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**Tuesday 5 November 2013**

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(Hansard)**

**Mardi 5 novembre 2013**

**Standing Committee on  
Justice Policy**

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

## STANDING COMMITTEE ON JUSTICE POLICY

## COMITÉ PERMANENT DE LA JUSTICE

Tuesday 5 November 2013

Mardi 5 novembre 2013

*The committee met at 0834 in committee room 2.*

### MEMBERS' PRIVILEGES ASSOCIATION OF MAJOR POWER CONSUMERS IN ONTARIO

**The Chair (Mr. Shafiq Qaadri):** Chers collègues, j'appelle à l'ordre cette séance du Comité permanent de la justice. Ladies and gentlemen, colleagues, I call the meeting to order. I invite our first presenter to please come forward, Mr. Adam White, president of the Association of Major Power Consumers in Ontario, who will be sworn in by our wholly able Clerk.

**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. Adam White:** I do.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. White. Your five minutes for opening remarks begin now.

**Mr. Adam White:** Thank you very much, Mr. Chair. It's my pleasure to be here today and to accept the invitation of the committee.

By way of opening remarks, I thought I would just introduce the Association of Major Power Consumers in Ontario to you, briefly. We are a not-for-profit organization. We represent the interests of Ontario's industrial power consumers. We have 43 members, which together represent about 10% of energy demand in the province and spend about \$1.5 billion a year on electricity. We represent Ontario's leading companies in mining, pulp and paper, iron and steel, petrochemicals, cement and automotive. We like to say that we're not just major power consumers; we're major investors, we're major employers, and we play a major role in the communities in which we operate.

Those are my opening remarks.

**The Chair (Mr. Shafiq Qaadri):** Thank you. We'll begin with the Conservative side for questions.

**Mr. Bob Delaney:** I think it may be me.

**The Chair (Mr. Shafiq Qaadri):** Thank you. To the government side, Mr. Delaney.

**Mr. Bob Delaney:** But you're welcome to, if you want to.

**Ms. Lisa MacLeod:** We'll have some questions.

**Mr. Bob Delaney:** All right. Mr. White, thanks very much for being here today. As I'm sure you've been briefed, part of the mandate of this committee is going to be to provide recommendations to the province on how we can improve siting for large-scale energy projects going forward, in the future. We've asked you here as a government witness because you've had a long career working in the energy sector and extensive experience with government and regulatory bodies on behalf of the largest power consumers in Ontario, both in your current role and in the past as president of the Ontario Energy Association.

Just before I start in with my questions, could you perhaps expand a little bit on your career in the energy sector?

**Mr. Adam White:** Well, I've actually been following the electricity file in Ontario since 1990. When I first graduated from university, I worked here in Toronto for the Energy Probe Research Foundation and we put forward some testimony at the Ontario Energy Board in response to a rate application of Ontario Hydro. That would have been the summer of 1990.

Since then, I've had a lot of different jobs. I've worked in government at the Ministry of Environment and Energy and the Ministry of Energy, Science and Technology. I've worked for TransAlta during the development of TransAlta's investment in Sarnia, the Sarnia regional co-generation project. I worked briefly, in 2002, as a power marketer with an American company called Mirant. Then I was the vice-president of public affairs and external relations with the Ontario Energy Association for a number of years and had the opportunity to serve as the acting president of the OEA for a short time. And for the last eight years, I've been the president of the Association of Major Power Consumers in Ontario.

**Mr. Bob Delaney:** As the president of the Association of Major Power Consumers in Ontario, you work to promote the development of an electricity system that's reliable and affordable. As such, you would have knowledge, I assume, of provincial energy issues in Ontario.

**Mr. Adam White:** We do try to follow what's going on. We are a lean organization. Our mission is simple: It's to do what we can to advocate for lower delivered energy costs for industry. We seek electricity costs that are competitive here so that we can attract investment and jobs into the province.

**Mr. Bob Delaney:** How does Ontario's current energy system compare to what we had at, say, the turn of the millennium?

**Mr. Adam White:** Do you mean in 2000?

**Mr. Bob Delaney:** Yes.

**Mr. Adam White:** It has been said that the electricity grid in North America is the most complex system ever devised by man. It is a complex system. Ontario is interconnected with its neighbours, as you will all know, and Ontario has a diverse supply of generation and a very robust high-voltage transmission grid. There has been significant investment in the sector since 2000, as you say. There is a saying: May we be blessed to live in challenging times. There is no end of interesting things to explore in this sector.

**Mr. Bob Delaney:** If you're a major power consumer in Ontario today, are we better off now than we were 10 years ago?

0840

**Mr. Adam White:** I think that's a subjective assessment and it depends on one's priorities. Our concern is that the costs of electricity have risen over the last decade. If Ontario benchmarks high relative to jurisdictions with whom we compete and if our forecast is for escalation in electricity rates, that is of concern to major power consumers.

**Mr. Bob Delaney:** If the price is a function of the variables of supply and demand, in planning over the long term for electricity demand, are there benefits to having a surplus of supply?

**Mr. Adam White:** The rules around electricity system investment, the North American rules around reliability, require that all control areas—Ontario being a control area—are able to meet peak demand during the peak times, as well as provide a contingency or operating reserve amount. Because of its very nature, the fact that it is generated and consumed in real time and isn't stored except for minor exceptions, it is intrinsic to the electricity sector to want to have some surplus of supply. The question really is how much. We have said recently that the most expensive generation is the generation that we do not need. Our concern is that there is an appropriate amount of contingency to have in the system, but beyond that, the costs really are and can be a burden to consumers.

**Mr. Bob Delaney:** You used a term that perhaps it would be helpful to define. You used the term "control areas" in North America. Could you just expand on the meaning of that term?

**Mr. Adam White:** I'm not a physicist or a power systems engineer, but the way that the electricity system is organized in North America is subject to regulation and there are overriding regulatory authorities in Canada and the United States. There is something called the North American Electric Reliability Corp., which sets standards for the reliable operation of the interconnected grid.

In Ontario, we have a system operator here that operates the grid within Ontario and directs the operations of

the grid in Ontario, and the IESO interacts with other system operators. So "control area" is a term that refers to—for example, there is a system operator in New York that operates the New York power system, and New York would therefore qualify as a control area, and Ontario would be a control area and so on.

**Mr. Bob Delaney:** Okay. So when you use the term, you use the term mainly to apply to control on a regional level.

**Mr. Adam White:** That's right.

**Mr. Bob Delaney:** You talked earlier about an electricity supply. Accepting what you said, that electricity is both generated and consumed in real time—in other words, the electrons are consumed in the same instant that they're generated—and allowing for fluctuations in demand at peak times and the fact that generating plants are either offline because of an event or offline for plant maintenance, have you any thoughts about, system-wide, what level of slack is needed in the system to provide the optimum in reliability?

**Mr. Adam White:** There's a lot in that question. First, it really relates to what is the optimal level of reliability. Not all customers require the same level of reliability. At home, for example, we can easily tolerate having some power outages in a year. The only inconvenience is to reset the clock on the microwave. But in some industries, especially those where electricity is part of critical environmental health and safety systems, such as underground mining, power outages really are much more risky. So the question, really, is what level of reliability for which customers and how that best is provided.

Most of the outages, actually, are related to issues that occur on the grid, not issues that relate to generation, so planning for reliability on the generation side, typically, is to provide enough generation capacity to reliably meet peak demand plus operating reserve, and providing for the single largest contingency on the grid, which would be the loss of a large generating unit.

**Mr. Bob Delaney:** You might be aware that the Ministry of Energy was recently consulting with Ontarians to discuss the future of our long-term energy plan. The last time I checked, the ministry had received more than 2,000 responses. Did you participate in any of the consultations?

**Mr. Adam White:** Yes. We consult with government on an ongoing basis. We have been, over the last number of months, looking into issues around long-term energy planning in Ontario and consulting with our members, as well as with people in government, about what our analysis finds with respect to long-term energy planning in Ontario.

**Mr. Bob Delaney:** What type of input or feedback have you offered to the Ministry of Energy in terms of the makeup of our energy supply?

**Mr. Adam White:** As I said, the challenging issue for the association is to make sure that we're accurately reflecting the views of our members. We typically do not meet over the summer months. We did meet in September, we did meet in late October, and we are planning to

meet again in November. We've shared our analysis with our members, and we are in the final strokes, I hope, of preparing the brief for our membership.

Our submissions to government really are focused on policies that will allow industrial customers to achieve competitive rates so that we can attract investment and jobs. There are two ways to reduce cost of power to customers: One is to reduce the cost of the system overall, and the other is to put policies in place that allow customers to reduce their own costs by more efficient demand management. We advocate along those lines.

**Mr. Bob Delaney:** What recommendations do you have with regard to diversity in the supply mix and its impact on the system?

**Mr. Adam White:** We haven't made any specific recommendations about diversity of supply mix. I think it's common sense that diversity in a portfolio is a way to mitigate risk. I like to think that we take a practical approach. The generation supply mix is what it is. The generation supply mix we have is the legacy of decisions that have been made in the past. We want to be sure, of course, that the system can operate effectively, and we are assured that the system can operate effectively. I don't think there's any magic to how much of the supply side should be met by any one generation source. The question is, with the sources we have together, can they be managed in a way which is effective to meet the overall purposes of the system, and we believe that they are.

**Mr. Bob Delaney:** Have you followed the levels of investment in power generation and transmission in Ontario's electricity system over, say, the last decade?

**Mr. Adam White:** Yes, we have.

**Mr. Bob Delaney:** What do you think of the level of investment by the province in electricity generation and transmission during that time?

**Mr. Adam White:** Well, the province has made significant investments in generation: for natural gas plants to support the phase-out of generation using coal, to refurbish nuclear reactors, and to increase the amount of renewable energy in Ontario. All of those investments have been significant, and there have been significant investments as well on the transmission system and by distributors on distribution systems as well.

**Mr. Bob Delaney:** One of the things being considered by this committee in particular is the cancellation of the two gas-fired peak power generation plants in Mississauga and Oakville. Were you aware of those two cancellations?

**Mr. Adam White:** Yes.

**Mr. Bob Delaney:** Okay. Have you followed the work of this committee at all?

**Mr. Adam White:** Not very closely, I must say. I do read the newspapers in the morning, and so that's been my primary source of information.

**Mr. Bob Delaney:** Are you at all familiar with the siting process that's used by the Ontario Power Authority?

**Mr. Adam White:** I would say perhaps superficially. I do have personal experience working for a large generation company involved in siting and permitting a facility, as I said, in Sarnia, so I do have some knowledge of the process from that perspective. We haven't followed very closely the work that the OPA does in terms of planning for and siting new generation. Our concerns are those of our existing industrial customers and the cost of power delivered to them.

**0850**

**Mr. Bob Delaney:** Have you seen any indicators from the province that suggest that the agencies responsible are looking to improve the siting of generation infrastructure?

**Mr. Adam White:** Well, we have said that we support the government's recent efforts to move in the direction of more regional planning, with more local involvement. We support that. It is a complex system and it operates on multiple levels. There is the high-voltage grid which serves the province overall, and then there are local areas served by local distribution companies and transmission assets and generation. We think that it is appropriate that these local needs be considered on a local and regional basis.

**Mr. Bob Delaney:** Have you had an opportunity to provide your input through any or all of the Ontario Power Authority, the Independent Electricity System Operator or the Ministry of Energy?

**Mr. Adam White:** Yes. I mean, my job, really, is to represent our members' interests with the government and public sector agencies, so that is where I spend a lot of my time.

**Mr. Bob Delaney:** Anything you want to expand on in that?

**Mr. Adam White:** Well, I am a member of the IESO stakeholder advisory committee, which meets a number of times every year to advise the board of directors and senior management of the IESO on the development of market rules and the evolution of the market. I'm a member of the Ontario Power Authority's advisory committee on conservation. The work of that body is to advise the OPA board and senior management on policies to promote conservation and more efficient demand management.

**Mr. Bob Delaney:** Have you been involved in any information sessions or other things that might be helpful for this committee?

**Mr. Adam White:** Over the summer, the Ministry of Energy sponsored a number of stakeholder sessions and public meetings. I did attend one of the public meetings in Toronto.

**Mr. Bob Delaney:** What role do you think public consultations could play in the siting of energy infrastructure?

**Mr. Adam White:** My personal view is that it's essential, and I think the matters that are before the committee help to support that point. We live in a society in which people expect to be involved in decisions which affect their lives and their communities. That expectation

is basic and I think it's powerful. The perils of improper or inadequate consultation, I think, are obvious to most proponents.

**Mr. Bob Delaney:** How could the various parties involved in public consultations—the regulators, industry, major consumers and the general public—maximize the process of public consultations and the siting of energy projects?

