mean to the rate base?

Mr. David Butters: I think it would be prudent to do that, yes.

Ms. Lisa MacLeod: Dwight Duncan tells me that this has been done. We've been trying to get it from the government. They say that the Ministry of Energy does this type of analysis, understanding, of course, that the OEB sets the rates, and they're not directly aligned with the government. Have you heard of these assessments being done in the past by the Ministry of Energy or the Ministry of Finance, whether it's this issue or any other issue?

Mr. David Butters: I'm not aware of whether—I don't think we've been faced—I'm trying to think back over my tenure; I don't think we've had this situation arise. The last time that we had a significant—it wasn't even a cancellation; it was just a postponement and a cost overrun. It was Darlington. But of course, that was on the account of Ontario Hydro at the time, and it's still there—a large part of it, anyway. It's in the stranded debt.

Ms. Lisa MacLeod: What do you think the overall implications are in terms of the production costs as well as the reliability of power in the province when a decision like this is made and then radically altered, as it has been with respect to Oakville and in terms of Mississauga as well?

Mr. David Butters: Clearly, it's an issue of interest to everybody, and a concern—I would think it's of some concern: how it was done, what the costs were, what the costs will be. As I said, the reality is that that will wind up being picked up by ratepayers in some fashion or other.

I'm not sure I could speak much more to it other than to say that if I were a citizen, I think I would be paying attention to it. On the other hand, in the larger—and I don't want to belittle this or demean it or make it sound as though it's not important. The value of the installed capacity that we have in Ontario is probably—the replacement value has got to be north of \$100 billion—\$120 billion or \$150 billion. And those long-run costs are all inside the electricity cost in some form or other. It might actually be hard to quantify the precise—is it 0.007 cents or is it 0.008 cents? I don't know. But I can't see any reason why you wouldn't want to look at that and say, "Actually, it's a very small impact," or, "It's a very large impact."

Ms. Lisa MacLeod: Right. I just have one other question. Sometimes when I come to this committee, I think about not only my role as energy critic and a member of this justice committee that's probing these gas plants, but I also think about my duty as the member of

provincial Parliament for Nepean–Carleton. My community is right now fighting this wind turbine development. We want to be declared, in the city of Ottawa, as not a willing host. It's funny, because my riding is the largest in the city of Ottawa. The community of North Gower used to be part of Rideau township, but in 2000 it was amalgamated into the big city of Ottawa. I'm one of those rare people who actually represents a rural, suburban and urban community inside a major city. This community of North Gower was out there on Saturday, and of course they want to be declared not a willing host.

My colleague Lisa Thompson, who's the member for Huron–Bruce, also has to deal with these wind turbines as well, and she made a point in the Legislature two weeks ago that it depends on your postal code whether or not you're being listened to as not a willing host. And I can't help but agree with her, because I feel that in Oakville and Mississauga, folks were very persuasive in saying that they weren't interested in having these gas plants in their community, yet I think that we would both agree that gas-fired generation is actually more important to the supply chain in Ontario than wind is, certainly when you look at what the IESO says on a daily basis in terms of the capacity and what we can use and generate.

I'm just wondering, in terms of the approach that the government has taken on wind development, do you feel, in your estimation—and I understand that I may be putting you in a difficult spot, but do you feel that the government's approach on wind energy is so rigid that they aren't listening to those communities, compared to what they were willing to do in Oakville and Mississauga?

Mr. David Butters: That is a difficult question.

Ms. Lisa MacLeod: I'm just warming up for Colin Andersen this afternoon. Did you get that, Murray?

Mr. David Butters: I guess what I would say, when I look at all of these technologies, is that I think of them as kind of—they're all my children. Whether it's nuclear, water, wind or solar—whatever—we think that they're all important sources of energy.

To go back to the discussion that I was having with Ms. Cansfield, I think there's no question that we can do a better job on community relations and siting. Is there going to be less renewable energy in the future? No. That's the direction the world is going in; we're going to have more of it, likely. The question then comes down to where it is best placed and how we make sure that we have the right kind of engagement so that the kinds of issues that you're raising don't get in the way of doing that; in other words, that we can find accommodations to do that. If we don't find accommodations to do that, I think that what we will see is more and more communities feeling that they have to become unwilling hosts because it's being forced on them.

What the government has said with regard to FIT 2 was that they were going to provide a larger—take into account in a more robust way community engagement. But to me, that's the key part: making sure that people understand what's in front of them, what their choices

are, that they can't—how would I put this? It's going to be futile to try to force things on people in communities. Clearly, that doesn't work, so we'll have to find accommodations. I'm not quite sure what those accommodations will be in every circumstance, but sometimes it's going to be a trade-off. Perhaps wind is not a good example, but if it's a gas plant, it's going to be either, well, it's this or it's transmission, or you don't get to expand your community. Those are the kinds of things that we have to be a little more clear about. Wind, I think, is a little different because it tends to be in more rural areas, distributed, and some communities like it and accept it.

So there's a balance that we have to find there, but community engagement is hugely important.

Ms. Lisa MacLeod: Would you say it would be—

The Vice-Chair (Mr. Phil McNeely): One minute.

Ms. Lisa MacLeod: Thank you. Would you say, then, that it would be fair for the OPA to expand its decision-making on siting or the government's decision on siting to include all forms of power in terms of that engagement: not just gas plants, but also wind development or whatever else?

Mr. David Butters: I think so, yes.

Ms. Lisa MacLeod: Okay. Thank you very much. I appreciate it.

The Vice-Chair (Mr. Phil McNeely): Thank you. We'll now go to the third party. Mr. Tabuns.

Mr. Peter Tabuns: You're very generous, Chair, but my questions have been answered, so I will give it back to you.

The Vice-Chair (Mr. Phil McNeely): Thank you very much, Mr. David Butters. That seems to be the end of the questions.

The committee is recessed until 3 p.m., when we will be having Colin Andersen in here.

The committee recessed from 0924 to 1501.

ONTARIO POWER AUTHORITY

The Vice-Chair (Mr. Phil McNeely): The Standing Committee on Justice Policy will reconvene for the 3 o'clock afternoon session. We will have the swearing-in of the witness, Mr. Andersen.

The Clerk of the Committee (Ms. Tamara Poman-ski): Do you solemnly swear 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, so help you God?

Mr. Colin Andersen: I do.

The Clerk of the Committee (Ms. Tamara Poman-ski): Thank you.

The Vice-Chair (Mr. Phil McNeely): You have five minutes for your opening statement. Welcome to the committee. Following that, the official opposition will start the 20-minute rounds. You may proceed. Just start with your name, sir.

Mr. Colin Andersen: My name is Colin Andersen. I'm CEO of the Ontario Power Authority.

Good afternoon, everybody. I'm happy to appear again before this committee to assist you in your deliberations on the issues dealing with the relocation of the Mississauga and Oakville gas plants. You'll recall that when I appeared before you on April 30, we had just received the report from the Auditor General in which the decision to cancel the Mississauga plant and relocate it to the Sarnia area was estimated to cost about \$275 million.

At that time, I testified that the OPA estimated the cost of relocating the Oakville plant to Napanee to be \$310 million, but I noted that the cost estimates would continue to evolve. As you are aware, the Auditor General's report released earlier this month estimated that the relocation of the Oakville plant may cost \$675 million. The OPA respects the Auditor General's work, but we do stand by our methodology. The difference between our two estimates is largely attributable to the assumptions used to calculate future costs and savings, specifically on discount rates and in-service dates that are assumed in the calculations.

The Auditor General's report states that two thirds of the cost and 100% of the savings associated with the Oakville relocation will occur in the future, so these are forecasts, as are ours. The approach used in the report lowers the savings associated with having the Napanee plant up and running later than when the Oakville plant would have been in service.

As I said the last time I was here, these two plant relocations have been some of the most complex files that I've worked on in my 25-plus years in public service, and I want to assure the committee that the OPA takes its responsibilities very seriously. Every day, we strive to ensure that reliable power will be available when needed and where needed, and as cost-effectively as possible. To that end, we have well-qualified and experienced professionals who work diligently to plan, procure and conserve to ensure that we all have available to us the electricity that is such a vital underpinning of our daily lives, our businesses and our economy.

We've had many successes in recent years which sometimes get overlooked. Witness the significant turnaround in our supply situation that the OPA played a big part in. Electricity projects have been successfully implemented throughout the province and have played a big part in creating much-needed jobs and modernizing aging infrastructure.

That being said, we also have lessons learned on a number of fronts that we are already starting to put into practice where we can. To that end, I would reference that the OPA, together with our Independent Electricity System Operator, and with the extensive input from more than 1,250 stakeholders, have submitted 18 recommendations to improve the way large energy projects are sited. As a reminder, I have asked the Clerk to distribute a two-page summary of these recommendations and I would be happy to address them further. That's the green and blue page that you have in front of you.

This work speaks to one of the mandates of this committee, and I'm pleased to say that the Premier has

accepted all of the recommendations and we are now working with the government and local communities to finalize an implementation plan.

As well, I would like to note that the OPA has been consistently co-operative with the work of this committee. The six witnesses from our organization who have testified before you endeavoured to answer your questions as fully as possible. In addition, the OPA has submitted more than 110,000 pages of documents in response to motions from legislative committees. We're continuing to process more documents in an attempt to comply with your August 27 motion as quickly as possible.

I'm sure you have many areas that you will wish to explore this afternoon, so I will limit my opening remarks to allow you more time to do that. Thank you.

The Vice-Chair (Mr. Phil McNeely): Thank you, Mr. Andersen. We'll go to the official opposition and Ms. MacLeod.