**Mr. Adam White:** I'm not an expert on planning and siting. Most of my views on this are from personal experience or instinct. My personal view is, given that Canadians and Ontarians expect to be consulted, they expect to be involved, they expect their views to be considered, that, as a proponent or as an agency considering an investment in infrastructure, there really is no alternative to early and often consultations with local communities. I don't think there is a single right way to do it. I don't think there is a formula to maximize it, as you put it. It will depend on the community. You know, we have willing host communities and unwilling host communities. People's views on issues can change. It has to do with how comfortable they feel with what's being proposed and how they feel it will affect their lives and their communities. I think it's important to recognize that expectation and to work with people in local communities to make sure that their issues are heard and addressed.

**Mr. Bob Delaney:** How best could industry and the various agencies of government most effectively engage municipalities on siting decisions?

**Mr. Adam White:** Well, I've talked a little bit with folks at the Ministry of Energy about this. I think, as I said, we support the government's recent efforts to promote more local involvement in siting decisions. I think that there are opportunities as well to improve local accountability for decision-making. I think it's important that municipal planning processes take into account the need for electricity infrastructure to support those plans. I understand that the government's efforts are moving in that direction.

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

**Mr. Bob Delaney:** Okay. Anything else you want to expand on in that last answer? Talk about your understanding of what the government is doing to move in that direction.

**Mr. Adam White:** I don't have specific knowledge of the details of the government's plan. I understand that the OPA and the IESO worked together over the summer to prepare a number of recommendations and that those have been accepted by the government. As I said, I don't have detailed knowledge of that, but I think that it's important and it's movement in the right direction to encourage more local involvement.

Beyond involvement, I think it's important that local people feel that they are empowered in these consultations, that they are not simply being told what is happening but have an opportunity to affect the outcome. That is certainly our calculus on advocacy. We generally choose not to advocate on issues where we think we'll

have no ability to influence the outcome, and I think the same is true of local people. It's important that there be clear processes and expectations of people involved in these processes, and that their concerns will be addressed—

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

I'll pass it to the PC side. Mr. Yakabuski, the floor is yours.

**Mr. John Yakabuski:** Thank you very much, Chair. Adam, thank you very much for joining us this morning. It's always good to see you. I appreciate the work that you do in this industry and your association and the contributions they make.

I'm just going to pick up a little bit where Mr. Delaney left off. I'm not going to put words in your mouth, but I am going to make a little bit of a statement. If the government was to actually do what they say they're doing with communities with regard to consulting them and allowing for more input with regard to the placement of energy projects, then it would be a positive development, but unfortunately, that doesn't appear to be the case. If you talk to communities that are under siege by plans for the government to erect massive wind farms, you will get a different answer from those communities. We have at least 74 in the province today that have passed resolutions defining themselves as unwilling hosts.

When you look at the numbers, they're still planning at least 5,000 more megawatts of wind. I think a reasonable question is, where are the willing hosts left to accept these kinds of developments into their communities?

One of the biggest concerns, I know in my time as energy critic—and we had many, many conversations over those years. The concern for your people, the number one concern, is the cost. They're major power consumers. Power, electricity, is a significant portion of their operating overhead.

Just for the purpose of understanding here, Adam, where does your association membership come into play? Who qualifies to be a member of AMPCO?

**Mr. Adam White:** Our eligibility requirements are set out in the by-laws of the corporation. Membership is—

**Mr. John Yakabuski:** Is there a power usage threshold? That's the one I'm getting at.

**Mr. Adam White:** Yes. Membership is open to companies that are engaged in industrial activity in Ontario with an average monthly demand over one megawatt.

**Mr. John Yakabuski:** An average monthly demand over one megawatt?

**Mr. Adam White:** That's right.

**Mr. John Yakabuski:** To simplify that, most people involved in heavy industry, even medium industry—forestry, mining, manufacturing—those would be where your membership would come from.

**Mr. Adam White:** That's right.

**Mr. John Yakabuski:** Some of those—for example, in forestry, probably 30% of the cost of doing business

would be electricity. Would that be somewhere around the number?

**Mr. Adam White:** I don't have the detailed knowledge of what the composition is. I know my members—it depends on the industry and it depends on the industrial process. I know in pulp and paper and ground wood operations it's a significant cost. I know that in iron and steel, electricity is a significant cost as well. It depends on what industry and what process.

**Mr. John Yakabuski:** Right. What is the view of your membership, with respect to the effect on the cost of electricity, of the government's Green Energy Act and the—

**Mr. Bob Delaney:** Chair, on a point of order.

**The Chair (Mr. Shafiq Qadri):** Mr. Delaney, a point of order.

**Mr. Bob Delaney:** I am looking very carefully at the mandate of the committee and the Green Energy Act isn't in it.

0900

**Mr. John Yakabuski:** Chair—

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Delaney. The point is well taken. I would invite you to confine your remarks to the mandate, although I do appreciate that it is a generalized energy question.

**Mr. John Yakabuski:** It is a generalized energy question, Chair, and we gave the government side an awful lot of latitude, which we could have been injecting with points of order on almost every question that Mr. Delaney did about the history of Ontario and some of the silliness of the Liberal policies. We tried to be respectful. If they choose not to, that's fine, but we're going to continue with the questions that we have to ask Mr. White. If Mr. Delaney wants to act like a child and inject points of order, I welcome him to do so.

**Mr. Bob Delaney:** Chair, you may not impute motive on behalf of a member any more here than in—

**The Chair (Mr. Shafiq Qadri):** Thank you. I'd invite us all to observe parliamentary decorum.

The floor is yours, Mr. Yakabuski.

**Mr. John Yakabuski:** Thank you very much, Mr. Chair.

If I could ask you again: the view of the members of your association, particularly those people to whom the cost of power is of paramount concern to them being able to remain in business. What are their views on the cost of energy as driven up by the policies in the Green Energy Act?

**Mr. Bob Delaney:** Chair, on another point of order: The Green Energy Act is not being considered in this committee.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Delaney. Mr. Yakabuski, thank you, and please continue. And I once again invite you to confine your remarks to the mandate of the committee.

**Mr. John Yakabuski:** The energy policies of the government that have driven up the price of power, which Mr. Delaney talked about quite a bit—you talked about the price of power in one of your responses to one of his

questions, saying that one thing is certain: the price of power is way up. How do the members of your association view the policy decisions of this government? The relocation of, for example, the Oakville plant is one of those policy decisions, one that has added \$513 million by itself. The cost of moving the plant to Napanee is a \$513-million touch because of the gas transportation costs, the energy transportation costs returning etc. It's a \$513-million bill. What is the view of your membership with respect to those kinds of government policies, including the generation decisions of this government and how they affect their ability to manage their businesses?

**Mr. Adam White:** Well, as I said, I wouldn't say that electricity costs are my members' first priority, but it is the association's first priority. I haven't canvassed my members specifically on their views or opinions related to policies of the government of Ontario. We take an agnostic view to generation technology and fuel type. There is a wide range of generation technologies and fuel types that could be used, hypothetically, in Ontario to meet demand. Ontario isn't blessed with the natural endowment of other provinces, such as Manitoba, Quebec or British Columbia. We just don't have the topography and hydrogeology to support the kinds of electricity system outcomes that they are able to. We are in a situation of making difficult choices.

I do advise my membership that there are positive attributes of renewable energy. With wind power, for example, the fuel is free. The marginal cost of energy, once the generation is in place, is virtually zero, and we like that cost. The question is how the fixed costs are to be allocated.

We understand as well that this is a complex system and the decisions around it are complex. Electricity supply decisions are made for a variety of reasons, including social and environmental reasons, and we accept that. These are choices that Ontarians can make. I think that there are political decisions and there are policy decisions in some cases, and this might be the case with the cancelled gas plants. There are also the decisions of local communities.

**Mr. John Yakabuski:** Well, they weren't the decisions of local communities. I think they may have had the opposition of local communities, but the decisions to cancel them were the government's, and the government's alone. They have the power and the authority to make such decisions. But that is a \$1.1-billion bill, if you look at Oakville and Mississauga in total. That will be passed on to your members, correct?

**Mr. Adam White:** Well, there's only one customer at the end of the day.

**Mr. John Yakabuski:** That's right.

**Mr. Adam White:** Yes.

**Mr. John Yakabuski:** So are you suggesting they're agnostic about that bill or they have no opinion on that bill, or do they have an opinion on that bill that they're going to receive as a result of this?

**Mr. Adam White:** Well, I haven't canvassed the AMPCO membership specifically on their reaction to the

matter of the gas plants. We do talk about what the total cost of power is and what comprises that cost. There are policy choices across the spectrum of generation technologies and fuel types, as well as on the grid side, that affect future costs. I would say we are business people and we support business decisions. If there was a case for investment, even if it drives costs up, if the business case is made, then we will support it. It's not just about lowest cost at any price; it's about what is the business case for generation. Given that the gas plants were cancelled and the decision was taken to relocate them, then there are costs that naturally flow from that.

**Mr. John Yakabuski:** Would you have supported this business case, to relocate the gas plant to Napanee?

**Mr. Adam White:** Well, I haven't seen a business case for it, so—

**Mr. John Yakabuski:** You haven't read the auditor's report on the relocation cost of either Oakville or Mississauga?

**Mr. Adam White:** No, I haven't.

**Mr. John Yakabuski:** Okay. Thank you very much. I'm going to pass the questioning over to Ms. Thompson. Thank you.

**The Chair (Mr. Shafiq Qadri):** Ms. Thompson.

**Ms. Lisa M. Thompson:** Thank you very much, Chair.

I'm interested in some of the work your association may have done. You said earlier that your membership represents companies with an average monthly usage of over one megawatt, and I would imagine an association looking at the ever-increasing cost of energy would be doing their own analysis as to, if energy goes up the projected 50% over the current price—well, 150%. Have you done an analysis over the scale, that as energy prices go up, a number of jobs, a number of companies leave Ontario. Have you done research and an analysis in that regard?

**Mr. Adam White:** No, not specifically

**Ms. Lisa M. Thompson:** Not specifically? Then, can you touch on the work that you have done to date?

**Mr. Adam White:** I think the most recent sort of macroeconomic analysis we've done was a number of years ago. Broadly speaking, one is likely to find correlations between input costs and investment and jobs, and electricity is one of those inputs. It's not the only input.

I think as well, it's fair to say that Ontario has seen a transformation in the nature of the economy and this is a long-standing phenomenon. It's not new that Ontario has replaced jobs in heavy industry with jobs in knowledge-based industries. I don't think that's a new phenomenon. We are concerned that there are key industries in Ontario which we should seek to retain, and to do that, we need to find ways to deliver them their inputs at a competitive price.

**Ms. Lisa M. Thompson:** What industries would those be?

**Mr. Adam White:** Well, the industries that we represent: pulp and paper, mining, iron and steel, petro-

chemicals and automotive. Those are key industries. They are the backbone of Ontario's economy.

**Ms. Lisa M. Thompson:** What kind of timeline do you feel is associated with retaining those industries? When will it be too late?

**Mr. Adam White:** Well, I've been in the file a long time, and people will be debating these issues long after I'm gone, I am sure. I have a strong sense of urgency that anything we can do now, we should do now, and the plans we make for the future should look at ways we can reduce the delivered cost of power for industry.

**Ms. Lisa M. Thompson:** Do you think the government's listening to that?

**Mr. Adam White:** I do. I think governments of all stripes are attentive to the issues facing major industries. How to attract investment and how to create jobs in Ontario—I think those are important issues. I do think that the government has been receptive to our advocacy in the last number of months.

**Ms. Lisa M. Thompson:** Interesting. I want to talk about your concept of willing versus unwilling communities as well. It's a file that I've spent a lot of time on. You talk of the most recent decisions to listen more to communities. Well, for goodness' sake, with the amount of application and the amount of approvals that are happening right now on the renewable side, let's be real: The government has realized their target number. So the idea of listening—

**Mr. Bob Delaney:** Chair, again, on a point of order—

**Ms. Lisa M. Thompson:** —be it gas plants or any other—

**Mr. Bob Delaney:** We are here, according to our mandate, to talk about the cancellation and relocation of the Mississauga and Oakville gas plants. There is a time and a place to consider any aspects of the Green Energy Act, but this is not that time or place.

0910

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

**Ms. Lisa M. Thompson:** You were speaking about willing and unwilling communities. Give me a break.

**The Chair (Mr. Shafiq Qadri):** I would simply ask that the remarks be confined to the agenda, but once again, we are talking about energy policy, and if you can relate this to the committee's mandate, Ms. Thompson—

**Ms. Lisa M. Thompson:** That's where I'm going.

**The Chair (Mr. Shafiq Qadri):** —then I would allow the question.

**Ms. Lisa M. Thompson:** So with that, we've realized some target numbers, and looking at gas plants, willing versus unwilling, don't you think the fact that they're saying the words but they don't need to walk the talk is disingenuous, and that they are just smoke and mirrors with communities?

**Mr. Bob Delaney:** Chair, you cannot use an unparliamentary word in committee any more than you can in the Legislature.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Delaney. I think "disingenuous" is probably one of the more benign words, but, please, go ahead.



**Ms. Lisa M. Thompson:** Thank you, Chair.

**Mr. Bob Delaney:** In fact, Chair, that very word is not one that the Speaker or the deputies will allow you to get away with.

**The Chair (Mr. Shafiq Qadri):** I would invite the Speaker to review his vocabulary. Ms. Thompson.

**Ms. Lisa M. Thompson:** Thank you, Chair.

**Mr. Bob Delaney:** I've been yanked to order on that very word, Chair—

**Mr. John Yakabuski:** “Yank” is a word that's coming into my mind.

**Mr. Bob Delaney:** —and that word is not permitted in the Legislature, and should not be permitted in our deliberations here.

**Mr. John Yakabuski:** Chair, this is unacceptable.

**The Chair (Mr. Shafiq Qadri):** Thank you. Ms. Thompson, the floor is yours.

**Ms. Lisa M. Thompson:** Okay. So let's talk about the willing and unwilling host communities for any source of energy in Ontario. When should we start listening to folks? Do we need to take a look back in our rear view mirror and see what has not worked and see if we should be listening to those communities that have already been imposed upon? I'll cut to the chase.

**Mr. Adam White:** Well, I think it's fair to say that the way we go forward ought to be informed by the way we have proceeded in the past. Part of, I think, what Ontario is dealing with now is a function of legacy assets and legacy decisions. To the extent that contracts have been entered into based on permitted sites, then their commitments have been made. So, really, the question is on a going-forward basis, to the extent we're contemplating entering into new contracts or permitting new sites for generation. I think that the lessons of the past couple of years are an indication that things can be done differently and perhaps things can be done better with more local involvement and perhaps more local accountability.

I would say, my members themselves have a great deal of experience. Some of the industrial plant in Ontario is as old as some of our electricity infrastructure, and some of my members have some of the oldest electricity infrastructure in the province. The things that were tolerated 100 years ago in planning and siting are simply not tolerated today, and I think that that's an ongoing process.

**Ms. Lisa M. Thompson:** Okay—interesting. With regard to the location of gas plants, last week we heard from the OPA that Napanee was at the bottom of their list. In your opinion, what could have been done differently in terms of making sure that electricity was located in a manner that spoke to keeping costs down, keeping the source of electricity closer to the consumer to manage costs a little bit better? In your opinion, did the government drop the ball by not listening to the OPA?

**Mr. Adam White:** Well, there are two gas plants, and the story of each is different. The original site of the TransCanada plant was chosen by the OPA. I wasn't privy to the decision-making on that. I'm not knowledge-

able of the details of the decision, why that site and proponent was chosen over other potential sites and proponents. I know that there was a competitive tender for the supply of generation in the area, electrically speaking. As part of the legacy of our infrastructure, if you want to build a natural gas generator, you have to situate it close to natural gas supply and also approximate to the electricity infrastructure to deliver the power to market.

Again, I don't have the detailed knowledge why the Oakville site was originally chosen, why other sites were not chosen and why the Napanee site was chosen subsequently. I'm not sure of the details of that.

**Ms. Lisa M. Thompson:** Okay. When did you figure out, as many of us did, that the projected \$40-million cost was nothing but hogwash?

**Mr. Adam White:** Well, without responding directly to your question, I don't think it has come as a surprise to us that the price tag was what it was. At the very beginning, when the decisions were made, we knew from published accounts what the total contract value of the plants was going to be. And so I advised my members that in the worst-case scenario, the province could be liable for paying out the liquidated damages on the contracts.

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

**Mr. Adam White:** That seemed to me like a worst-case scenario. So we weren't surprised that the number fell somewhere between nothing and the worst case.

**Ms. Lisa M. Thompson:** Who do you think led the charge to bury the true cost of relocating the Oakville gas plant?

**Mr. Adam White:** I have no opinion on that.

**Ms. Lisa M. Thompson:** Okay.

**The Chair (Mr. Shafiq Qadri):** Thank you, Ms. Thompson. The PCs yield their time.

Just before we offer the floor to Mr. Tabuns, just with regards to some of the exchanges, I would invite you all to review the agenda; I presume you've all internalized that by now. I would just simply encourage you to—Ms. Thompson, Mr. Yakabuski and to my other colleagues, whatever questions you're asking, be they on wind or nuclear or other matters, if they can be made relevant to the committee's mandate, then it is game here.

Mr. Tabuns, the floor is yours—20 minutes.

**Mr. Peter Tabuns:** Thank you, Chair. Good morning, Mr. White. Thank you for coming.

**Mr. Adam White:** Thank you.

**Mr. Peter Tabuns:** Following on your last answer, what was your worst-case estimate for the cancellation of the Oakville plant, in terms of financial damages to the province of Ontario?

**Mr. Adam White:** I can't say that we made a comprehensive review of it. I wasn't privy to or didn't make myself knowledgeable of the details of the contracts. My understanding is, to my recollection, that our guess was that the total liquidated damages would be in the range of \$1.2 billion.

**Mr. Peter Tabuns:** Okay, which is consistent with an internal email that I saw going between the Ministry of Energy staff and the Ministry of Energy political staff.

Were you ever consulted on the cancellation or relocation?

**Mr. Adam White:** No.

**Mr. Peter Tabuns:** Okay. By anybody on either side of this deal?

**Mr. Adam White:** No.

**Mr. Peter Tabuns:** Which demand projections do you rely on to give you a picture of where demand is going in Ontario in the next decade, and how would you characterize the demand picture?

**Mr. Adam White:** We make our own projections of demand on an aggregate, annual basis for the purpose of policy analysis simulation, more than anything else. My members do appreciate having our forecasts for production scheduling and informing investment decisions. Our demand projections are based on historical data and trend analysis, and my view is that demand is likely to be relatively flat in the coming rest of the decade, and has the potential to decline. Frankly, we see a lot of economic efficiency opportunities in managing demand more effectively than it has been in the past, to reduce peak demand during the peak periods in the summer, for example, and to increase off-peak demand during periods when we have surplus power.

**Mr. Peter Tabuns:** Okay. In your projections, will the Sarnia and Napanee plants be surplus to Ontario's needs?

**Mr. Adam White:** Not necessarily. The gas plants that Ontario has contracted for, from a planning perspective, as I understand it, were not specifically procured to provide baseload or intermediate energy. They are there to meet peak energy needs. The reason that gas plants are suitable for that is that they have a low capital cost and then you take the risk on the fuel price to run when you need them to run.

Ontario, over the next number of years, is going to be managing through the refurbishment schedule of the Darlington and Bruce sites. As well, we are going to be integrating renewable energy, which produces power intermittently. We need gas plant capacity to provide insurance that Ontario can meet peak demand and balance demand, given those—I don't want to say contingencies, but given the very abilities that we can see in the future.

**Mr. Peter Tabuns:** We've put a lot into these gas plants. We've spent a lot on nuclear refurbishment. Would you think that investment in conservation might give us some more cost-effective return on our investment?

0920

**Mr. Adam White:** Well, the OPA's numbers suggest that conservation and energy efficiency is less expensive than other forms of generation. Of course, you know, as some say, you can't power industry on conservation, but what we can do in Ontario is manage electricity demand more efficiently, to use less on-peak and use more off-

peak, improve the asset utilization of electricity infrastructure overall and reduce the total cost of power to consumers. That is our priority, looking at policies that can lead to lower costs for customers.

We certainly think that with emerging digital technologies and their application to the grid, and with the emerging sort of policy and regulatory framework—not just here in Ontario, but elsewhere—that there are new and emerging opportunities to engage customers more effectively, and we certainly support that.

**Mr. Peter Tabuns:** Thank you. I have no further questions.

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

Back to the government side: Mr. Delaney, 10 minutes.

**Mr. Bob Delaney:** Thank you very much, Chair. Mr. White, talk to me a little bit about the importance of government's role, either directly or through such agencies as the OPA and the IESO, in the siting of projects such as gas-fired peak power plants.

**Mr. Adam White:** Well, I've worked in government and I've worked in the private sector, in the not-for-profit world. Government has a role to play in Ontario. Government is accountable and has constitutional authority to make decisions in this area. We have framework legislation that guides that, and it is the purview of the Legislature to make law.

Our form of government does provide prerogative to the crown in making decisions, and I think that's an important level of accountability, that these decisions are made in a political context. I think that is what Ontarians want. They understand that the job of elected officials is to represent their views, and I think that is the way it works in Ontario.

**Mr. Bob Delaney:** Okay. To bring the matter down, then, specifically to the two projects—out of 21 similar ones—that didn't go well, in both cases there was a call for proposals. In both cases, the entities awarded the contracts, had responsibility to find a site zoned by the municipality for either industry or power production and to acquire the site. In the case of Mississauga, the city of Mississauga actually approved the use of the site for the purpose for which it was zoned: power production.

How would you recommend, in going forward with siting such large energy projects, that either the OPA or the IESO or the government better engage with municipalities on those types of projects?

**Mr. Adam White:** As I've said already, I think local involvement is important. I think that it makes sense to consider opportunities for more local accountability in decision-making. After all, this generation, this electricity infrastructure, is being built to supply the needs of communities, and the needs of communities are defined to a great extent by official plans and decisions of the municipality. I think it's important when municipalities are planning their future that they consider the need for electricity infrastructure to support those plans. I think that's the important thing.

I will say, though, that it's difficult upfront to predict how the local people who live in the community are going to react to these proposals. Sometimes you'll propose a piece of infrastructure and you'll get a lot of local support, and other times you'll propose the exact same piece of infrastructure and you'll get a lot of local opposition, and that can change over time.

There is not, I don't think, any magic formula for how to do that right or wrong. I do think that there are opportunities to do it better, and I think, generally speaking, it is through involving people in communities early and often in the planning process and making them understand that there are trade-offs. In many cases, there are choices—and difficult choices—that have to be made, and I have a great faith in Ontarians. Ontarians make good choices, generally speaking, and to the extent that we can inform Ontarians about the choices that are before us, I think we can count on Ontarians to make the right decisions.

**Mr. Bob Delaney:** Both the city of Mississauga and the town of Oakville had municipal plans that, at the time they were drawn up, had explicitly approved these sites; in the case of Oakville, for heavy industry, and in the case of Mississauga, it was zoned “industrial/power plant.” But in neither case were the municipal plans regularly reviewed.

In looking at the siting of energy infrastructure, or indeed, the siting of energy-intensive industry, have either you or your membership given any thought to recommendations to municipalities on reviewing their municipal plans to ensure that energy infrastructure, for example, is given the same weight as waste removal or water or sewer?

**Mr. Adam White:** I can't speak to what my members may have considered or what work they may have done with local municipalities. I know that community relations are a very important component of the conduct of my members' business. Our industrial assets are like electricity assets: They are long-lived. They do need the ongoing support of the local community in which they operate to continue to operate. That is the social licence that they need to seek and sustain.

**Mr. Bob Delaney:** In looking at the siting of energy infrastructure, do you have any recommendations that, in the future, could lead either the province or proponents or the IESO or the OPA to avoid making any siting mistakes?

**Mr. Adam White:** To go back to Mr. Tabuns's questions around conservation, our advice to government in avoiding the difficulties associated with siting new supply is to focus policy choices on managing demand better. The less demand we have on peak and the more customers are engaged in managing their demand to support the needs of the grid, the less supply we need, and the less siting decisions are required. Those are superior outcomes for all of us.

**Mr. Bob Delaney:** Are there any jurisdictions that you know of, whether in Ontario or outside Ontario, that you feel Ontario could learn from regarding the siting practices for energy infrastructure?

**Mr. Adam White:** I don't have any specific knowledge of that. I would say, though, that these are choices made by Ontarians in the communities in which they operate. There are checklists, there are processes and there are generic approaches to this that are used in other jurisdictions. I tend to think that Ontario has evolved a fairly sophisticated approach to permits and approvals for major infrastructure, but attitudes change. The attitudes of communities change and the attitudes of Ontarians change in terms of what they're willing and unwilling to support.

**Mr. Bob Delaney:** Do you have any other recommendations for the committee on improving the siting of energy infrastructure in the future?

**Mr. Adam White:** As I've said, I'm not an expert on this. It's not something that I've devoted a lot of time to. I do hear from my members. I do understand the importance they place on community relations. I think that is key. There are good proponents and there are bad proponents, and you can have two identical pieces of infrastructure that encounter completely different reactions in the local community. I think it's important to note that these issues aren't always generic. Some companies are better at this than others, and there are some communities that are more receptive to this than others. I think the key thing is to consult early and often with local people to design processes so that people have a legitimate expectation of what the outcome will be and how their views will be considered.

**Mr. Bob Delaney:** How would you compare and contrast a good proponent and a bad proponent?

**Mr. Adam White:** I think it has to do with—this is going to sound vague—a spirit of openness and empowerment of local people. We're not here to tell you what we're going to do; we're asking your advice on what we might do. Those are two different approaches to the same kind of issue. Our members, I know, pride themselves on their community relations, and they work very hard to seek and obtain social licence for their investments. These are complicated facilities, with a range of potential effects in local communities, and they work very hard to make sure that local people are engaged and empowered to consult with them.