Ms. Lisa MacLeod: Welcome back, Colin. It's nice to see you, and I appreciate you taking the time to visit with us today.

I have a couple of questions with respect to, again, going back to cost, particularly in light—we haven't talked to you in this committee since the auditor's report came out, so it gives us an opportunity to do that. We also heard from Serge Imbrogno last week, and he also shed some light on what people would have known and when they would have known it.

If you don't mind, I would like to actually sort of start with Serge, because as the deputy minister to the Minister of Energy, he claimed that the ministry and you at the OPA would have known as early as December 2011 that the cost would exceed \$700 million at that time. I'm just wondering, would that information have been available to the Premier and to the cabinet at the time?

Mr. Colin Andersen: I can't speak to what would have been available to cabinet. I can talk about what we would have talked about with the ministry at the time. We should be clear that in the December period, what we were talking about at that point—in December 2011, we're in the middle of arbitration discussions, which are actually looking at potential damages that might be paid to the company should we not be able to renegotiate a relocation.

There are two different things, right? If you relocate a plant, that's one thing, one set of costs. Of course, in December 2011, we didn't have a site identified—Napanee—so we wouldn't have been able to have the costs in detail for the Napanee site for a relocation at that point in time.

The \$700 million that you're talking about, it's actually a bit apples and oranges, because the arbitration amount would have looked at what we might have potentially had to pay out in cash if we hadn't negotiated a relocation and another alternate project.

Ms. Lisa MacLeod: Can we go to the location then? I do have a couple of other questions on costs, but let's go to the relocation.

Mr. Colin Andersen: Sure.

Ms. Lisa MacLeod: In the Auditor General's report, it states that the OPA did not think that the Napanee location was the optimal choice. Is that correct?

Mr. Colin Andersen: That's right.

Ms. Lisa MacLeod: You had indicated to the government that that wasn't perhaps the best move on behalf of OPA and the ratepayers?

Mr. Colin Andersen: Well, it wouldn't have been our preferred site from a system perspective. We had others that were on our list.

If we had had our druthers, I think we would have actually liked to have relocated the plant within the GTA. We've said before that we think a plant in the GTA would have system value. That was taken out of the equation early on, and the decision to relocate the plant outside—and then, as you've seen in a number of the documents, we turned our attention to the Cambridge area, because we felt that that was an area that could use a gas plant, albeit a smaller size.

We also looked at Nanticoke, and we looked at Sarnia. I would say those were our preferred. Of course, we were looking at relocating two plants at the same time. So you have to—you make one decision, it has ripple effects on the other. So Napanee was further down the list.

Ms. Lisa MacLeod: Can I ask you just a quick question? In terms of your optimal location in the GTA, did you have an actual spot in the GTA or several?

Mr. Colin Andersen: A specific site?

Ms. Lisa MacLeod: Yes.

Mr. Colin Andersen: No, no. Obviously, at very early days, Lakeview was a possibility that would have made a lot of sense because it already had the infrastructure. We had talked with some of the citizens, the C4CA folks and others. Ideally, we would have been able to work with the community to potentially find another site within the area, because we still feel we have good reasons why a plant would make sense in Toronto, respond to severe weather and conditions like that.

Ms. Lisa MacLeod: Why did you choose to forgo the other four areas: GTA, Cambridge, Nanticoke and, of course, Sarnia? Can you enlighten us?

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Mr. Colin Andersen: Early on in the process, I think it was Minister Smitherman who had taken the Lakeview plant out of the equation when it was decided that that plant was going to be closed, even though OPG had been doing some work about potentially redeveloping that project. So that was taken out of the equation early on. Then when Minister Duguid announced the cancellation of the Oakville plant, he said it would not be relocated in the GTA, so that took Toronto out of the equation.

Then we went back and looked at our province-wide plan and said, "Okay, where have we already identified a need for a plant that we haven't procured yet?" and that led us to Cambridge.

Then, ultimately, we were looking for sites that had a good probability that the community would accept them, so that led us to Nanticoke and Sarnia.

Ms. Lisa MacLeod: So basically, Napanee was the last kid to be picked for the soccer team.

Mr. Colin Andersen: Your words, not mine.

Ms. Lisa MacLeod: I will note the grin. Who made the decision, then, to locate the plant in Napanee?

Mr. Colin Andersen: Who chose the Napanee site?

Ms. Lisa MacLeod: Yes.

Mr. Colin Andersen: Ultimately, it was the minister. I mean, we gave advice on a variety of different sites.

Ms. Lisa MacLeod: Can you state the minister's name for us?

Mr. Colin Andersen: That would be Minister Bentley at this point in time.

Ms. Lisa MacLeod: Chris Bentley chose to go to Napanee?

Mr. Colin Andersen: Yes. We had provided advice on a number of different sites. We were focusing on the physical infrastructure that was available, and he had other considerations as well, like willing host and that kind of thing.

Ms. Lisa MacLeod: What other areas of concern would he have brought to make his decision?

Mr. Colin Andersen: Certainly the availability of infrastructure was a real consideration. For example, when we were looking at the Nanticoke site, we thought that that would be a good location for the Mississauga plant because it was a smaller plant and we knew that the pipeline capacity in Nanticoke could accommodate a 300-megawatt plant. To accommodate a larger plant, there was going to need to be a pipeline build-out and there would be issues associated with getting that pipeline into the ground. That's an example where whether or not there's actually existing infrastructure can tip the balance. And you want to have the wires available, the transmission wires, for example.

Ultimately, our experience in Cambridge—a smaller plant was what was needed there, so we were trying to sort of shoehorn a larger plant into a smaller size, and it was going to be a brand new greenfield site, so there wasn't any existing site there. We started looking around and thought that a place that already had a gas plant, it being on an OPG site because the province was the shareholder, could also help smooth things along with locating it on the actual land site itself. Those are the kinds of things we were looking at.

Ms. Lisa MacLeod: What were your major reservations at the OPA with respect to the Napanee site?

Mr. Colin Andersen: Ultimately, we felt it could be a viable site. Like I said, we had other preferences. Certainly, the fact that it was—

Ms. Lisa MacLeod: So it was number 5 of your top 4?

Mr. Colin Andersen: Well, I don't know what number I would attribute to it, because, like I say, you make one choice and it sort of reorders everything depending on what's available.

When Nanticoke went to the smaller plant, or when the smaller plant went to Sarnia, that sort of reconfigured our preferences. So, yes, we had to take other considerations into mind. It was in eastern Ontario. We're always conscious of power flow that comes in from Quebec. We're monitoring the nuclear situation with Pickering

and Darlington and the current state of infrastructure going into eastern Toronto, so those are the kinds of things that are considered. Obviously, the plant is farther away, and that's an issue.

Ms. Lisa MacLeod: Did anybody consider cost at any time?

Mr. Colin Andersen: Well, we did, but to get a firm estimate on cost for a plant like this, it usually takes about 12 to 18 months. You have to do some fairly detailed engineering work, some of which can be quite specific to the site itself.

For other things like the gas delivery and management, we had sort of a rough idea. We were using roughly two times the cost. It turned out to be closer to three times the cost for the gas delivery and management. But we also had a rough idea of some of the savings that might be associated with that.

We were doing the best that we could during the month of September 2012 with a plant location that had largely been settled on—I can't remember if it was the Thursday or the Friday before the weekend that we were finalizing a lot of this. Those are the kinds of things where there's a certain number of costs that you know, that you can actually figure out right off the bat, and then you do what you can to try to mitigate the risk on some of the others.

Ms. Lisa MacLeod: What about the cost analysis to the ratepayer at any point in time? You would have paid \$210 million already, according to the auditor, on the turbines. So you would have known there would have been a cost impact well above \$40 million. I think there were some antics being played by Dwight Duncan, Chris Bentley and others who said, "Okay. Well, it's \$40 million." That was to the taxpayer, but then the ratepayer, who is largely the same person, was going to have to pick up what we now know to be close to a billion dollars, if not more.

At any time, did any consideration occur either with the Ministry of Finance, the Ministry of Energy or within the OPA of how that would impact the rate base and the ratepayer?

Mr. Colin Andersen: Absolutely. Certainly at our board, we had lots of discussions about both plants with regard to what would be the impact of these decisions on the ratepayer, and because they were government decisions, it was a real discussion as to how much would the taxpayer pick up and how much would the ratepayer pick up. They're two very different situations because one of the plants, the Mississauga one, was already one third of the way constructed. So we anticipated that the sunk costs for that one would be much greater than for the other plant that hadn't put a shovel in the ground yet.

I had flagged with the ministers that we felt that the ratepayer/taxpayer question was an important one. It might not be one we were going to be able to answer right away, but it was one that needed answering. You've probably seen some letters—

Ms. Lisa MacLeod: And could you provide that to our committee today, to members of this assembly, what the impact will be per ratepayer? Can that be done?

Mr. Colin Andersen: As of what time would you like? As of the current—

Ms. Lisa MacLeod: Well, I guess now that we know the auditor's report, if that was provided to us—we're having a difficult time getting that information. How much is the elderly couple living on a fixed income in an Edwards trailer park just outside of Ottawa paying on their power bill when they're not able to turn it on during the day because they simply can't afford it? So I want to know that.

Mr. Colin Andersen: Yes, we have estimates that we can provide, but it's more—just to say in advance, it's on an average ratepayer basis. You do have to make some assumptions because there's no actual average ratepayer. Everybody uses a different amount of electricity, but we can provide that, sure.

Ms. Lisa MacLeod: I want to just continue on the costs here—and I think we only have about six or seven minutes left, and I want to make the most of it because I really do appreciate you coming here today, and that information is very valuable to me so we can get that out to the public.

When the decision was made to cancel the plant—this is something we've mentioned quite a bit of the time, and in the auditor's report, it's actually mentioned that there was a cabinet minute that was signed—it was actually signed by the current Premier—that effectively hindered your bargaining power and I think effectively hamstrung you because the Premier's office at the time wanted to make TCE “whole” in the arbitration process, meaning they wanted to make sure that they didn't lose anything out of this. I think, and I think most people in Ontario would agree, they handed a lot of the bargaining power away from you to TCE.

You were at that point, I assume, operating under the directive of the ministry or the Premier, and when it came to relocating the plant, they decided to forego your recommendation of where to actually place the plant and they chose the most expensive option in Napanee. Is that accurate?

Mr. Colin Andersen: I'm not sure if I would say it's automatically the most expensive location. We should be careful here as well in that we're talking about a company—we're kind of melding a couple of things here. There's the renegotiation process and then there's an arbitration process and certainly commitments and discussions that had been had between TransCanada and the Premier's office and their understanding that there would be a negotiation for a replacement project, that it would be an equivalent of some sort. People use the words “made whole.” That set a context for what came later—

Ms. Lisa MacLeod: Would you have guided that process or would those directives have come—

Mr. Colin Andersen: Pardon me?

Ms. Lisa MacLeod: Would those directives have come from you, in other words, or would they have come from the Premier's office?

Mr. Colin Andersen: They weren't directives per se, but it was the result of meetings that TransCanada and

the Premier's office had, the outcome of which we then acted upon after checking.

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Ms. Lisa MacLeod: But you didn't direct it? You didn't have those discussions? That was the Premier's office.

Mr. Colin Andersen: No. Those were discussions that set the parameters for what came later.

Ms. Lisa MacLeod: Do you have any idea why the Premier's office or the Ministry of Energy would take such a hands-on approach to this? Presumably the OPA was created in order to avert that type of an issue, would you not agree?

Mr. Colin Andersen: That's right, but it's not uncommon for political offices to deal with stakeholders of a variety of types. Obviously, they would have seen that there were issues being raised in Oakville and Mississauga about the plant, so I think it's understandable that they would be meeting with a variety of people. We always feel that it's important, though, when talking about contracts, that the people who know the contracts are involved in those discussions.

Ms. Lisa MacLeod: Does that sort of complicate your position? I'm just asking for your professional opinion. You signed on to this OPA gig. You would have thought you were in charge of power planning in Ontario without any political interference, yet in this case it became a very costly political interference.

Mr. Colin Andersen: Yes. Let's be realistic and pragmatic here. I think once a contract is actually—we ran an RFP process, and a RFQ process before that, and then we awarded the contract. And along the way, we had provided off-ramps to the government but had consistently said that we still felt that a plant should be in the area. Once a contract is in place, I think it's very important—and we take this very seriously—that we support the contract. It's a legal document, and we have to be fair to the counterparty.

That being said, when you start to see local opposition and other considerations, you try to find an alternative, and hence the desire to negotiate with the counterparty, and because we were the legal counterparty, we were the ones to do that.

Ms. Lisa MacLeod: The auditor said that, between I think it was 2009 and 2010—that within the existing contract and because of the local opposition in Oakville, particularly by the mayor and council, and they were very effective in placing a lot of obstacles—that that would have delayed the construction of the plant and that would have delayed the process, and that every legal option that could have been used by the mayor would have been done—because he has said that—just in order to halt the construction.

Had that process been followed, which would have probably taken, according to the AG, about 24 months or two full years, we could have escaped without any penalty. Were you aware of that provision in the contract with TCE?

Mr. Colin Andersen: Of course, we were aware of all of the provisions in the contract—

Ms. Lisa MacLeod: That's important. If you were aware of that provision, at any time did you advise the Premier of Ontario, the Premier's staff of Ontario, the Minister of Energy, the Ministry of Energy staff or any departmental officials that that was in that contract, so that they could have made a better decision that would have not cost Ontario taxpayers \$1 billion?

Mr. Colin Andersen: Well, our contracts are a matter of public record. When we do an RFP process, we draft them—

Ms. Lisa MacLeod: But did you advise them?

Mr. Colin Andersen: Yes.

Ms. Lisa MacLeod: Because we're just trying to figure out whose fault this is, and I actually feel very sympathetic to you. I think that they're throwing you under the bus. I'm just wondering, did you at any point in time tell them, "Hold on, guys. We're going down a very difficult road"?

Mr. Colin Andersen: I don't remember how specific it would have been, but we would have said that if the process runs its course, it will take a number of years. I remember saying that—

Ms. Lisa MacLeod: But you warned them that they could get out of this without having to pay that massive penalty or making TCE whole, whatever words you're going to use? Is it fair to say that you warned them that there was a risk?

Mr. Colin Andersen: Well, as we were going through all of the various options with regard to should we get out of this project and what are the implications of it—we would have to get transmission in place instead, and a variety of things like that. So we would have said that there were possibilities for this just playing through and then see what happens, because the onus is on the developer—

Ms. Lisa MacLeod: And they just made that decision?

Mr. Colin Andersen: —to get their permitting and their approvals, and the government decided to act earlier.

Ms. Lisa MacLeod: Okay. Thanks, Colin. I appreciate it.

The Vice-Chair (Mr. Phil McNeely): Thank you. We'll now go to the third party and Mr. Tabuns.

Mr. Peter Tabuns: Mr. Andersen, thank you for being back here today.

I'm going to go to the period when the Oakville plant cancellation was announced. You were informed that this plant was going to be terminated. By whom?

Mr. Colin Andersen: I think you asked me that question the last time, too. I've been going back in my memory because I very clearly remember the Mississauga one. I'm less clear on remembering the Oakville one. Over a period of time, we would be getting questions asked on a variety of things, so I'm pretty sure that it was either a combination of David Lindsay, the deputy, Craig MacLennan—one or the other of them, either in a meeting or on a phone call. They would have said, "Yes, we're actually getting ready to announce this week that

the plant is not going in." It would have been pretty close to the actual announcement time.

Mr. Peter Tabuns: So about seven days before the announcement?

Mr. Colin Andersen: Maybe around that, give or take.

Mr. Peter Tabuns: Okay. You were given seven days' notice, approximately, that this plant was going to be cancelled. You just said, in response to Lisa MacLeod, that you'd confirmed that there was a make-whole commitment. How did you confirm that?

Mr. Colin Andersen: Like I said, there had been speculation back and forth. You get information requests and you start to think, "Okay, it sounds like they may be considering doing something about this plant." Whether or not it was seven days exactly or something like that, I don't know. But what we did hear quite specifically was that the Premier's office and TransCanada had met, an announcement was going to be scheduled later that week, and the idea was that we would be proceeding with negotiations for TransCanada to find an equivalent type of project. They wanted to do the announcement. They wanted TransCanada to be supportive of the announcement. To that end, TransCanada, not surprisingly, had said that they wanted to get something in writing.

So we drafted a letter which was consistent with our understanding of the contract and started the process of sending the letters back and forth to—Calgary, I guess, is where they were. Those documents have been released, so if you read your way through them, you'll see that the final letter was quite different from the original letter.

Over time—and we were c.c.-ing Craig MacLennan and Sean Mullin as we were going through the drafting process—it became apparent, and TransCanada's lawyers were saying, "Well, that's not consistent with the deal or the discussion that has been had." So they started to give us wording about what should go in.

Ultimately, we ended up on the phrase "anticipated financial value of the project," which goes beyond what the contract would have allowed.

Mr. Peter Tabuns: Yes, that's correct.

Mr. Colin Andersen: Before I would sign something that had that phrase in it, even though TransCanada was telling us that this was consistent and we had been c.c.-ing people along the way on the wording of the letter, we also asked Ben Chin, our VP of communications, to confirm with the Premier's office that that had been, in fact, the understanding that had come out of that meeting.

I think the understanding was always an equivalent project. People use different phrases like "made whole" and that kind of thing, but certainly the idea and the accepted wording that had been brokered around that had to go into the letter, ultimately, was "anticipated financial value of the project."

Mr. Peter Tabuns: Did you get a direction in writing from the Premier or the Minister of Energy saying, "You will give them"—

Mr. Colin Andersen: No.

Mr. Peter Tabuns: So this was all verbal.

Mr. Colin Andersen: Well, there's an email trail of letters going back and forth, but a lot of it was verbal.

Mr. Peter Tabuns: Was there ever a letter, an email from the Premier or the minister to the Ontario Power Authority as a corporation, directing them to act in this manner?

Mr. Colin Andersen: No.

Mr. Peter Tabuns: How did your board process these verbal instructions?

Mr. Colin Andersen: We called together a teleconference—at least one; I can't remember if we had more than one—and we had a long discussion about this, because we're the legal counterparty—

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Mr. Peter Tabuns: Yes, you are.

Mr. Colin Andersen: —and the government actually didn't have the authority to cancel the project, so we had a long debate about whether or not I should sign the letter. In the end, we decided that because of the very strong intent—stated, clear intent—of the government that the project was not going to go forward, and because of the commitments that we felt had been made with regard to keeping TransCanada whole, we thought that ultimately, it would be best for us to participate and negotiate our way out of the situation. The alternatives were potentially litigation, potentially legislation. Neither one of those, we thought, would either be fair to the existing counterparty or would say very good things for investor confidence in future RFPs. We thought that taking a stab at doing a renegotiation, we would be best placed to do that. We were quite optimistic that we would be able to negotiate a replacement project, essentially like-for-like as much as possible, and that that would be best for the ratepayer and ultimately fair to the counterparty as well. Hence, our decision to go ahead and have me sign the letter.