I think part of the challenge of this is that the general public tends to not be very aware of the implications of this infrastructure until they see it in their backyard, and then the question of how to inform and engage those people in that decision-making is a challenging one.

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

**Mr. Bob Delaney:** Thank you, Chair. I think we're done. Thank you very much, Mr. White.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Delaney. To the PC side: Mr. Yakabuski, 10 minutes.

**Mr. John Yakabuski:** We have no further questions.

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

To the NDP side: Mr. Tabuns.

**Mr. Peter Tabuns:** No further questions. I thank you for coming here.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Tabuns, and thanks to you, Mr. White, for your presence and testimony on behalf of the Association of Major Power Consumers in Ontario.

**Mr. John Yakabuski:** Point of order.

**The Chair (Mr. Shafiq Qadri):** A point of order, Mr. Yakabuski.

**Mr. John Yakabuski:** I'm not asking Mr. White to stay—

**The Chair (Mr. Shafiq Qadri):** The witness is dismissed. Thank you.

**Mr. John Yakabuski:** Thank you, Adam, for joining us this morning.

Chair, on the matter of questions that this committee is allowed to ask, there is no restriction that questions are confined to the specifics of the mandate. That is our mandate. When a witness with a specific expertise comes before this committee, we should not be restricted with respect to the knowledge of this—this is the Association of Major Power Consumers in Ontario that we had today. The questions that we ask with regard to his mandate and his association's mandate should not be precluded based on the mandate of this committee. This is the ultimate finding that we have been charged to determine. The questions that we ask in relation to witnesses before this committee, I believe, are completely in order when they are to do with the expertise in front of us at the chair. Otherwise, this is going to be a tit-for-tat game of cat and mouse.

Mr. Delaney asked questions repeatedly that have nothing to do with the mandate. We're not interested in childish interjections continuously to try to thwart the work of this committee. This committee has a mandate, and in the final analysis, it will arrive at that. But to play these kinds of children's games with respect to every witness is ridiculous.

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Yakabuski. Two issues with that: one, questions and their suitability for this committee; and secondly, as you said, unparliamentary behaviour, although you describe it in a different manner.

I think, on behalf of members of the committee and my fellow table officers here, we would have to reserve judgment per question. I'm not really offering a blanket statement of what is and is not in order, or is or is not relevant to the mandate.

Having said that, I will simply comment once again that I would invite all of us together to observe parliamentary decorum—language, deportment, and yes, I'm willing to consider different vocabulary issues. We can raise that perhaps in a different matter, but hopefully we'll let that stand.

Any further business before this committee before we recess?

**Mr. Bob Delaney:** Just a comment—

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

**Mr. Bob Delaney:** —to Mr. Yakabuski's most unfortunate point of error. Chair, no one may ascribe motive to an honourable member here, and the people

who sit here are indeed honourable members. And I do object, sir, to your repeated use of an inappropriate word in describing the questions that I ask. Your motives are completely, absolutely wrong, and you should be ashamed of having raised them.

*Interjection.*

**Mr. Bob Delaney:** While the floor is mine—

*Interjection.*

**Mr. Bob Delaney:** While the floor is mine—I did not interrupt you, Mr. Yakabuski. I didn't interrupt you, and you won't interrupt me, because there's something I have to say, and you cannot listen with your mouth open, sir. You've got to listen with your mouth closed and both ears open.

*Interjection.*

**Mr. Bob Delaney:** If all you want to do is talk, I'm going to talk right over you.

**The Chair (Mr. Shafiq Qadri):** Order, please, gentlemen.

**Mr. Bob Delaney:** Chair, earlier, you provided a briefing to the committee on some general matters that I think would be helpful now that the PCs have added Ms. MacLeod, and I notice that Ms. Thompson is sitting in with us. May I request of the Chair that you review the briefing that you provided several weeks ago and provide an update on that at a future meeting?

**The Chair (Mr. Shafiq Qadri):** We'll endeavour to satisfy you, Mr. Delaney, yes.

**Mr. John Yakabuski:** On another point of order—

**The Chair (Mr. Shafiq Qadri):** Yes, Mr. Yakabuski.

**Mr. John Yakabuski:** When I voice my opinion about Mr. Delaney's objections and call them childish, that is not impugning his motives; that is voicing my opinion on what his interjections are. And, quite frankly, as a point of order, calling him childish has nothing to do with his motives. It has nothing to do with his motives.

**The Chair (Mr. Shafiq Qadri):** Mr. Yakabuski, I would just invite you to—

**Mr. John Yakabuski:** It has nothing to do with his motives.

**The Chair (Mr. Shafiq Qadri):** —maybe confine your remarks—

**Mr. John Yakabuski:** It is my opinion on his behaviour.

**The Chair (Mr. Shafiq Qadri):** —to adulthood, and if we could call it a day—

**Mr. John Yakabuski:** It is my opinion on his behaviour.

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

The committee is now in recess.

*The committee recessed from 0934 to 1507.*

#### ONTARIO POWER AUTHORITY

**The Chair (Mr. Shafiq Qadri):** Colleagues, I officially call the meeting to order of the Standing Committee on Justice Policy. I welcome our next presenter, Ms. JoAnne Butler, VP of electricity resources, Ontario Power Authority, who will be sworn in by our Clerk.

**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?

**Ms. JoAnne Butler:** Yes, I do.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Ms. Butler. Welcome back. Your five-minute address begins now.

**Ms. JoAnne Butler:** Actually, I don't have a five-minute address. I'm happy to be back to answer your questions. To those I recognize, nice to see you, and to those I don't, nice to meet you.

**The Chair (Mr. Shafiq Qaadri):** Fair enough. I feel like saying one cannon will be supplied for you, but that, I think, applies to members.

Mr. Yakabuski, the floor is yours.

**Mr. John Yakabuski:** Thank you very much, Ms. Butler, for joining us once again. I recall your testimony at your earlier visit to the committee, and that was quite revealing at the time. We had the opportunity to ask you about the record search that was being done when the request for records was made, and the OPA at that time was one of the sources for the records. I believe you indicated that there was direction from either the Premier's office or the minister's office that the OPA should not produce some of the records that were requested. Is that correct?

**Ms. JoAnne Butler:** Actually, in my last time here at the committee, I was—

**The Chair (Mr. Shafiq Qaadri):** Sorry, Ms. Butler, do you mind aiming yourself at that mike a bit more?

**Ms. JoAnne Butler:** Sorry.

The document search really wasn't what I was involved in. I was more involved around the commercial deal and the relocations of the plants. The records have never been in my bailiwick. Maybe you're thinking of Ms. Jenkins—

**Mr. John Yakabuski:** I am thinking of Kristin Jenkins, now that you mention it, because at the time that I was asking this question, I was still waiting for my glasses to be sent down here and I couldn't read the questions that I have for you.

So let's try this again. Last time you were in committee, you stated the following—and this time I'll have it right:

"The government knew that \$40 million were the sunk costs that couldn't be repurposed in the new site. The government was also party to ... the memorandum of understanding with TransCanada which articulated clearly the costs that were going to be required, that we were going to pay going forward...."

"Again, we have been very clear with the government: The sunk costs are \$40 million. The government was at the table when we negotiated the deal. They had signed the memorandum of understanding. They understand schedule A and schedule B, which outline the costs that we will be picking up going forward."

1510

Can you explain to us in more detail what were the contents of the memorandum of understanding?

**Ms. JoAnne Butler:** I'll do my best; it is public record. Fundamentally, it set out a bunch of deal principles that we would work collaboratively with, going forward, to relocate the Oakville generating station to a site at Napanee on an existing OPG site. We were going to use an existing contract structure called a CES, a clean energy supply contract, as the basis for this new contract. The principles around it were basically that we would pick up the sunk costs, the taxpayer would pick up the sunk costs, which were the \$40 million. We would pay TransCanada for their investment in the turbines, which was \$210 million. Because we didn't have a lot of time to look at the particulars around the site, and siting is certainly extremely important to a gas plant developer, it was left that we would pass through, and therefore not to be at TransCanada's account—when the numbers firmed up, we would pass through the cost to connect the plant to the gas system and the cost to connect to the transmission system, and we would take care of the gas delivery and management services to that plant.

There were also other elements of the memorandum of understanding. There was a break fee—this is all outlined, as well, in the Auditor General's report—that if, again, we were in a situation where the site wasn't going to work, there would be a break fee and then we'd go back into the arbitration regime, which is where we were before we signed this memorandum of understanding.

Those are, I think, fundamentally, the main principles around that MOU, but it is public record and the auditor did speak to it fairly substantially as well.

**Mr. John Yakabuski:** Yes, the auditor did speak to those issues in the Oakville report, but who didn't speak to them very much, in visits to this committee subsequent to your own, were members of the government, such as the current Premier. She insisted and re-insisted, at her appearance before the committee, that the costs were between \$33 million and \$40 million, maybe even as low as \$33 million. There seemed to be an absolute unwillingness to concede that there was knowledge of costs far in excess of \$33 million or \$40 million—we'll use the \$40 million, because that seems to be the accepted sunk cost number. There seemed to be a complete unwillingness or almost a decision that had been made, one that had been well considered, to insist that \$40 million was the cost to the public of that cancellation.

Were there any conversations with you people at the OPA to the effect that, "Well, you know that's not the true number. That may be the taxpayers' share of it, but taxpayers and ratepayers, the last time I noticed, were all coming from the same country and the same province; they're the same people"? Was there never any advice to the government that, "You really can't continue to go down that road," that, "If you really want to disclose what's happening here, you're going to have to talk about all the costs that are involved"?

**Ms. JoAnne Butler:** Again, in my role as vice-president of electricity resources—

**Mr. John Yakabuski:** Can I just get you to speak up a little bit?

**Ms. JoAnne Butler:** Sorry. In my role as the vice-president of electricity resources, I don't have conversations with government people about communications and about how they would communicate certain things. There may have been conversations, but I was not part of those communications discussions.

**Mr. John Yakabuski:** Could you confirm with certainty that the government knew of these details, that the cost was more than the \$40 million, well before your previous testimony, which took place on March 19, during a time when the government and the current Premier were continually reassuring the public that the cost was only \$40 million?

**Ms. JoAnne Butler:** Well, yes, and I said the same thing when I was here in March, that when we were all sitting around the table signing that memorandum of understanding, it was a tri-party agreement between the government, TransCanada and ourselves. Everyone was aware that there were, as we call them, certain buckets of costs: the sunk costs, the relocation costs—and even those relocation costs could be broken down into system costs and then actual site costs. There was an awareness that there were other costs to be determined and that while the principles were organized around this memorandum of understanding, we had until December 14 to firm up as much of the numbers as we could.

**Mr. John Yakabuski:** I'm aware that your testimony in March did indicate that. The reason I'm asking is because I needed you to reconfirm, because subsequent to your testimony, there was still insistence at this committee by the Premier herself that the costs were \$40 million. She said \$33 million to \$40 million. So you're confirming that they would have known prior to the Premier's visit here that the costs were well in excess of \$40 million, and in fact that the numbers—now, I know that the OPA and the auditor may differ on the method used, particularly in the factor that was used. I'll have to look—

**Ms. JoAnne Butler:** The social discount rate.

**Mr. John Yakabuski:** The discount rate; thank you very much. One was a 4% and one was a 6%. They differ on that methodology, but there was no question that everyone involved—the proponent, the government and all its agents, not including the OPA, and the OPA—were well aware that those costs well exceeded the \$40-million figure that we were continually being told.

**Ms. JoAnne Butler:** Yes, that would be my understanding.

**Mr. John Yakabuski:** Then there's no question that if the cabinet signed off on the memorandum of understanding, which they did, they would be privy to all the information that was present within the MOU. We would suspect that if they signed off on it, they read every bit of it.

**Ms. JoAnne Butler:** Again, the memorandum of understanding outlined the principles of the new contract

that we would be signing. As we moved forward, we all worked diligently over the course of the fall until the middle of December, the 14th, to firm up those costs. Some were still a work in progress at the time of the actual deal with TransCanada, but there was a general understanding that as we went forward, as we got to know more about the site, the costs would become firmer, as well as the savings. There were savings now that the plant was going to be delayed.

**Mr. John Yakabuski:** There were savings because of the later in-service date, which the auditor accounted for in her report, but the additional costs were significantly more than that.

During the duration of this committee, we have been running into a number of roadblocks, if you will. The most disturbing roadblock was the deletion and withholding of crucial documents. Were you at any point during your negotiations with TransCanada Energy or during any endeavour associated with the gas plant scandals instructed to run interference on the committee's work? Were you instructed to hand over or delete compromising emails surrounding the gas plant scandals?

**Ms. JoAnne Butler:** No, never.

**Mr. John Yakabuski:** Never. Thank you very much. Do you know who gave the orders to delete emails and withhold documents from the committee?

**Ms. JoAnne Butler:** No, I do not.

**Mr. John Yakabuski:** You're not aware of that at all. Can you think of any motive for why someone would withhold documents from the committee, delete emails, ensure that the information we should have had access to—we were denied access, at least for a period of time. Can you think of any motive that someone may or may not have had, and if so, who that might have been that would have had a motive to conduct themselves in that fashion?