Mr. Peter Tabuns: Did your board set up a sub-committee to do due diligence on this, to look at the impact on the OPA and the impact on ratepayers?

Mr. Colin Andersen: No. This was all happening over the course of a few days, from the time that the government and TransCanada had met and the decision had been made. We were under a lot of pressure at the time because we were effectively told that the minister's announcement was already scheduled and that he certainly wanted the support of TransCanada. I would say that even though we were asking for more time, the pressure was, "No, the announcement is going to happen, so get the letter done."

Mr. Peter Tabuns: Just out of curiosity, why was it such a rapid process? You're a fairly big institution in all this. You actually have the signed contract. You were given—let's say 10 days, to be generous—

Mr. Colin Andersen: You would have to ask the government with regard to the timing imperative of the announcement, because that was what was driving the need to have a letter signed by both TransCanada and ourselves before the announcement went ahead.

Mr. Peter Tabuns: And they didn't convey that to you?

Mr. Colin Andersen: They did convey to us—

Mr. Peter Tabuns: Sorry, they didn't convey why things were moving as—

Mr. Colin Andersen: We knew, right from the get-go, that the minister was going to be announcing this in a few days and that TransCanada needed a letter that would give their lawyers confidence with regard to the way forward. That process actually took a few days, to draft that letter, because like I said, we started off in a very different place with the first draft that we did because it was based on what was in the contract, not going beyond the contract, which was ultimately what the meeting between the Premier's office and TransCanada had resulted in.

Mr. Peter Tabuns: Did you convey back to the Premier's office the financial and legal risks that were faced?

Mr. Colin Andersen: It actually took a little while for us to realize what had actually been committed to or what the understanding was because, of course, to us, we thought that the letter that we wrote was actually consistent with "Okay, this is what you're entitled to under the contract," so we wrote a letter that way. It was only over time that we started to see that actually, they were entitled to more than just what the contract would have provided, and that's where you get into the lost profit side. It took several iterations to actually get to that point, and several days.

Mr. Peter Tabuns: Were you legally obliged to follow these instructions, the verbal instructions coming from the Premier's office?

Mr. Colin Andersen: No. They weren't—once a contract is set, the government doesn't actually have the authority to direct us any further on something like this, which was a big part of our board discussion. We flagged that with them, but again, it was very clear that the government and the other parties had decided this plant wasn't going ahead, and we did feel that the best way for the plant not to go ahead was to try to negotiate a relocation as opposed to going through a long litigation process or have the government having to legislate the plant out of existence. We thought neither of those would be good for investor confidence or fair to the existing counterparty, and we thought that ultimately they would probably be more expensive for the ratepayer.

We thought the best path would actually be to give TransCanada a letter and then try to renegotiate a plant that was as much like-for-like as possible, to put them back into the same place they were before the decision.

Mr. Peter Tabuns: How are you normally given instructions? I saw a ministerial directive for the 2008 RFP. I saw a ministerial directive to put a plant at Napanee. I haven't seen a ministerial directive for a plant in Sarnia yet.

Mr. Colin Andersen: Well, it varies, and it depends on the existing authorities. We ourselves don't have our own procurement ability; we do need to get that from a

minister, and we do look at the existing authorities that we have. For Oakville, because of the change of location, we did need to get a new directive. A lot of it depends on the very specific wording of the directive, if it's geographic-specific or something like that, which is why we had to get a new directive to go to the Napanee area.

The Mississauga one, I can't remember specifically—but generally speaking, we do. I can look into it for you, if you'd like. We do need directives. Sometimes they're a little more broadly worded, and it gives us more room to manoeuvre than others.

Mr. Peter Tabuns: I did see the letter from Chris Bentley to the OPA directing discontinuation of the Mississauga plant. Do you often make significant decisions based on verbal communications from the Premier's office?

Mr. Colin Andersen: No. That being said, we do get direction—small-d direction—in a variety of different ways, right? Different instruments have different legal meaning, and a directive is the clearest one because it ties back to authorities under the Electricity Act.

Mr. Peter Tabuns: Right.

Mr. Colin Andersen: A letter from the minister doesn't always have legal impact, although it is a clear, stated intent on the part of the government that they expect us to act on. Sometimes we get letters from the deputy; sometimes we get emails from ministry staff. So we can get small-d direction in a lot of different ways, but generally, where we feel it's necessary, we do consult with our legal branch to say, "Okay, do we actually have the authority to go on this," and if not, strictly speaking, the legal authority, why would we do this? What more do we need?

Mr. Peter Tabuns: Yeah. So in the case of the Oakville cancellation, you were given verbal direction through Mr. Chin to terminate the agreement, start a negotiation process and abandon all the legal defences in the contract—make TransCanada "whole." Did your lawyers say this was fine?

Mr. Colin Andersen: Well, you know, I would say we were reluctantly signing a letter to this effect. At this point, there's not time to do a detailed legal analysis, but there was a feeling that perhaps there was some exposure. We weren't in on the meeting—

Mr. Peter Tabuns: No, you weren't.

Mr. Colin Andersen:—so we didn't know the extent of the discussion and if the government could essentially have been sued because there was a verbal contract or something like that. Again, we turned our attention to, "Well, let's look at the way forward, and do we think we have a good possibility of negotiating a like-for-like?" That's plan A. If you don't manage to do that, you always have to be cognizant of where things might go if you aren't able to renegotiate to everybody's liking.

Mr. Peter Tabuns: So you didn't have a legal opinion?

Mr. Colin Andersen: No. We have legal staff who would have been involved in helping me in the drafting of the letter. That's who did the drafting, and that's why

the first draft was consistent with what the contract said. Like I said, as time was moving along, we were getting the strong pressure—"The announcement is happening, or it's coming. Why isn't the letter done yet?"—that kind of thing. Hence, "Okay, well we're going to have to check. Is this really what people felt was the commitment?" "Fine, get an equivalent project," and that means anticipated financial value of the contract that goes along with that.

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Mr. Peter Tabuns: So effectively, the Premier's office staff or the Premier—I don't know; you weren't involved in those meetings—negotiated with TransCanada without being aware of the contents of the contract and the legal protections that were set up for the ratepayers in Ontario. Is that correct?

Mr. Colin Andersen: Yes, I would say they were definitely having discussions that weren't looking at the contract. TransCanada would have been familiar with the contract. They certainly felt that there was an agreement. I'm not sure what the Premier's office ultimately felt that they were doing at the time, whether they were having discussions or whether they were, in fact, negotiating, but the end result that came out of all of this—like I said, we checked on the drafting of the letter, and then we actually had somebody check with the office themselves before we signed. I think there was that strong feeling that this was the direction to go in.

Mr. Peter Tabuns: Sorry, just again: Who in the OPA checked with whom in the Premier's office to make sure that this was all okay?

Mr. Colin Andersen: It was Ben Chin, who was our VP of communications. I don't actually recall which person in the Premier's office it was. I presume it was Sean Mullin. I think that's who it was, but it might have been Jamison Steeve.

Mr. Peter Tabuns: Okay. How much time do I have left?

The Vice-Chair (Mr. Phil McNeely): Three minutes.

Mr. Peter Tabuns: The next area I wanted to explore with you was the endgame negotiations with TransCanada for the new plant at Napanee. The cost of the gas delivery and management is a very significant part of the extra cost that we have assumed. Your calculations aren't that far off from what the auditor came out with. Did you agree on your own to take over these very large costs, or were you directed to take over these very large costs?

Mr. Colin Andersen: It was part of the negotiation process. There are gives and takes on a variety of sides. As I mentioned, the Napanee site was chosen a few days sort of in the middle of the negotiation process, and nobody had time to do due diligence on these. From TransCanada's perspective, they said, "Well, the decision to relocate wasn't ours, so why should we take on those incremental costs?" That seemed like sort of a fair statement, but also, we wanted to make sure that we could mitigate those costs. There are two different ways of doing it. We've used both ways in other projects. You could pay for the gas delivery and management through

the monthly payment, the NRR. But because we didn't know what those costs were going to be, it was very likely that TransCanada would have said, "Well, we want the number to be X," including probably a risk premium, and they would have earned a rate of return if it was in the NRR. We said, "Given the uncertainty, what probably makes sense is to do it on a cost pass-through, so take it out." That mitigates the risk of the cost because it's basically saying it will be tied to regulated rates. We also set up a committee that would look at the services. That had to be a committee that had to reach consensus between TransCanada and the OPA to say, effectively, "No, you can't"—

The Vice-Chair (Mr. Phil McNeely): One minute.

Mr. Colin Andersen:—"the services." So we also felt that it was a good idea to mitigate the cost for the ratepayer by effectively taking them on on a cost pass-through basis, that that would be the way to keep them closest to their actual cost. This is the incremental amount over and above what they would have paid for Oakville that we were looking at.

Mr. Peter Tabuns: When we were first presented with all this information, obviously, we were first told that there was a \$40-million charge, and then there was the \$210 million for the turbines and that there's a reduction in the monthly payments, the NRR, that would cover all that.

The Vice-Chair (Mr. Phil McNeely): I'm sorry. Time is up. We'll have to wait for the next 10 minutes for that.

Mr. Peter Tabuns: I'll be back. Thanks.

The Vice-Chair (Mr. Phil McNeely): Mr. Delaney, of the government.

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

Mr. Andersen, it's good to see you again. Thanks for coming back to have a chat with us the second time.

We were chatting before the meeting began, and to just pick up on that, we both accept the Auditor General's opinion of the cost as expressed in her report.

Much like my colleagues, I want to talk to you today about some of the numbers and the analyses and the scenarios that were set out, both by you and by the auditor. Just to start off, the last time you came before the committee, you were asked by the minister to provide an updated cost estimate on the Oakville facility—

Mr. Colin Andersen: Yes.