1520

**Ms. JoAnne Butler:** No. That would be entirely speculative.

**Mr. John Yakabuski:** Pardon me?

**Ms. JoAnne Butler:** No. That would be entirely speculative on my part.

**Mr. John Yakabuski:** Okay. So you really don't have a view, then, as to why the government would make it so difficult for the committee to access the details of the events that transpired during the Oakville gas plant scandal?

**Ms. JoAnne Butler:** No. My job was to look at the commercial deal and—no.

**Mr. John Yakabuski:** Okay. So let's look at that commercial deal, then, and let's look at the—so you've had a chance to review the Oakville report?

**Ms. JoAnne Butler:** Yes, I have.

**Mr. John Yakabuski:** Do you happen to have a copy of it, or are you familiar enough—

**Ms. JoAnne Butler:** Yes, I do.

**Mr. John Yakabuski:** You have a copy with you?

**Ms. JoAnne Butler:** Mm-hmm.

**Mr. John Yakabuski:** Good. One thing that was clear in this report was that the Ontario Power Authority did not agree with the decision to relocate the plant to Napanee. Is that a fair assessment? Or at least they did not believe that was an optimal site.

**Ms. JoAnne Butler:** Yes. I think Mr. Andersen explained our ranking order when he was here last week, which was basically: Lakeview—it was taken off the table; another plant in the GTA—it was taken off the table; we were looking at Kitchener-Waterloo-Cambridge-Guelph because there was a peaking need up there, but, again, a greenfield location had its own elements concerning it. Then we looked at all the rest of the OPG sites in the province, including Lennox, including Lambton, including Nanticoke. In our overall planning assumptions, it was not our top choice, no.

**Mr. John Yakabuski:** You listed a number of options there. I wasn't counting how many you listed. It wasn't your top choice. Was it your second choice?

**Ms. JoAnne Butler:** I think our ranking would have been as I would have described them. Generally speaking, for the reliability of the system and for—the best bang for your buck, if you will, would be to locate your generation, your supply, close to where the load is. As you know, Toronto and the GTA and this area has a big load. It used to have Lakeview generating station. That went away.

So you would, as a planner—and I'm not the planners, but I have very high regard for what they do and how they do it—there would be an understanding that you would, again, place a cleaner generation supply closer to the load.

**Mr. John Yakabuski:** Would it be fair to say that it would be pretty far down that list of optimal locations?

**Ms. JoAnne Butler:** I think, if I recollect internal meetings with our planning group, they wanted to keep the east side of the province open for imports from Quebec and to make sure that we had accessibility to transmission for anything that we might do around our nuclear fleet, in that part of the province.

Was it not an acceptable site to build a generating facility? It was an acceptable site. It was beside an existing one. There was accessibility to gas and electricity. However, our planners have to look at the system as a whole, and in their view, they wanted to keep that corridor clear.

**Mr. John Yakabuski:** From a commercial point of view, from a financially defensible point of view, which I presume is part of what you do in your work—I don't pretend to know your job intimately, but a part of that process, I think, would be that you've always got to answer to somebody with respect to your recommendations and that they'd better make financial sense.

**Ms. JoAnne Butler:** Mm-hmm.

**Mr. John Yakabuski:** From your point of view, with your expertise, knowing what the costs are with the Napanee relocation—according to the auditor, \$513-million additional costs solely as a result of shifting that plant to Napanee, because of the gas distribution costs

and the energy transmission costs returning, etc. There's a number of them listed; we can go through them if you'd like.

From that perspective and with your knowledge of the system and your commitment, I would expect, to make sure that things are financially defensible or fiscally responsible, what would your view be of making that decision to relocate this plant to Napanee?

**Ms. JoAnne Butler:** From the pure deal perspective that we had with TransCanada, I think we got another very reasonable commercial deal. The actual original Oakville generating station was very competitively procured. We had good value and, as you've heard many times, a good net revenue requirement. When we dealt, as part of the negotiating team, around the commercial deal with TransCanada, we did back off some of that net revenue requirement, so in TransCanada's pocket, if you will. The auditor does say they might have gained \$170 million, but she also says we're going to save \$162 million because of the delayed payments. I think the deal itself was commercially sound for TransCanada and, net-net, about the same.

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

**Ms. JoAnne Butler:** If you look at the wider relocation, which is the ratepayer impact, yes, the ratepayer is picking up more costs because of the actual location of the plant, which is the system cost we talk about: the fact that it's further from the load, the fact that there are line losses, the fact that the transmission connection has to be factored up and the fact that we took over the gas delivery and management costs for that plant.

**Mr. John Yakabuski:** Can I just get one quick one in while I've got a minute here? You're defending the deal, and I respect and understand that. From a financial point of view, would we not have been able to make a better deal for the ratepayers of Ontario by choosing one of those other locations you talked about?

**Ms. JoAnne Butler:** We would have to have looked at every one of those locations on its own merits. However, the decision had been made that the plant would go to Lennox, and our job was to make—

**Mr. John Yakabuski:** When was that decision made?

**Ms. JoAnne Butler:** It was made the week of September—

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Yakabuski. The floor now passes to the NDP. I commend you for getting through that session without any provoked points of order—a first, I think. Mr. Tabuns, 20 minutes.

**Mr. Peter Tabuns:** Thank you, Chair, and Ms. Butler, thank you for coming back.

Could you just finish answering Mr. Yakabuski's question: When was the decision made to put this plant in Napanee?

**Ms. JoAnne Butler:** It was made, I believe, the week of September 17, 2012.

**Mr. Peter Tabuns:** Were you part of the MOU negotiation team?

**Ms. JoAnne Butler:** I was not sitting at the table, but I was certainly involved in the background.

**Mr. Peter Tabuns:** Okay. When did you become aware or when did you, in the decision-making circles at the OPA, decide to take on the full gas demand and management costs at Napanee?

**Ms. JoAnne Butler:** That decision was made during the actual negotiations on that weekend leading up to September 22.

**Mr. Peter Tabuns:** So in the last few days of the negotiations, it was one of the final sticking points.

**Ms. JoAnne Butler:** Yes. It was a very intense time. It was a very short negotiation to begin with—it was very intense—and it was decided at that point that we would take on the gas delivery and management costs.

**Mr. Peter Tabuns:** So previously, you had not wanted to take on that cost.

**Ms. JoAnne Butler:** Well, generally speaking, we do have a mix of procurement,s where in some procurements the supplier, as we call them, takes that on, and there are others where we do have the gas management committee and we have the same structures as we do at Napanee.

**Mr. Peter Tabuns:** Why was this an item that was only decided in the last few days of the negotiations?

**Ms. JoAnne Butler:** Again, the negotiating team wanted to just come up with a set of principles around how we would work, going forward, to finalize the contract structure. It was a negotiated outcome. It was something where there was enough risk that we felt it was better handled by us, as sort of protecting the ratepayer, in terms of the overall price that we would ultimately pay for that power.

**Mr. Peter Tabuns:** So did the OPA put forward the idea that ratepayers would take on this charge, or was it the province and their negotiators who suggested this?

**Ms. JoAnne Butler:** I can't answer that—exactly who put the concept of the OPA taking on the GD and M costs.

**Mr. Peter Tabuns:** Okay. When you were here last, you told the committee that you were aware of buckets of cost, different allocations. Were you aware of the size of those buckets as you were going into the last few days of negotiations?

**Ms. JoAnne Butler:** Certainly, around the memorandum of understanding time, no. Again, we had four days of knowing where the site was. To a power plant developer, understanding your site is a basic tenet of developing your project. You need to know how to locate your equipment, where your interconnections are, how the transmission is. So no, we didn't have firm costs. It was principles that we were going to work towards to get a final contract by December 14, 2012. As we moved forward in those months, we did firm up some of those costs but not—again, some of these costs take 12 or 18 months, and we were looking at two months to do the best we could to find the costs.

**Mr. Peter Tabuns:** Did you have a ballpark on the gas management fees at the time you—

**Ms. JoAnne Butler:** Yes, we did.

**Mr. Peter Tabuns:** And was that the number that you gave to us previously, around \$300 million to \$450 million?

**Ms. JoAnne Butler:** Yes. We assumed it was approximately twice what it would have been at Oakville.

**Mr. Peter Tabuns:** Okay. Now, the reduction in the monthly payments, the NRR, was supposed to take care of the cost of the gas turbine, the gas demand management and, I assume, a few other costs. But in fact, what we're paying for gas management at Napanee is a lot more than that. Why the difference?

**Ms. JoAnne Butler:** The reduction in the NRR was not to account for the complete gas delivery and management charges. Definitely, the reduction in NRR was to account for paying for the turbines upfront. We got a reduction in that. We also took off the gas delivery and management charges that would have been part of the NRR if the plant had stayed in Oakville. So essentially, we took away the obligation for TransCanada to look after the gas delivery and management. We netted off what they would have done in Oakville, and we said, "We will take that cost on."

So the cost doesn't go into TransCanada's pocket. There's no gain for them. All it really did was take the risk of those charges off their net revenue requirement, and we accounted for that with the full knowledge that we would be picking up the gas delivery and management going forward. We felt that was going to be the best value for the ratepayer in doing so.

**Mr. Peter Tabuns:** When you were going through these negotiations—and I'm just going to follow on what you were saying a few minutes earlier. The government had people sitting at the table who were part of the negotiating team working with the OPA, and they were aware of the scale of the gas management charges that you were going to be incurring, or we were going to be incurring?

**Ms. JoAnne Butler:** I don't actually know what was said around a table. I know in the background, we were assuming that the costs were going to be about twice as much as they were in Oakville. In actuality, they ended up, as you know, being higher—

**Mr. Peter Tabuns:** Yes.

**Ms. JoAnne Butler:** —which we've all accounted for. But our best estimate at the time was about twice what they were going to be in Oakville. I don't know how that number got engaged out in the negotiating table, but we certainly knew that was the case. That was our assumption.

**Mr. Peter Tabuns:** Again, from the OPA side, who was at the negotiating table?

**Ms. JoAnne Butler:** It was Colin Andersen, our CEO, and it was one of my directors, Darryl Yahoda, who runs my clean energy procurement.

**Mr. Peter Tabuns:** Okay. And from the government side, do you know who was at the table?

**Ms. JoAnne Butler:** I would only be guessing if I—

**Mr. Peter Tabuns:** Then don't.

Okay. The Auditor General in her report said, "We believe that the settlement with TCE will not only keep



TCE whole, but ... make it better than whole.” Do you accept that?

**Ms. JoAnne Butler:** What she said was that TransCanada could stand to gain about another \$170 million because of the interconnection costs that we picked up—I think it was actually \$225 million—because of the land deal that they had in Oakville and some other things, and the connections that we were putting in.

She also said that the ratepayer would be saving \$162 million because the payments are delayed, and the time value of money.

Again, we believe it’s very similar, and we also believe the deal itself is fundamentally the same as what TransCanada had at Oakville.

**Mr. Peter Tabuns:** And yet she says that TransCanada was made “better than whole.”

**Ms. JoAnne Butler:** Yes, she does, but we also—“better than whole”: They also have to go ahead and construct the plant. The risk now is that they have to meet all their requirements under the contract. They have to construct the plant; they have to commission it and start up; they have to maintain it and operate it and be there when we need it for 20 years. So, yes, she said it looked like \$170 million, but to the ratepayer, we still got the \$162 million back by the time delay. TransCanada has to wait longer now to receive those payments, and it has to wait longer to get its return on its money.

**Mr. Peter Tabuns:** Was the OPA obliged by its contract with TransCanada to make TransCanada whole when the cancellation was put forward?

**Ms. JoAnne Butler:** I think the auditor really does a good job of explaining how that came about. A contract is designed to protect the supplier and the buyer. We had good clauses in our contract; it’s a very good contract. There are clauses in the contract that would protect us from paying profits. However, as has been very clearly articulated in the auditor’s report, those protections were basically taken away from us through some discussions that were had with the Premier’s office.

**Mr. Peter Tabuns:** I’m well aware of that. We had Ben Chin in here, and he was very clear that the pressure came from the Premier’s office to shape the agreement so that TransCanada would be made whole.

Did the Premier’s office explore with you or anyone else in your division the protections that ratepayers had in the contracts that you had with TransCanada? Were they aware of those contractual protections?

**Ms. JoAnne Butler:** I can’t answer that question. I had conversations, as I said in my previous testimony, with Sean Mullin from the Premier’s office, but that was after the letter had been written and after the plant had been cancelled. I do not know what was said prior to that.

**Mr. Peter Tabuns:** The only thing that you could testify to, then, is that they didn’t talk to you—

**Ms. JoAnne Butler:** Me, JoAnne Butler?

**Mr. Peter Tabuns:** Yes, you, JoAnne Butler. Exactly.

**Ms. JoAnne Butler:** No.

**Mr. Peter Tabuns:** Okay. One of the things that you had to say the last time you were here was that you and

Michael Killeavy had discussed getting a written copy of the promise from the Premier’s office to TransCanada, telling them they would be made whole. You hadn’t been able to, at the time we looked into the correspondence. Was there ever a request to the Premier’s office to get that in writing?

**Ms. JoAnne Butler:** Certainly, from my position, no, there was not. I think Colin might have mentioned it in testimony. We never did get a written—no. From my position, no.

**Mr. Peter Tabuns:** In the end, we’ve had Ben Chin say that he carried a message, we had Colin Andersen testify that all his instructions on this were verbal, and you don’t know anything to the contrary.

**Ms. JoAnne Butler:** I know nothing to the contrary, nor was I given any written instructions.

**Mr. Peter Tabuns:** How involved were you in writing the October 7 letter from the OPA to TransCanada, telling them that the Oakville plant was over?

**Ms. JoAnne Butler:** I had zero involvement in it.

**Mr. Peter Tabuns:** That final letter: I assume that it substantially reduced your manoeuvring room in dealing with TransCanada.

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**Ms. JoAnne Butler:** Again, I think the auditor said in her report—I think she used “upper hand,” I think she used “incredibly advantageous position,” and I would agree with that, yes.

**Mr. Peter Tabuns:** Were you aware of the legal opinion that Aird and Berlis gave to the OPA in February 2010 about different options for cancellation?

**Ms. JoAnne Butler:** Yes.

**Mr. Peter Tabuns:** Out of curiosity, how is it that you were aware of it? What was your involvement with this letter?

**Ms. JoAnne Butler:** In my position in electricity resources, I look after all the procurements, and when they become contracts I look after all the contracts as well and I actually settle some of those contracts and pay out the suppliers. I expect my contract management team to understand what’s going on in all of their contracts, especially the ones that are looking potentially more problematic than others. We don’t want to be caught off guard. We don’t want to be behind the eight ball. This was just due diligence on our part, again, for us to understand clearly what our contract said and that there would be, again, understanding and due diligence on our contracts.

**Mr. Peter Tabuns:** This opinion was given to you in mid-February of 2010. You had signed the contract roughly four and a half months earlier. Why, in such a short period, were you looking at options for cancellation?

**Ms. JoAnne Butler:** We weren’t looking at options for cancellation, but the project was already in force majeure and, again, there was a lot of community opposition. We didn’t know where things were going to head, but we wanted to make sure that we had our due diligence done and that we understood what the ramifica-

tions were of taking certain actions. It was purely, in my view, good contract management, understanding there was a contract already in force majeure and understanding that there was considerable opposition toward the plant.

**Mr. Peter Tabuns:** The government has tried to say that it took the only option it had before us. Would you say that was a fair statement, that they did the only thing they could, given that Aird and Berlis looked at a variety of options?

**Ms. JoAnne Butler:** I can't speak for the government or the options that they choose to take. The contract was a good one and there were remedies and cures and conditions in the contract that would help both the supplier and the buyer.

We don't know what would have happened. All we do know, as the auditor said, is that we were placed in a very disadvantageous position going forward. That's really all we could say.

**Mr. Peter Tabuns:** I have two more questions and my colleague has one.

Did the government take the lowest-cost path in shutting down this plant?

**Ms. JoAnne Butler:** I don't think we'll ever know the answer to that question. Seeing that Oakville would never have been—I can't answer that question.

**Mr. Peter Tabuns:** Lastly, before we go to Mr. Bisson, you identified a need in Kitchener-Waterloo-Cambridge. What's happening there now to deal with that need?

**Ms. JoAnne Butler:** Our planning group is working with a local distribution company there, looking at a regional planning concept, and I think they're using a transmission solution and maybe some small distributed projects to help with that need up there, but right now I believe it to be a wires solution.

**Mr. Peter Tabuns:** Mr. Bisson?

**Mr. Gilles Bisson:** I'm not going to be long, and I'll give it back to my colleague. I'm interested in Mr. Tabuns's line of questioning and then your response in regard to you not knowing what it would have cost if it had gone the other way, if the government hadn't chosen that option.

I look at your email dated October 18, 2010, to Michael—

**Ms. JoAnne Butler:** Killeavy.

**Mr. Gilles Bisson:** Yes. I'm just reading here from your email: "I know ... but our hands are tied anyway ... government has backed us into a corner ... doubt that we will be allowed to go to litigation so let's just get on with it and see what options they can put forward ... " It's pretty clear that you guys were frustrated, at the very least.

**Ms. JoAnne Butler:** Yes, I'd say we were frustrated.

**Mr. Gilles Bisson:** This was probably not the direction you would have chosen if you had had the choice of how to terminate this contract.

**Ms. JoAnne Butler:** Again, I go back to my point: The reason you have contracts is to put the risk onto who

can bear the risk, to price that risk accordingly and to make sure that both the buyer and the seller have protection of certain things. When some of those protections are taken away from you, you are definitely left at a position of disadvantage.

**Mr. Gilles Bisson:** Yes. So the long and the short of it is that your hands were tied. You couldn't do what you could have done in order to mitigate the losses that we ended up incurring.

**Ms. JoAnne Butler:** We can't speculate on what would have happened. All we were saying there was that it wasn't the normal course of business. It wasn't the normal course of contract management.

**Mr. Gilles Bisson:** Can I ask you another somewhat unrelated question? In your working with this committee in order to provide documents, was there any time that any documents were deleted?

**Ms. JoAnne Butler:** I was asked that question. No, never. Never were we asked to delete anything.

**Mr. Gilles Bisson:** And there were no deleted documents whatsoever at OPA?

**Ms. JoAnne Butler:** Not to my knowledge. Not, certainly, where I deal with.

**Mr. Peter Tabuns:** Just going back to that email that Mr. Bisson referenced, you write, "Doubt that we will be allowed to go to litigation so let's just get on with it." What did you see as the advantage in going to litigation on this?

**Ms. JoAnne Butler:** Well, I don't know whether you could read into it whether I thought litigation was advantageous or disadvantageous. Litigation, as we all know, is expensive. It's timely. You don't necessarily win, and we would not have gotten any megawatts out of it. Having said that, we were having difficulty—

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

**Ms. JoAnne Butler:** —determining the actual financial value of the contract. We had our views; TransCanada had their views. We ultimately went to arbitration, which is a quicker route to determine the quantum of that financial value.

**Mr. Gilles Bisson:** Isn't the issue that, because you didn't allow force majeure to happen, you never got to litigation?

**Ms. JoAnne Butler:** No. No, no. Really, I think we always knew, again, that TransCanada might have taken that route, given what they had been led to believe or the expectations that had been set for them. Again, as prudent contract managers looking after the ratepayer, we had to look at every avenue that might possibly result from this and determine, ultimately, the best way forward.

**Mr. Peter Tabuns:** I assume that's my minute.

**The Chair (Mr. Shafiq Qadri):** You have five seconds, but I'll conclude. Thank you, Mr. Tabuns and Mr. Bisson. To the government side: Mr. Delaney.

**Mr. Bob Delaney:** Nice to see you again, Ms. Butler. I'd like to spend my first time exploring some of the cost estimates made by the OPA and those made by the Auditor General.

The government has accepted the Auditor General's report—we have said that—but I want to explore some of the analysis that went into the OPA's numbers and some of your thoughts on those produced by the auditor. Both of you had a different start date, a different end date, and used a different discount rate. From our vantage point here, what I think the committee is trying to do is to find some measure of comparing like variables.

When Colin Andersen was before the committee last week, he talked about the source of the difference between the OPA's and the auditor's estimates as being primarily attributable to different accounting principles used, which is to say the different rates to put future costs and savings in today's dollars and different in-service dates for the plants in each analysis.

Given that, could you explain, in the context of the analysis by the Auditor General, the \$310-million cost for which Colin told us, "Yes, we stand behind our \$310 million"? Relative to the assumptions made by the auditor, could you explain the \$310 million that the OPA produced to account for the relocation of the Oakville plant to Napanee?

**Ms. JoAnne Butler:** I think the auditor actually had a really good chart at the end of her report which explained where the major differences were. Fundamentally, it comes down to the fact that we used a different discount rate and we used different start dates for the plants.

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Fundamentally, though, the same elements were included in both their numbers and in our numbers, which is basically the deal cost, then the site-specific costs and then the, sort of, system costs. We were fairly equivalent on most of those, other than when you bring it back to this point in time using a different discount rate, and when you start those times at different times because of your different belief of when those plants are going to be up, it does lead to a higher cost under the auditor's judgment.

**Mr. Bob Delaney:** Or scenario. Okay. We'll get to the discount rates in a bit, but I would just like to concentrate for a moment on these differing discount rates. The OPA used a 6% discount rate, while the auditor used a 4% discount rate.

Could you explain, first of all, what the discount rates are and what factors go into estimating their value?

**Ms. JoAnne Butler:** Okay. A social discount rate is basically the government cost of borrowing, I guess, and it uses this discount rate to compare all of its assets and its capital expenditures. I think, fundamentally, that the auditor described how they did it. They just took the long-term Canada bond rate, which is about 2%, and added 2% inflation and got 4%. She acknowledged that this is the bond rate at the time, which is the same methodology the Ontario Power Authority had been using, but at the time we were locking down some of our numbers, the bond rate was about 4%. Add inflation, and you get 6%.

Having said all that, bond rates are going to fluctuate over the period of the 20 years, and we benchmarked our

rate against the province of BC and the Ministry of Finance. We believe that 6% is appropriate, given where interest rates can go over 20 years, and also the fact that it corresponds to the little bit higher risk these projects have.

**Mr. Bob Delaney:** When we asked Colin Andersen about a Ministry of Finance report from August 2012, it recommended 5.5% as the most appropriate rate to be used in determining anticipated streams of costs and benefits that accrue to the province over time. Now, that report argued that 5.5% best reflects the opportunity cost of private capital and the current cost of Ontario government borrowing.

Did that factor into your choice of the 6% discount rate?

**Ms. JoAnne Butler:** I think, yes, all those things factored in. As well, we benchmarked—Treasury Board uses 5% or 10%, depending on the evaluation, Manitoba Hydro uses 8%, and BC Hydro uses 7%. Again, bond rates are very low right now, and they're going to move up and down. We believe that 6% reflects a reasonable rate, again, benchmarking what other utilities and other sectors are doing.

**Mr. Bob Delaney:** Okay. The OPA and the auditor also differed on the estimated start dates for the Oakville plant, had it gone forward, and also for the future Napanee plant. Now, the timing of those start dates is based on a number of different assumptions.

Could you explain how the use of different start dates affects the total cost estimate?

**Ms. JoAnne Butler:** We assumed the Oakville plant would start on the date it was contractually obligated to start. The auditor assumed it would be at least 20 months late, I believe, because of the permitting and issues that were ahead in the town of Oakville. We also assumed that the new Napanee plant would come online on its commercially contracted date, which is the end of December, I think, 2018. The auditor talked to some people and looked at TransCanada's website, which said it would come on in 2017.

When you bring the time value of money back, it does make a difference, because money is more valuable now than it is going out forward. As well, it did affect replacement power that we would need, depending—I mean, the dates did affect some of the analysis that we did.

**Mr. Bob Delaney:** Then, in your view, the savings that you mentioned are very likely to materialize because the Oakville plant will not be built, therefore saving the OPA from TransCanada's net revenue requirement payments before the construction of the Napanee facility is complete. Correct?

**Ms. JoAnne Butler:** Right. There are savings associated with—instead of the plant coming on in 2014 and coming on in 2018, and that's basically the time—we're not paying those payments out, and there's a time-value-of-money component.

**Mr. Bob Delaney:** Okay. Thank you. Aside from the different discount rates and start dates used, are there

other factors involved in the difference between the OPA's final number and the auditor's final number?

**Ms. JoAnne Butler:** Again, if you go to her chart on the last page, there was about a \$40-million difference, but the majority of it hinged around—

**Mr. Bob Delaney:** Just for clarification: That's a \$40-million difference over the span of 20 years. Correct?

**Ms. JoAnne Butler:** Yes. This is all brought back in today's dollars. There was an amount of difference due to other factors where it was 11%, or \$40 million.

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

**Ms. JoAnne Butler:** On the sunk costs, yes.

**Mr. Bob Delaney:** Correct me if I'm wrong: This would mean that it's the future estimated costs and savings on which you disagree and not the costs that have already been incurred.

**Ms. JoAnne Butler:** Absolutely. I think the 2012 numbers are very firm. We had those audited. The auditor and her team looked over the audited sunk costs material, and we absolutely agreed on the costs that we know unequivocally, which is the \$40 million and the \$210 million for the turbines.

**Mr. Bob Delaney:** When the Auditor General came out with his estimates on the Mississauga plant, that number was also different from the OPA's original estimates. So does that again speak to the complexity in arriving at the final total?

**Ms. JoAnne Butler:** Mississauga was different in that the majority of costs had been spent. There were more sunk costs, so we could say, "These were the costs that we're going to have." The Oakville project is different in that there was very little sunk cost so there's more estimation, more—basically estimating going forward what things may or may not happen.