Mr. Bob Delaney:—and the day that the auditor tabled her report, the OPA put out a statement saying that you stand by your estimate of \$310 million for the relocation cost of moving the plant from Oakville to Napanee. Just to confirm, that's the same estimate you provided to the committee more than six months ago, on April 30.

Mr. Colin Andersen: We stand behind our methodology, yes.

Mr. Bob Delaney: Splendid. Thank you.

In the release, the OPA attributes the difference between the Auditor General's estimate and the OPA's estimate to the fact that the OPA used, and I'll use your

language, "different rates to put future costs and savings in today's dollars and used different in-service dates for the plants." I'll get to the in-service in a minute, but I just want to focus on the discount rates. The OPA used a 6% discount rate, while the auditor used a 4% discount rate.

Mr. Colin Andersen: That's right, yes.

Mr. Bob Delaney: Could you explain the significance of the discount rate and what factors go into estimating both the rate and the end result when you've run the algorithm?

Mr. Colin Andersen: These are estimates or forecasts, essentially. As the auditor said, two thirds of the costs and 100% of the savings haven't happened yet—they're going to happen in the future—and we've made different assumptions about start dates, so we're looking at different time periods. Discount rates are largely used so that you can compare, on an apples-to-apples basis, streams of costs—and in this case, savings—that happen over a period of time. They're quite common to use when you're looking at infrastructure projects and the like.

The choice of discount rate can reflect a number of different things. Generally, it reflects the opportunity cost of what you would have done with the same amount of money, rather than the choice you were making. Generally, the choice of discount rate reflects your opinion on the risk of the project—the risk profile of it—or maybe the cost of financing it. The Auditor General chose a rate that's consistent with a 10-year government borrowing rate, which is a relatively risk-free interest rate.

On the other hand, we use 6%. It's a number we've used for planning purposes for quite a long period of time, and we think it's more appropriate because it reflects the type of projects we look at. They have a bit more of a risk element to them; they can be a mix of some public and private infrastructure.

Also, we basically benchmark our rates against others. Manitoba Hydro, I think, uses 5.5% and BC Hydro is 8%—I might have mixed those two numbers up—but there are a variety of different bodies out there that are using higher rates. The Ministry of Finance here in Ontario, I think, uses 5.5%. I think this has been a long-standing difference of opinion between Auditors General and the Ministry of Finance here in Ontario, for example. You could look at other Auditor General reports that debate this, and there are many academic papers on what is the appropriate discount rate to use. So we've gone with the one we think is the most appropriate, and it results in a difference of about \$90 million or so between our estimates.

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Mr. Bob Delaney: It's \$90 million spread out over 20 years?

Mr. Colin Andersen: Yes.

Mr. Bob Delaney: Okay. The OPA and the auditor also differ on their opinions for the estimated start dates of the Oakville plant—that would be the Oakville plant had it have gone forward—and on the future Napanee plant. The timings of those start dates are based on a number of different assumptions. Could you explain

some of the underlying assumptions, how that affects the start and end dates, and what impact that would have as you project that through to the total cost estimate?

Mr. Colin Andersen: Sure. This is the biggest area of difference between our estimates. All of the underlying costs that are associated with the project and some of the revenue streams and the like—we're generally in pretty close agreement with the auditor, but it comes down to the discount rate and the assumptions about the start dates.

Basically, what the auditor is saying is that because of local opposition and some of the actions of the town of Oakville—taking things through legal proceedings—she felt that the plant was going to be delayed at least two years. That is a bit of an assumption on her part. She couldn't specifically say that this is the date, because we're now talking about an event that's never going to happen. Neither one of us is going to be able to definitively say, "This is the date it would have opened." It's never going to open, so we're never going to be able to prove it.

TransCanada was also actively working their way through the legal process to do what they had to do to meet their contractual obligations. It's possible that they might have won their appeals and started to continue forward with the negotiation.

So we're talking about events that we're making assumptions on that haven't happened and are actually never going to happen, but it's quite key to the difference in opinion about what is a relocation savings.

When you look at it from the ratepayer perspective, the fact is the Oakville plant is not opening, and the ratepayer is not making any payments for any plant in 2015-16. The auditor, effectively, says, "Those savings would have happened anyways and they don't count as relocation." She doesn't dispute that those payments aren't being made, but she doesn't feel that they should be considered a relocation savings.

However, in our estimate, we do count those as savings, the \$310 million, for a couple of reasons. Given that we can never be certain about—pick a date in the future—when the plant might have opened—if we had gone through a legal proceeding, we would have started where we started, with the contract date; that's a known date. But also, from a ratepayer perspective, we think it's legitimate. They're not paying those amounts of money, and the plant is not going forward. Therefore, we think \$310 million, because it takes into consideration those two years of savings, is appropriate to include, and it traces back to assumptions about start dates. It also traces back to the fact that the plant is not opening and payments are not being made by the ratepayer. So when you look at it from a ratepayer perspective, they're not making those payments.

Mr. Bob Delaney: Are there any other factors involved in the difference between the OPA's final number and the auditor's final estimate?

Mr. Colin Andersen: First of all, I would say that these numbers aren't final. The auditor—she uses some

interesting words in her report. This wasn't an audit; this is a forecast. She actually cautions the reader that the numbers will change and that they're likely to be different than the actual. Some of this stuff we won't be able to verify for 20 years. Some of it will always hinge on what assumption you've made. So our \$310-million estimate will continue to evolve over time. There are some ups and downs in the numbers. There's some stuff that we would say hasn't changed materially or firmly enough yet that we would update our number, so we've stayed with the \$310 million, but there are some things that we've talked to the auditor about that we agree with—efficiency rates and the turbines and things like that—that she incorporated. There is some stuff that could transpire over time, as we're working through gas demand and management and the like, so the numbers are going to continue to evolve. I would say that we are largely with her estimates on all the underlying cost elements. It's really just those big ones on the discount rate and the start dates that speak to the difference.

Mr. Bob Delaney: In your experience, using the methodology that the OPA used to calculate your number for Oakville, have other projects come through at costs similar to the estimates you had made at the outset?

Mr. Colin Andersen: The Oakville plant was competitively tendered, so we got a good result for that, and then we negotiated, as much as possible, a like-for-like project to move it to Napanee. As the auditor points out, and as we have said, a lot of the increase in costs is actually attributable to the location choice, and so the underlying elements—you know, we do think it's good value for ratepayer money, and we do believe in a competitive process to get those plants.

We did have Deloitte look at the Napanee project and compare it to the Oakville one, and they said that the elements are generally consistent—the financial elements—and that they felt it was commercially reasonable as well. We had them look at it, and we had NERA look at it as well. So we had some third party experts have a look at them. It does fall in line consistently with other gas projects we have procured as well—large gas projects.

Mr. Bob Delaney: Did the auditor agree with the OPA on the total value of the sunk costs for Oakville?

Mr. Colin Andersen: The \$40 million?

Mr. Bob Delaney: Yes.

Mr. Colin Andersen: Yeah. That number has stayed. It's probably the most consistent number throughout the whole process.

Mr. Bob Delaney: Would that mean it's really the future estimated costs and savings on which you have an opinion different from the auditor's opinion, but not the costs that have already been incurred?

Mr. Colin Andersen: Well, the costs and savings, before they're discounted—we're largely in agreement. You know, our forecasts aren't that far off, but it's when you discount them.

We did have a difference of opinion, you know, about replacement power in the far out-years. We felt there

were some savings from that; they felt that was too far in the future to count. But we figured that if we're going out 20 or 25 years on some of the other pieces of it—the gas costs, for example—why wouldn't we also count replacement savings? You know, you're making a lot of judgments about what's going to happen in the future with the economy and with gas demand and prices and a variety of things, but that was one other area of difference.

Mr. Bob Delaney: So these are not simple, linear calculations with one, two or three variables; these are very complex calculations in which many of the variables, almost by definition, can and do change over the span of a generation.

Mr. Colin Andersen: Well, they can and do change, yes, regularly, so over time for sure.

Mr. Bob Delaney: The OPA put out a preliminary estimate a few months ago on the cost to relocate the Oakville plant, and if my memory is correct, this estimate ranged from \$33 million to \$133 million. Do you recall that?

Mr. Colin Andersen: Yes.

Mr. Bob Delaney: Who did the work to come up with that estimate?

Mr. Colin Andersen: Well, we did. I mean, it was the staff in our planning area and our procurement area and, you know, it was a very preliminary estimate. I would say it wasn't ready for public consumption—we would have done a lot more tire-kicking on it. It was based on information we had at the time and, you know, we were still thinking about methodology and some of those kinds of things. Again, it still goes back to where we're predicting costs that are in the future. You know, you can have a lot of discussion about what is the appropriate methodology to use and what kind of assumptions you should use. Those are very early estimates.

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Mr. Bob Delaney: Right, and it was done entirely by the OPA?

Mr. Colin Andersen: Well, we actually had discussions with the deputy's office. The minister and the chief of staff were in on some of the discussions. I don't remember which version ended up in the public domain, but there were discussions with the ministry about some of those elements. It was part of developing our thoughts on what was the appropriate methodology to use and what kind of assumptions, and did they agree with those? You know, I think it's good to get other opinions on those kinds of things.

I still go back to, you know, those were very preliminary estimates; they were for discussion purposes. That's what we were doing. That was the purpose of that document: to go and talk to the ministry and get feedback on what we were seeing.