On the Mississauga report, I think we're very close on the sunk costs. I think where we differed—we didn't include the system losses on bringing the power up from Lambton to Mississauga. We're very close there, though, other than that.

**Mr. Bob Delaney:** Coming back again just on Oakville, the OPA also put out a preliminary estimate a few months ago on the cost to relocate the Oakville gas plant, and I think that estimate ranged from \$33 million to \$133 million. Do you recall that?

**Ms. JoAnne Butler:** Yes.

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

**Ms. JoAnne Butler:** The work was done in a combination of my team and with the power system planning team. There were three main differences between that first estimate, the March 20 estimate, if you will, and the April 24 estimate.

The first major difference was the fact that, in good faith, we had been working with TransCanada to look at a project in Kitchener-Waterloo-Cambridge-Guelph, and we had asked them to reconfigure their turbines to have a fast-start capability. When we reconfigured the

turbines—it's like adding a performance element to your car—it would reduce the fuel efficiency.

When we were looking at it on March 20, we didn't account for that increased fuel efficiency because we actually thought we could use that fast-start ability to our advantage. Over the course of the month, we did talk to TransCanada and realized we couldn't, and therefore we had to add that price on.

The second one was gap power. In 17 or 18 years, we were going to need more power. We thought we'd underestimated, or had a closer look at the gap powering, so that brought the costs up in 17 and 18. Also, at the very end of the project, there were five extra years of power. We were going to avoid buying more power, and we sort of scaled that back.

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Again, as we moved forward, as we looked more closely and as we started to interact with TransCanada on the contract management piece, we were learning more things. Those were the three main differences between that estimate and the one in April.

**Mr. Bob Delaney:** So the closer you get to your final agreement, the lesser the degree of variability?

**Ms. JoAnne Butler:** It's like anything. The more certainty you have of what you're doing, then obviously, you have more certainty of what the final number is going to be.

**Mr. Bob Delaney:** In your estimates, all of these estimates were done by the OPA and not by the Ministry of Energy. Correct?

**Ms. JoAnne Butler:** They were all done by the OPA.

**Mr. Bob Delaney:** Looking at the costs associated with relocating Oakville, I believe the OPA has said that the government relied on that OPA's approach when it announced its original costing figures. From September 24, the OPA states very clearly it was in fact the OPA paying for the cost of the gas turbines as well as the gas management, but I think you said a little bit earlier there would be significant savings from a lower net revenue requirement. Correct?

**Ms. JoAnne Butler:** Right.

**Mr. Bob Delaney:** Then again, remembering back to that September 24 OPA background, it's clear that beyond the \$40-million sunk costs, there were going to be both additional costs and additional savings, correct?

**Ms. JoAnne Butler:** Right.

**Mr. Bob Delaney:** Could you tell me why you didn't give a specific cost at that time?

**Ms. JoAnne Butler:** Sorry. What time?

**Mr. Bob Delaney:** That would be late September 2012.

**Ms. JoAnne Butler:** Well, in late September 2012, we had only found out where the plant was actually located, so we only had fairly ballpark estimates. As we were saying, gas plant developers—I mean, the site is the essence of developing a plant. Once you know your site, you can configure your equipment and understand what your costs are going to be and how you're going to operate your plant. We didn't have a lot of knowledge

around that in September 2012. We were firming those cost estimates up as we went forward.

**Mr. Bob Delaney:** Thank you. In my last few minutes, to talk briefly about the total in cost increases that were referenced in the Auditor General's report, the Auditor General outlined in the report that increases in tolls required the approval of the National Energy Board. Prior to any National Energy Board review and approval, it would be a fairly complex calculation to determine how any future tolling decisions might impact on gas management costs associated with the Napanee facility. Would that be an accurate statement?

**Ms. JoAnne Butler:** Right. There has to be an expansion of the pipeline. It's a regulated business, and ultimately, anything would have to be approved by a regulator.

**Mr. Bob Delaney:** So in essence, a gas management plan has to be approved by the OPA prior to TransCanada Energy purchasing any gas services, correct?

**Ms. JoAnne Butler:** Absolutely. We have a gas management committee. That committee is to bird-dog, basically, for 20 years, to get the best possible price on services and delivery for the gas into that plant.

**Mr. Bob Delaney:** What's your view on the \$140 million for tolling in the report?

**Ms. JoAnne Butler:** It was flagged by the auditor. I think again, we need to understand the context around that. There is a piece of pipe called Parkway to Maple that needs to be expanded. It was going to be expanded; it was asked to be expanded in January 2011. We're not expanding anything as a result of the Napanee plant. It was already a work in progress so that we could get cheaper southern gas from New York up through Sarnia and over into eastern and northern Ontario. That gives more security of supply and another supply point, because right now, eastern Canada is serviced by Alberta gas coming through the main line, TCPL. Union Gas had asked for that expansion in 2011. It's from near the airport up to Maple, north of Toronto.

As with any pipeline expansion, there is a process that goes through. Certainly, it's volumetric: The more volume you get through that pipe, the less your tolls and your services are going to be. Ultimately, it needs to be approved by a regulator. The auditor was flagging that at this point, all we know is they're not going to exceed any more than 50% of what they exceed right now. It won't be any more than that.

**Mr. Bob Delaney:** Just to get some clarity on it, my understanding is that there was a settlement between or among TransCanada PipeLines, Enbridge, Union Gas and GMI that was unrelated to the Napanee plant. Correct?

**Ms. JoAnne Butler:** That was my point. It is unrelated to the Napanee plant in that this pipeline was going to be going through regardless of the Napanee plant, and arguably the Napanee plant helps because it's more volume that's going to be going through that pipe.

**Mr. Bob Delaney:** Okay. So the upgrades were planned, regardless of the existence or lack thereof—

**Ms. JoAnne Butler:** It's been a work in progress since January 2011.

**Mr. Bob Delaney:** How am I doing on time, Chair?

**The Chair (Mr. Shafiq Qaadri):** Two minutes.

**Mr. Bob Delaney:** Okay. Chair, I'm going to stop here. I know Ms. MacLeod is just dying to ask a few questions.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Delaney. I now pass the floor to the PC caucus; in fact, to Mr. Hillier, known affectionately to his friends, as I'm advised, as Dandy Randy.

Mr. Hillier.

**Mr. Randy Hillier:** Thank you, Chair, and I'll certainly be glad to take Bob's two minutes that he didn't use.

Good afternoon, Ms. Butler, and thank you very much for sharing your day here at the Legislature with us. I was listening to some of your discussions earlier, but I just want to get a couple of things on the record and clarified.

The Ontario Power Authority, of course, is an arm's-length agency of government. It has its own board of governors. That's the way you see the Ontario Power Authority: They're a separate, arm's-length agency?

**Ms. JoAnne Butler:** It's an agency of the government, yes.

**Mr. Randy Hillier:** And it has its own board of governors?

**Ms. JoAnne Butler:** Yes, yes.

**Mr. Randy Hillier:** And they are the people who provide the legal governance to the Ontario Power Authority. Correct?

**Ms. JoAnne Butler:** Right.

**Mr. Randy Hillier:** And it is indeed the OPA that enters into agreements and contracts with, in this particular case, TransCanada and the OPA; it is not the Ministry of Energy or any other ministry. It is two distinct, unique incorporated bodies.

During your discussions, in what we know, when the original Oakville plant was decided to be let out on the contract, I'm sure you viewed many different potential places to site or to have a contract to provide generating capacity to that load. Did the Lennox or Napanee area ever come up as a potential at that time to supply Oakville with power?

**Ms. JoAnne Butler:** No.

**Mr. Randy Hillier:** No, it was not in the cards. Of course, that would be—as you said earlier, you want to site your generating capacity as close to your load as is practical, and as we know, Napanee is quite a distance away, Lennox is quite a distance away from Oakville, and it would not make good engineering or economic sense to site a plant there for a load in Oakville. That's why it wasn't viewed or considered in the first place?

**Ms. JoAnne Butler:** Well, our planners do an independent power system plan that looks at the system as a whole, and there was a specific need for a generation plant in the southwest GTA area for three reasons: There was a reliability issue that we wanted to handle, which we're going to handle now with transmission; we were going off coal, and we need quick-ramping gas plants to be there for us, like the coal plants were; and we needed

it for capacity on the system and for the load growth. It was one of the highest-growing areas of the province. Lakeview used to be there; Lakeview went away.

**Mr. Randy Hillier:** We're all aware.

Now, I know that you would know this now; I'm sure you probably knew it at the time. The talk of relocating the TransCanada site to the Lennox site—you knew at that time that there was an existing OPG facility there in Lennox, that it's a 2,000-megawatt generating station—

**Ms. JoAnne Butler:** Yes.

**Mr. Randy Hillier:** —that it is gas-fired or oil-fired and that it operates at very low capacity. Right?

**Ms. JoAnne Butler:** Mm-hmm.

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**Mr. Randy Hillier:** Typically, over the last number of years, we've seen the Lennox OPG facility operate at 5%, 10%, 15% or 20% of its capacity, and its capacity is double that of the new TransCanada plant. Did OPA ever contemplate or consider using the OPG Lennox station as a means to supply the load in the southwest GTA? And if so, what were the considerations?

**Ms. JoAnne Butler:** The first thing I'd like to say is that Lennox is a very important resource for our system, but it's also probably the last plant that would be dispatched onto the system on the hottest, neediest electricity day of the year. It's a peaking plant. It serves a different duty; it has a different responsibility to our system.

**Mr. Randy Hillier:** But it's bought, it's paid for and it's there.

**Ms. JoAnne Butler:** Yes, that's true. It's a peaking facility—

**Mr. Randy Hillier:** I'm well aware of it. I've been in it on a number of occasions.

**Ms. JoAnne Butler:** What the new plant will do is provide intermediate service, intermediate duty. From midnight to 7 in the morning we have the nukes and Niagara. That's our baseload. Then, as we ramp up our demand during the day, we bring on our gas plants, of which this plant could well be one. Because of its cost structure, it will still be one of the lower prices. It will be a lower price and have a different regime that it works under and it bids into our system. So it will be used, as appropriate, in an intermediate capacity, and a ramping capacity as well, which is what we're replacing coal—

**Mr. Randy Hillier:** But we know that there is not much need, there is not much demand, for additional power up in eastern Ontario. The demand is down here in the southwest GTA.

**Ms. JoAnne Butler:** Clearly, the load is here, but we're all hopeful for economic development and growth and—

**Mr. Randy Hillier:** We know that there's another empty facility that's owned by OPG that's much closer to the load in the southwest GTA, and that, of course, is the Wesleyville plant near Bowmanville, which is sitting empty and derelict, but there is a substantial amount of land there much closer to the load that needs to be satisfied. Did OPA consider or look at going into

arrangements with OPG for leasing any of that land at the Wesleyville site?

**Ms. JoAnne Butler:** I was involved with some internal meetings with our planners; I highly regarded their ability. Wesleyville was one of the locations. But, again, in the order of where we felt it would serve the system best, it just wasn't one that, again, our planners—it was still on the east side of Toronto. In the internal meetings that I was involved in with the planners, they wanted to keep that eastern corridor open.

**Mr. Randy Hillier:** So even though Wesleyville is 200 kilometres closer to the load than Lennox, it was still not practical to contemplate Wesleyville as a site?

**Ms. JoAnne Butler:** It was one of the sites on the list, for sure. We looked at every available site. In the final analysis, many things probably went into determining where the final site would be. I was not privy to those conversations.

**Mr. Randy Hillier:** Would OPA have those details as to the rankings and the justification of what sites were looked at and where they ranked and why they ranked in those places? Would you have that available for the committee to study?

**Ms. JoAnne Butler:** I know that our planners do have a spreadsheet with those sites on them, and if it was the committee's wish that we provide that, we can do that.

**Mr. Randy Hillier:** Okay. That would be much appreciated.

I've got one last question, Ms. Butler. Knowing the structure of the OPA, knowing that you have a board of governors, knowing that the OPA engaged in a contract with TransCanada, I have to ask the question: Why did the OPA feel compelled to break a contract or to get involved in this whole fiasco? Was there direct communication from the minister to your board or was in direct communication from your board to you that said, "We are not going to do what is reasonable and justified and maintain this contract, but we are going to listen to the Minister of Energy or the Premier"—whoever it might be; I think that's still to be determined. What compelled OPA to leave their best practices off to the side and do the bidding of the Premier's office?

**Ms. JoAnne Butler:** I can't speak for the board. I—

**Mr. Randy Hillier:** Has this been raised between yourself and the board or between senior management and the board?

**Ms. JoAnne Butler:** I think it was very clear that this plant wasn't going ahead, and I think that the board wanted to protect the ratepayer as much as they could, and that expensive litigation with no megawatts at the end of it, with no guaranteed outcome—

**The Chair (Mr. Shafiq Qadri):** Thank you, Mr. Hillier. To the NDP side: Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Mr. Chair. Ms. Butler, the eastern corridor—you were just responding to a question of Mr. Hillier's. Your planners were very concerned to keep the eastern corridor open. Can you expand on that?