Mr. Bob Delaney: Certainly, the wide variance in the estimates suggests it was in fact a discussion document. Earlier, you said something that has been said a number of times in the committee: that two thirds of the net costs and all the savings have yet to be incurred, and will be amortized over the next 20 years. In your assumptions,

do you assume this amortization to be linear, or is it front- or back-end loaded?

Mr. Colin Andersen: Well, I think what we actually try to do is say, "Okay, when do these costs actually materialize?" Some of them are up front. So, the sunk costs—the turbine cost and some of those things, for example—are paid for up front. Some of the others can vary; it can depend on what we think is likely going to be the demand and the use of the plant over time. I would say there are ones I've seen that are relatively smooth: There some savings and some costs up front, then there's sort of a long period in the middle where we largely agree with the auditor, and then there are differences at the back end. Those are attributable to the fact that we had these differences of opinion about in-service dates.

Mr. Bob Delaney: Just a couple of quick clarification points that you raised: The \$210 million that the OPA paid TransCanada for the turbines has already been paid off through the rate base, correct?

Mr. Colin Andersen: That's right, yes.

Mr. Bob Delaney: So, of the \$675 million referred to by the auditor, \$40 million of that is the sunk cost and another \$250 million has already been paid off. Would that be correct?

Mr. Colin Andersen: Well, \$40 million would have been paid off the tax base, and \$210 million would have been paid off the rate base. Basically, we're saying that things that produce electrons or are related to electrons come off the rate base; money that couldn't be repurposed would be paid by the taxpayer. That was the thinking with regard to the split for that project.

Mr. Bob Delaney: All right. In terms of the costs associated with relocating the Oakville plant, the government relied on the OPA's approach when it announced the original costing figures, correct?

Interjections.

Mr. Colin Andersen: Sorry, I can't hear you. There's—

Mr. Bob Delaney: In terms of the costs associated with the relocation of the Oakville plant, the government relied on the OPA's approach when it announced its original costing figures, correct?

Mr. Colin Andersen: Well, the government was at the table and Infrastructure Ontario was there. So, it wasn't just us who were involved in the calculations, but we would be the primary source of the figures, yes.

Mr. Bob Delaney: Just to quickly recap—

The Vice-Chair (Mr. Phil McNeely): One minute.

Mr. Bob Delaney: Okay. Just a quick recap, then: In the OPA's backgrounder from September 24, which states that the OPA is paying for the cost of the gas turbines as well as the gas management, it also says there would be significant savings from a lower net revenue requirement. That stood then; does that still stand now?

Mr. Colin Andersen: Yes. Sorry, I was just thinking one last thought about your previous question. We provide information to the government, but we can't always control how it ends up being subsequently used in the communications. So, saying they relied on our num-

bers—yes, we provide input, but it's another thing how it might actually get subsequently communicated.

Sorry. Your question again on the NRR: There were reductions in the NRR.

Mr. Bob Delaney: That's correct. That's what I just wanted to clarify.

Thanks, Chair. We'll end here.

The Vice-Chair (Mr. Phil McNeely): Time's up, anyway. Thank you very much. We'll go to Ms. Thompson of the official opposition.

Ms. Lisa M. Thompson: Thanks very much, Chair.

Colin, thank you for being here. Clearly, when you were speaking to my colleague from Nepean–Carleton, a large message that was coming out was that—and we all should know; simply economics would dictate that the fact is, the closer the source to the demand, the cheaper it would be overall. You mentioned that proximity to existing infrastructure as well is very important, and you considered that when developing your four top choices.

I'd like to segue over, then, to green energy, renewable energy. I was wondering if you could share your opinion on how the siting of existing industrial wind turbines is working out for this government. What crosses your mind at OPA, based on the fact that you've already noted that it's cheaper to produce power closer to demand and that infrastructure for distribution is very important? What crosses your mind in the OPA?

Mr. Colin Andersen: Siting is an important part of locating any kind of infrastructure, and it goes into our planning. We determine, based on available infrastructure and—

Mr. Steven Del Duca: Point of order.

The Vice-Chair (Mr. Phil McNeely): Point of order, Mr. Del Duca.

Mr. Steven Del Duca: Sorry for the interruption. I just wanted to—

Interjection: Stop the clock.

Mr. Steven Del Duca: You can stop the clock. I just wanted a clarification. I'm not entirely sure that this is within the scope of the committee's mandate. I wondered if I could get a clarification.

Interjections.

Mr. Steven Del Duca: I'm asking the Chair. If you don't mind, I'm going to ask the Chair.

Interjection.

Mr. Steven Del Duca: The clock has stopped.

The Vice-Chair (Mr. Phil McNeely): One person only—

Interjection.

Mr. Steven Del Duca: Are you filling both roles? Would you like to fill all the roles in the committee? Fill all the roles or just—

The Vice-Chair (Mr. Phil McNeely): Mr. Yakubski, wait until Mr. Del Duca gets finished with his point of order.

Mr. Steven Del Duca: Thank you, Mr. Chair. I just wanted a clarification as to whether this line of questioning is within our scope.

Ms. Lisa M. Thompson: It's about siting.

The Vice-Chair (Mr. Phil McNeely): I'll go to Ms. Thompson and just ask how you're tying this in with what is obviously the subject of this hearing.

Interjection.

The Vice-Chair (Mr. Phil McNeely): I'm asking Ms. Thompson.

Ms. Lisa MacLeod: If I could just—on a point of order.

The Vice-Chair (Mr. Phil McNeely): Point of order.

Ms. Lisa MacLeod: Earlier today, I had asked David Butters about the siting issue. I did say, at the time, that I would be raising it again. I didn't have the opportunity. I asked Ms. Thompson to raise the siting of the gas plants, as well as, when we had the OPA in front of us, how that also impacts siting of other types of power not exclusive to gas. That's very relevant in this case, because we're simply asking the head of the Ontario Power Authority, and I asked him previously, about the supply and how those decisions are made.

She is simply asking, I think, a very fair question regarding the siting of the supply of energy in the province and its infrastructure, regardless of what that power supply is, and how it maybe differentiates between what the supply is. I think it's a fair question.

Mr. Steven Del Duca: Chair, that may be a fair question for the Legislature itself, but that's not a fair question with respect to the scope of this mandate.

Ms. Lisa M. Thompson: But it's coming back—

The Vice-Chair (Mr. Phil McNeely): Just give me a minute here, and I'll respond to the two—

Mr. Steven Del Duca: Sure. Absolutely.

The Vice-Chair (Mr. Phil McNeely): I'll rule on that. This is dealing with the documents by the Minister of Energy and the Ontario Power Authority to the Standing Committee on Estimates and to consider and report its observations and recommendations concerning the tendering, planning, commissioning, cancellation and relocation of the Mississauga and Oakville gas plants.

My decision would be that we're not going into the siting of wind turbines today. If you wish to ask the question regarding siting generally, then you can proceed

Ms. Lisa MacLeod: Point of order, Chair.

The Vice-Chair (Mr. Phil McNeely): Point of order.

Ms. Lisa MacLeod: Were we or were we not provided and did not the deputant bring forward a chart called Engaging Local Communities in Ontario's Electricity Planning Continuum? Did he not reference that after he handed it out during his remarks?

I'm not finished. I just want a yes or no answer on this, then I'm going to continue to proceed.

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Interjection.

Ms. Lisa MacLeod: He did, and I have it in front of me. I'd like to point out that on that, it says, "What exists now

"Framework

"Policy context

"Municipal

"—Official plan

“—Zoning bylaws
“Provincial”

The first bullet is, “Green Energy Act.”

He talks about “Regional electricity planning,” he talks about “Procurement and siting,” and he talks about “Supporting recommendations.” That’s one page. He points out that there’s two pages, Chair. He talks about “Municipal governments, First Nations and Métis communities and stakeholders.” He talks about “Linking local and provincial planning.” He talks about “Reinforcing the planning/siting continuum,” and he talks about “Enhancing electricity awareness and improving access to information.”

The Vice-Chair (Mr. Phil McNeely): Okay, I think we’ve had enough from you right now. I don’t think it’s relevant to this issue—

Ms. Lisa MacLeod: It is relevant to it. I can’t believe you’re going to try and shut us down—

The Vice-Chair (Mr. Phil McNeely): I’m going to rule on it.

Ms. Lisa MacLeod: Just because you’re a Liberal doesn’t mean you can shut us down—

The Vice-Chair (Mr. Phil McNeely): I’m going to rule on it, and you can take it to the Speaker.

Okay, Ms. Thompson, can you continue?

Mr. John Yakabuski: Point of order.

The Vice-Chair (Mr. Phil McNeely): Point of order.

Mr. John Yakabuski: I would like to have a five-minute recess.

The Vice-Chair (Mr. Phil McNeely): Any objection to a five-minute recess?

Mr. Bob Delaney: Only if we know the reason. Just tell me why.

Mr. John Yakabuski: I would like a five-minute recess. I don’t have to give you a reason. I’ve asked for a five-minute recess.

The Vice-Chair (Mr. Phil McNeely): We’ll have a five-minute recess.

The committee recessed from 1611 to 1616.

The Vice-Chair (Mr. Phil McNeely): We’re back in session. I’d just like to say that we have no control over what people bring into the meetings, but I made a ruling that the location of the turbines is outside of the terms of reference of this committee. So, Ms. Thompson, if you’d like to continue your questioning.

Ms. Lisa M. Thompson: Okay. Thank you very much, Chair. Mr. Andersen, have you ever been to my riding of Huron–Bruce?

Mr. Colin Andersen: Over time, probably, yes.

Ms. Lisa M. Thompson: Visiting cottages or taking a trip, things like that?

Mr. Colin Andersen: Driving through, yes.

Ms. Lisa M. Thompson: Tourism on the lakeshore is very important in my riding. I find it interesting—this is my first day on the committee, so I apologize, but I didn’t—clearly, the government doesn’t want to talk about the mess that green energy has made across Ontario, so we will divert to the criteria of siting because I think, in my perspective, Chair, the siting of gas plants,

the siting of turbines, the siting of solar and the siting of biomass should all be a consideration and tied back together.

My question for you, Mr. Andersen, is around the criteria that you referenced when you were speaking to my colleague with regard to choosing your top four sites for the gas plant. You mentioned that it was based on available criteria. I’m wondering if you can expand on the criteria that you used to pick your top four locations that weren’t selected by the government.

Mr. Colin Andersen: When we look at siting a gas plant, specifically we would look at the availability of gas pipelines in the area, to get the fuel source there. We would look at the availability of—are there existing transmission wires there? Is the local distribution system capable of accommodating the system?

When you look at that, you have to take into consideration what’s already there and what other proposed demands on the system might be forthcoming as well—what might also be planned. We plan the system as a whole, and that has to take into consideration all types of fuels and their characteristics and what they need out of the transmission system.

We would also take into consideration—are there existing facilities in the area that might be suitable locations, suitable sites, to add a site to? In this case, we were looking around for communities where there were existing OPG-owned sites, because the feeling was that those communities already had a familiarity with these types of generating plants and probably would be relatively accepting of them as well. So those are all things that go into the consideration of choosing a site.

Then, of course, it has to work for the particular configuration that we were talking about: the size of the plant that we were looking at relocating, because not all sites are suitable for a small or a large plant, something like that.

Ms. Lisa M. Thompson: Interesting. Okay. Just a point of clarification: When you mentioned that you have to take a look at what is already there, can you specifically say what you mean by that?

Mr. Colin Andersen: Yes. The types of facilities that exist and how they operate and the characteristics that they operate can have an impact on the availability of the system to essentially flow electrons. When we’re looking at the Napanee site, there’s an existing oil and gas facility there that we looked at to see, okay, if it’s operating, what kind of room is available on the system to flow electrons?

Every fuel type has different characteristics. Every generation facility has different characteristics. We have to take into consideration the provincial system, but then there are also local reliability issues. IESO, the system operator, has North American standards that it has to conform with, so you want to make sure that you’re staying consistent with the reliability of the system and you’re operating within the means of the system.

Ms. Lisa M. Thompson: With regard to transmission and distribution, you agree that there needs to be invest-

ment made to get the power from Napanee back to the GTA, correct?

Mr. Colin Andersen: We're looking at who's triggering what. When we were looking at what was available and what other potential uses there might be for the system—often our engineers and our planners take a relatively conservative approach and say, “We should reserve a certain amount of room there for flows from Quebec or the eastern Ontario situation.” We did feel that we could accommodate the Napanee plant within the existing infrastructure.

Now, what comes later remains to be seen. Again, we're talking about the future and what other needs there might be that might trigger changes. They're dependent on actions that haven't happened yet—what might happen with the Darlington facilities, the time scheduling of those, our feed-in tariff program and a variety of other things—you know, what might come. But we did feel that we could accommodate the Napanee plant because of the existing infrastructure that was already there, both on the pipeline side and on the transmission side.

Ms. Lisa M. Thompson: Do you have a cost analysis of what that accommodation on the existing transmission grid will be for the Napanee plant?

Mr. Colin Andersen: Specifically on whether or not there is going to be more transmission?

Ms. Lisa M. Thompson: Yes.

Mr. Colin Andersen: Some of the documents that we've already disclosed do a bit of a comparison of the different types of sites with regard to some of these kinds of considerations. Some of them have more of a cost estimate attributable to them than others. I don't remember if we have a specific number on transmission, but we would have had an analysis that would have said, “Here's how much it can or can't be accommodated in this area,” and what some considerations might be.

Ms. Lisa M. Thompson: Do you feel that this government has gotten the horse ahead of the cart? They're making all kinds of announcements right now before their long-term energy plan is even out. You made the comment that with regard to distribution and transmission on a go-forward basis, you really need to look at what future demands will be on that system—for example, the different kinds of fuels that may need that transmission. We just had an ad hoc announcement within the last 10 business days with regard to refurbishing nuclear, ahead of the announcement of the final report coming out of the long-term energy plan.

Going back to the gas plant, do you think that this government has gotten out of sync with where they need to be going with their overall view and vision for long-term energy?

Mr. Colin Andersen: Let's talk a bit about planning for electricity. It's a very vital necessity to our daily lives and our businesses, and we need to make sure that it's there when we need it. There are lead times associated with getting it in place. There are a lot of different ways of meeting those needs—

The Vice-Chair (Mr. Phil McNeely): One minute.

Mr. Colin Andersen: —sometimes it's generation, sometimes it's transmission, sometimes it's conservation—and those needs do change over time because the economy changes and demand changes. I think what's important is that you decide when you need to decide so that you can get the infrastructure in place in time to meet those needs, you're also able to respond to changing circumstances, and you have a certain amount of flexibility. So you need a good balance of both of those.

In this particular situation, of course, what we're trying to do is balance off a number of objectives, which are also to relocate a plant and mitigate the financial risk on the ratepayer in trying to do that. So we had lots of objectives in this particular one.

Ms. Lisa M. Thompson: Have the numerous directives given OPA a lot of grief with regard to trying to plan for some of those changes that have to take place?

Mr. Colin Andersen: Directives provide clarity; they give a very clear indication of what the—

Ms. Lisa M. Thompson: But changing directives?

Mr. Colin Andersen: —government intent is. Predictability and certainty are always good things. But as I was just saying, you also have to be able to respond to some changing circumstances. We don't have authority on our own to go out and procure, so it's good when there is a very clearly stated directive that we can act upon.

The Vice-Chair (Mr. Phil McNeely): Time is up. We'll go to Mr. Tabuns, of the New Democratic Party.

Mr. Peter Tabuns: Mr. Andersen, you commented that the report by the Auditor General on the Oakville power plant cancellation included many estimates. There was some review of existing costs and estimates of future costs. I assume that you would accept that costs could be higher than what the Auditor General has set out here.

Mr. Colin Andersen: Costs and savings both could be higher or lower because we're talking about the next 20 years. Any of them could be higher or lower—

Mr. Peter Tabuns: Higher or lower.

Mr. Colin Andersen: —or lower. I think it's equally important to say that some of them could be lower.

Mr. Peter Tabuns: You accept that they could be higher, and that's fine for me. I appreciate that.

The question of arbitration: The Auditor General said that the arbitration agreement that was put in place was favourable to TransCanada Enterprises. Would you agree with that?

Mr. Colin Andersen: It was a three-party arrangement. I think we still would have gone into an arbitration arguing hard, but there were certain things that were taken off the table as part of that framework.

Mr. Peter Tabuns: So would you agree with the Auditor General that it favoured TransCanada?

Mr. Colin Andersen: I wouldn't use those words myself because, like I said, we would have still gone into the arbitration arguing. We thought we had pretty strong arguments with what we were still able to arbitrate.

Mr. Peter Tabuns: It took away the section in the contract—I think section 14—that said that OPA wasn't

liable for profits. It didn't recognize the force majeure situation. It didn't recognize a number of things that your staff had identified in emails that we've had a chance to read. It took away a wide variety of your legal protections. You don't agree with the Auditor General that the arbitration structure favoured TransCanada?

Mr. Colin Andersen: It definitely took away some of those things that we otherwise would have wanted to rely upon in an arbitration, but when all is said and done, we were going to be arguing about a quantum. It was the net effect of this—not if there was an award but what the quantum would be. But I think we still would have made a pretty strong argument that that quantum could have been very small, on a net basis and reflecting some of the considerations through the discussions of the meeting and the commitments that have been made between the Premier's office and TransCanada. Then we followed that up with a letter. Once those are already in place, the arbitration framework, to some extent, is reflecting what's there and what has happened. It was a three-party arbitration framework: the government, ourselves and TransCanada. The government is legally involved in it at this point in time, so you want to move forward on that discussion.

Mr. Peter Tabuns: So the government was well aware that those legal protections and arguments that you had around not being responsible for future profits and the force majeure situation weren't recognized in the arbitration. It wasn't a secret to them.

Mr. Colin Andersen: No. They were negotiating, drafting—or their representative was—the framework itself. Then we would be consulted on it, and we would offer our opinions. We made them pretty clear. The arbitration framework didn't materialize immediately. We were continuing to make some of our arguments about whether some of those things should be in there or not.

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A good example is whether or not residual value should have been included in the arbitration framework. That was a sticking point for quite a long time. We said it shouldn't be; TransCanada said it should be. In the end, we resolved that we would each be able to make our own case to the arbitrator, but that's an example of how we were certainly pushing back on the framework where we could.

Mr. Peter Tabuns: So the framework and the elements of it were not a secret; they were approved by cabinet, were they not?

Mr. Colin Andersen: Yes, ultimately. I can tell you that we took approvals through our board. I'm not always entirely familiar with how the government gets its approvals on its side, so I think you would actually have to ask the government folks that question.

Mr. Peter Tabuns: But as far as you could tell, the government representatives dealing with this negotiation understood the content, the framework of that arbitration?

Mr. Colin Andersen: Yes. There were multiple people involved in the discussions. They're all moving

around, checking in with who they have to check in. I would say that they were also pretty clear about where our opinions were on the subject, and I would say that, to some extent, we might have been viewed as the ones who were causing this to take more time to come together than it otherwise would have.

Mr. Peter Tabuns: But you kept pushing for the legal protections that you knew were your right?

Mr. Colin Andersen: Yes, where we could. We also felt that it had to be somewhat reflective of commitments that had already been made—legal commitments, one way or another.

Mr. Peter Tabuns: In February 2010—and you provided us with a copy of this legal agreement or this legal opinion—Aird and Berlis was asked by you and gave you a nine-page memorandum on what it would take to cancel the contract with TransCanada. So this is four months after you've signed a contract with them. Why had it come apart within four months? Why within four months, having engaged such a large obligation, were you looking to get out of it?

Mr. Colin Andersen: Well, certainly, what's interesting about locating infrastructure is that communities dial in at different points in time, right? So we would love—and that's why we've recommended in here that we engage communities earlier in the planning process, but it can be hard to get people's attention at that point in time. So it's actually not uncommon, as you work your way through a process and individual sites become more clear, that local opposition becomes more crystallized or comes into force at that point in time.

So the way this process worked is we had done an RFQ, four sites were identified, and that meant that the people who were intimately familiar with those four sites—some people started to get engaged at that point who hadn't been before. Then, obviously, when the actual site out of the four was chosen, it meant that the community members who felt they were most impacted by that site got even more vocal. Some of the others maybe breathed a sigh of relief. So you have people dialing in and starting to get more active at different parts of the process. Likewise, you had the town of Oakville that was starting to get more and more active and looking at what mechanisms it could potentially use.

Mr. Peter Tabuns: And you know, a year before, in March 2009, they passed bylaws to stop the plant from being built. You had notice—

Mr. Colin Andersen: After we had commenced an RFP process, that's right.

Mr. Peter Tabuns: Right, and before you signed a contract?

Mr. Colin Andersen: That's right, but like I said, it can—we felt that having the infrastructure in that area was an important thing. It would contribute to the system and would contribute to local reliability. Once we've started a process, we do want to make sure—if we feel that there's a need for that infrastructure because it's so important, we feel that we do need to go ahead with it.

Mr. Peter Tabuns: I'll go back to September 2010 then. Your board was called on to make a billion-dollar

decision without any written instruction from the Premier or the minister. Everything was verbal. It strikes me as odd that a billion-dollar directive would not generate an email from the Premier or the minister, or a letter from the Premier or the minister, saying, “You know what? You’ve got to stop this.”

Mr. Colin Andersen: So, at that point in time, again, the strong desire or the strong intent was to negotiate a relocated plant, and the strong thinking was, “Let’s go with that and not go down the road of litigation and legislation,” which could have resulted in large amounts of money for no electrons. You obviously couldn’t predict the future and what the costs would be, but the feeling was that if it was a like-for-like kind of project, we’d essentially be in the same position that we’re in now.

Multiple events have transpired since then to mean that it didn’t end up as being—you know, it was a like-for-like project, but location-wise.

Mr. Peter Tabuns: And neither the minister nor the Premier ever talked to you personally—

The Vice-Chair (Mr. Phil McNeely): Time is up. We’ll go to the Liberals and Mr. Delaney.

Mr. Bob Delaney: Mr. Andersen, the home stretch.

During the course of the afternoon, we’ve talked about the different possible locations for the plant that ended up in Napanee. You had been discussing or negotiating for a location in the Kitchener-Waterloo-Cambridge area, correct?

Mr. Colin Andersen: At one point time we had been, yes.

Mr. Bob Delaney: Were you able to reach an agreement?

Mr. Colin Andersen: No, we weren’t, because ultimately we were very far apart on what we thought would be the right price and what TransCanada thought would be the right price. I had said earlier that the Oakville plant was a 900-megawatt facility, and what our planners felt was about the right size was—I can’t remember if it was a 300- or a 450-megawatt plant in the area, so a substantially smaller plant and a different type. TransCanada was looking to get the equivalent value from their first project; they wanted to get that out of the second project. We had strong differences of opinion about what that actual financial value would be, and hence the long negotiations over a period of time.

Mr. Bob Delaney: So at the time you had to make the decision, the Kitchener-Waterloo-Cambridge location had to be off the table.

Deputy Imbrogno came to see us for a second time just about a week ago and talked about some of the other sites as well. To use his words, each of those sites—and they had their pros and cons. “At Nanticoke, there would be additional costs related to building the gas pipeline.” Lambton required “potential transmission upgrades of \$500 million” for a 900-megawatt plant. “Wesleyville didn’t really have an existing facility on it. There were transmission issues, and we weren’t sure if there’d be a willing host.” However, “Lennox”—which is the

Napanee site—“has access to gas, access to transmission,” and “It was a willing host.” Would this kind of encapsulate the situation?

Mr. Colin Andersen: Yes, I would agree with all of those assessments. There weren’t going to be any triggers for any major construction of a pipeline or transmission, and in the ministry’s assessment, it looked like the Napanee area was going to be a willing host. That was an important consideration.

Mr. Bob Delaney: Did the OPA provide this analysis to the ministry?

Mr. Colin Andersen: Well, we provided analysis with regard to the availability on the transmission front and on the pipeline, the gas availability. I don’t know how much we would have gotten involved in saying that it was a willing host community, aside from the fact that we would have said that, obviously, there was an existing facility already there. It would have been more up to the government to make that assessment as to who is a willing host or not.

Mr. Bob Delaney: In our last few minutes, I’d just like to engage you a little bit on some siting recommendations. From the experiences in Oakville and Mississauga, there were some serious flaws in the siting process for energy infrastructure, not least of which is that the cities discovered that land that they had zoned for precisely that purpose years before—they hadn’t revisited their town plan for Oakville or city plan for Mississauga in light of current circumstances.

Minister Chiarelli announced that the government is implementing the 18 recommendations of a recent IESO and OPA report on best practices for energy sites moving forward, with the intent that the changes will improve municipal engagements and public consultation, and ensure greater predictability for the energy sector. So moving forward, there’s going to be greater local voice and increased local responsibility for the siting of large energy projects, and regional energy plans would then be coordinated with municipal planning so that these projects would go to willing host communities.

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Could you talk about how the OPA and the IESO came up with these recommendations?

Mr. Colin Andersen: Yes, absolutely. I mean, this is something at the OPA that we’ve long advocated with regard to a better integration of land use planning on the municipal side and the electricity planning. We’ve had a number of regional plans in the works and some of them have been quite successful in working with communities to identify needed infrastructure upgrades. Kitchener-Waterloo-Cambridge-Guelph is an area where we’ve had lots of successes. We look at conservation and transmission and distribution and generation in their entirety.

The recommendations that we’ve made have said, “We need to get communities involved earlier and more often.” Most of the time, we’ve relied on the LDCs to bring that local connection, but as we heard in our consultation process, or engagement process, the municipal

voice and the LDC voice are not always exactly the same. It's better to get some local community champions.

What we're looking at is enshrining on the planning side some of the requirements through the provincial policy statement so that official plans take into more explicit consideration the siting of electricity. It's just as important a form of infrastructure as water pipes and roads and subway systems and the like, so we think it should be enshrined as a requirement. We've tried to get the people cross-fertilized, if you will, so that some of the city planners will be involved in electricity planning and vice versa.

We think that providing more information is also an important part of this, so that the local communities have a better sense of what the needs are now and what's coming down the road. Ideally, I'd like to be in a position where at some point you see "future site of transformer station," or a generation facility naturally emerges from the planning process and a site that everybody is happy with, because it contributes to local jobs or helping to clean up the air in the area or it helps deal with landfill issues. When you get that better integration, you're much better able to have that certainty.

You know, people change their mind; towns change their mind. They change their zoning. We have to rely on what's in place when we start a process, and that includes zoning. We think that our proponent should be able to rely on that and not have the ground changed under their feet partway through. But part of getting that certainty is making sure that you've got the local community involved. It's a very labour-intensive process. Like I said, you've got people who get engaged at different parts of it, but by having people involved more on the upstream side in the planning, hopefully, you should result in a much better outcome on the siting—on the downstream part of it.

It's all part of one continuum, and we look forward to working with all the various ministries, because it's environment, municipal affairs and energy inputting these recommendations into place. We've already put a lot of them into place, and we look forward to doing the work to get the rest of them up and running.

Mr. Bob Delaney: Okay. Certainly, the two key things that went seriously wrong in both Mississauga and Oakville had to do with the fact that both municipalities had zoned that land for that particular purpose—industrial/power production—and the land had been legally acquired by the promoters. In 2005, Mississauga sent Eastern Power a letter saying, "You're good to go" to build a power plant on that site.

What's the status quo right now? For example, when it comes to planning for schools, for waste removal or whatnot, where does electricity planning fit in that spectrum for municipalities today?

Mr. Colin Andersen: There are some requirements through the provincial policy statement to look at electricity, but it's not as explicit as we think it should be.

The Vice-Chair (Mr. Phil McNeely): One minute.

Mr. Colin Andersen: If you look at the appendix to our report, you'll see that we've actually made some suggestions for changes to the provincial policy statement that would make that more detailed with the requirements to look at locating infrastructure.

There are some communities that are quite progressive and that already work with us on identifying corridors. There are some communities that have their own community energy plans that actually actively look at the types of electricity generation they'd like in their municipality, and both we and the province are providing some money to communities. We're providing to aboriginal communities to do more of that planning-type work. Our goal is to have every community do some kind of a community energy plan at some point because we think it's an important part of their growth aspirations and the sustainability of their communities. Everybody should be doing some form of it and working with us, because we're happy to work with them.

Mr. Bob Delaney: I thank you very much for your time.

The Vice-Chair (Mr. Phil McNeely): That uses up all our time. Thank you very much, Mr. Andersen. Thanks to the committee members. This meeting is now adjourned.

The committee adjourned at 1646.

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