**Ms. JoAnne Butler:** Sorry?

**Mr. Peter Tabuns:** Can you expand on why your planners wanted to keep the eastern corridor open, and what do you mean by “the eastern corridor”?

**Ms. JoAnne Butler:** I have the highest regard for the planning group at the OPA and I would really let them answer that question. It just goes to system reliability and future forward thinking for 20 years with Quebec, with hydroelectric facilities and with what we’re going to do with nuclear. It was optionality; it kept options open. For the real specifics of it, we could ask the planners.

**Mr. Peter Tabuns:** But if I can take it as very high level, your people thought it was important to keep options open for the import of power along that eastern transmission line.

**Ms. JoAnne Butler:** And for potentially what might happen with our nuclear fleet going forward, whether it was new or refurbished.

**Mr. Peter Tabuns:** Did you, in your planning, do an assessment of the cost comparison between power from Quebec and power from this Napanee plant?

**Ms. JoAnne Butler:** I personally did not, no.

**Mr. Peter Tabuns:** Are you aware of planning within the OPA on that?

**Ms. JoAnne Butler:** Our planners are always looking—again, as our CEO likes to say—under every rock for all the alternatives. Certainly that’s one that we talk about, not only from Quebec but from Manitoba. It is something I’ve heard in internal meetings with our planners that they do recognize.

**Mr. Peter Tabuns:** Do you know what the price spread is between power from Quebec and power from this Napanee plant?

**Ms. JoAnne Butler:** No, I do not.

**Mr. Peter Tabuns:** The 2010 long-term energy plan said that this plant wasn’t needed. In fact, it said, “The 2007 plan outlined a forecast need for an additional three gas plants in the province, including one in Kitchener-Waterloo-Cambridge and one in the southwest GTA.

“Because of changes in demand ... two of the three plants—including the proposed plant in Oakville—are no longer required.”

Did you agree with the long-term energy plan that this plant was no longer required?

**Ms. JoAnne Butler:** I think that’s a three-year view. What had changed was not that the need wasn’t required, but the timing of that need had changed. It was pushed out, especially as we go forward with the nuclear refurbishments.

**Mr. Peter Tabuns:** So at the time of this writing, that plant wasn’t required?

**Ms. JoAnne Butler:** I can’t recall exactly. If that’s the face value of the LTEP, then that’s the face value of the LTEP.

**Mr. Peter Tabuns:** The OPA didn’t have any disagreement with that?

**Ms. JoAnne Butler:** That would have been informed by discussions with the OPA.

**Mr. Peter Tabuns:** How often do you expect to operate the Napanee plant? You say that it ramps up; it’s

intermediate. What percentage of the time will it be operating?

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**Ms. JoAnne Butler:** I can’t say unequivocally, but again, it’s an intermediate duty. It’s an intermediate cycle. It’s not baseload and it’s not a peaker, so maybe somewhere between 20% and 35%. It will definitely depend on how the need changes, and when we go into the refurbishment cycle, it may be used more. It may not be used as much, depending. Again, that’s part of the long-term scenarios that we look at.

**Mr. Peter Tabuns:** Is the expectation that during the refurbishment cycle, this plant could well be used for a lot more than 35% of the time?

**Ms. JoAnne Butler:** Again, I can’t answer that. It would have to be modelled and I would need to circle back with the people who do that and understand the system more holistically.

**Mr. Peter Tabuns:** Okay. Litigation: You were concerned on October 18, 2010—“Doubt that we will be allowed to go to litigation.” In the spring, OPA made an offer to TransCanada which was rebuffed, and then you were ordered by the government to make another offer, even though, from the emails that I had read, you, the OPA, were not enthusiastic about it; you didn’t see the point in it. Were you prepared to go to litigation on this in the spring of 2011?

**Ms. JoAnne Butler:** Actually, in the spring of 2011, TransCanada did send in a notice to the crown. But what we decided to go forward with was an arbitration, a closed arbitration. That was when the head of Infrastructure Ontario was brought in, to try to find a location, to try to relocate the plant, and also to determine the quantum of what that financial value was. We still weren’t agreeing on what that financial value was, and so we thought the best course of action was to get a third party to come in.

We had done our modelling, basically, on industry-standard assumptions. We had brought in peer reviews, we had brought in experts to look at what we thought the value was. TransCanada had their own view of it. We couldn’t agree, and we thought the best course of action was to get an arbitrator to come in and determine the quantum of that financial value that had been committed to TransCanada, and we would parlay that into either another project or whatever it would ultimately end up with.

**Mr. Peter Tabuns:** As I read the emails, it was the secretary of cabinet who initiated bringing in Infrastructure Ontario and getting this arbitration rolling. That’s correct, is it not?

**Ms. JoAnne Butler:** I have no knowledge of that, other than what I heard Shelly Jamieson say in her testimony.

**Mr. Peter Tabuns:** Fine. But it wasn’t the OPA that initiated the arbitration.

**Ms. JoAnne Butler:** No.

**Mr. Peter Tabuns:** Okay. The auditor notes that in the arbitration, a number of arguments that you would

have used to defend ratepayer interests were set aside. Were you part of discussions about prep for that arbitration?

**Ms. JoAnne Butler:** I was peripherally involved, but really, it was our legal department that was working with the litigator we had at another law firm that was working on the arbitration.

**Mr. Peter Tabuns:** Okay. I'm going to go back, then, to that last round of negotiation that resulted in the memorandum of understanding. You've noted it was a very short period of time?

**Ms. JoAnne Butler:** Yes.

**Mr. Peter Tabuns:** How were you informed that this negotiation for an MOU was going to be coming about?

**Ms. JoAnne Butler:** I was informed by my boss, Mr. Andersen from the OPA, that we were going to try to resolve this and look sort of one more time to try to see if we could find a suitable relocation for the Oakville plant, and away we went.

**Mr. Peter Tabuns:** Do you know roughly when that happened?

**Ms. JoAnne Butler:** It was maybe the Wednesday or Thursday of September 15 or 16.

**Mr. Peter Tabuns:** And how long a period was the negotiation?

**Ms. JoAnne Butler:** It basically went over a long weekend, if you will, starting from a Thursday to an early Monday morning.

**Mr. Peter Tabuns:** That was a very hurried negotiation.

**Ms. JoAnne Butler:** It was a long weekend, yes.

**Mr. Peter Tabuns:** Have you ever negotiated a plant under those circumstances before?

**Ms. JoAnne Butler:** Well, I don't think there was an expectation that we were going to come out of this with the i's dotted and the t's crossed. I think there was an expectation that we would come out with the principles of what we would do going forward. Knowing that we had the site and knowing we had very limited time to look at what the site actually offered—OPG was involved and it was their site, so they were doing their own due diligence. I think there was an expectation that we'd come out with a set of principles—

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

**Ms. JoAnne Butler:** —that would set us up going forward to ultimately do a new deal at the new site.

**Mr. Peter Tabuns:** And was OPG used as a resource in this process of negotiation?

**Ms. JoAnne Butler:** Yes, I believe so. They were obviously very involved because it was their site. They were at their own table, if you will, doing what they needed to do with Infrastructure Ontario and Trans-Canada.

**Mr. Peter Tabuns:** Why did Colin Andersen say you were going to take one last shot at negotiating?

**Ms. JoAnne Butler:** We were about to go into, really, the final stages of the arbitration, which is where we'd be giving what we thought the values were. The minister wanted us to see if we could stand down on the arbitra-

tion and see if we could get a relocated project. Like-for-like, moving it on wheels, was a good deal.

**Mr. Peter Tabuns:** Do you have any—

**Mr. Gilles Bisson:** No.

**Mr. Peter Tabuns:** No?

Thank you very much.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Tabuns. To the government side. Mr. Delaney, your final 10 minutes.

**Mr. Bob Delaney:** Thank you very much, Chair. In our final 10 minutes, I'd like to explore a few questions on siting. I'm going to start off with Oakville. I'm going to refer to the Ford lands in Oakville. The site was chosen by the proponent, TransCanada Energy. Correct?

**Ms. JoAnne Butler:** Yes.

**Mr. Bob Delaney:** And the site had originally been zoned "industrial" by the town of Oakville.

**Ms. JoAnne Butler:** I believe so, yes.

**Mr. Bob Delaney:** Is there a reason that the OPA told prospective proponents not to be concerned about municipal opposition when choosing the site to build the plant?

**Ms. JoAnne Butler:** Again, this was brought up in the auditor's report. When we were directed by the government to procure 900 megawatts down in that southwest area of Toronto, we set out the ground rules. We had four highly qualified proponents who went forward into the RFP stage.

We had to level the playing field and we had to be consistent with the rules that we had when we started that procurement. We wanted to be fair to everyone who was involved, and basically left it up to the proponents at the end of the day. They knew of the issues that were there, and it was up to them whether they wanted to continue putting forward a bid, knowing full well that, if they won the bid, there were things that they would have needed to deal with.

**Mr. Bob Delaney:** The experiences in both Oakville and Mississauga showed that perhaps the OPA and the government both had a lot to learn in the process of arriving at a site for energy infrastructure. There was a recent IESO and OPA report on the best practices for energy siting moving forward. It produced 18 recommendations, and I believe the government has announced that it will implement all 18. How did the OPA and the IESO come up with these recommendations?

**Ms. JoAnne Butler:** It was a summer of consultation, really. We went out and engaged hundreds and hundreds of communities, the public, municipalities, think tanks, organizations and trade organizations, and just basically said, "What can we do to make this better? Because we agree with you: There are things that we can do to improve. Now that we're moving forward here, there are things that we can do." We basically went out and asked people what they thought.

**Mr. Bob Delaney:** This may not be a very fair question in 20/20 hindsight, but if in 2004—and I believe the OPA took over the arrangement in 2005—you knew then what you know now, are there any changes you would



have made at the time, before the discussions with both Eastern Power and TransCanada had gotten too far advanced?

**Ms. JoAnne Butler:** I won't speculate on the past, but I will say that I think that the three fundamental tenets of the work that we did this summer are the right way to move forward.

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The first one is to engage early and often—not that we weren't doing it in the past, but certainly it's front and centre. We need to get out there, keep people engaged, potentially more around energy literacy, etc.

The second one is getting the municipalities involved. I think there is a wide understanding now that maybe the municipalities, if they want to have a voice in it, have to have some accountability to help with the regional planning, to become more involved with the regional planning and build it into their own plans. As well, we can work with the municipalities in terms of our procurements and maybe add more weight to the municipal voice or maybe have some sort of way to lessen the burden on the municipalities, because again they don't like proponents coming in their door, lots of them, all looking for sites. So I think there are improvements that we can do with the municipalities: local voice, local accountability.

Then I think the third one was the fact that with the government ministries themselves there could be better coordination. There's environment, there's planning, there's energy, there's us, there's IESO. I think, again, that just goes with collaboration, understanding, more widespread knowledge of what we're doing and why we're doing it.

I think all of those elements, going forward, are going to make for a better process.

**Mr. Bob Delaney:** Mayor McCallion is my constituent in Mississauga–Streetsville, and I know Oakville Mayor Rob Burton fairly well. Both of them have said to me that neither they nor their councils nor the cities are opposed to power generation within their borders. Certainly, in the time that Mayor Burton was here, he talked about some of the serious drawbacks in the proposal for the size and the location of the plant where it was.

Looking at fast-growing municipalities, what are some of the things that municipalities can do, particularly in high-growth areas as they develop, to include contingencies for the provision of both the generation and the transmission of electricity so that as municipalities grow, there will in fact be reliable electricity for the citizens of those areas where the houses don't even exist today?

**Ms. JoAnne Butler:** I think that very much encompasses where we're heading with the regional planning approach that we're working with, with the OEB, with LDCs, with the municipalities. I think strong collaboration among all those groups and understanding energy needs—not now, but in the future—and understanding what type potentially of energy requirement they want—is it from wind, is it from solar, is it from whatever, or

distributed, maybe smaller stuff?—but understanding the rate impact. I think it really comes down to communicating more effectively and understanding regionally what we need and why we need it and what's the best way to get it, and working in that manner.

**Mr. Bob Delaney:** To come back again to the relocation, when Deputy Minister Serge Imbrogno was here just recently, among the things he said was, “We had a short list of sites that included Lambton, Nanticoke, Lennox and Wesleyville.” I should clarify that he said the OPA was part of the “we,” because the ministry had relied on the OPA to provide a high-level assessment at each of those sites. Mr. Imbrogno also said that “each of those sites ... had their pros and cons” and that “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 had “access to gas, access to transmission. It was a willing host.”

How did the OPA provide that analysis to the Ontario Ministry of Energy?

**Ms. JoAnne Butler:** Again, I was not involved in any meetings around the planners working, you know, talking to the government about the planning portion of it. Our planners, again, know the system inside out, know the ins and outs of all these sites, and would have been in meetings with the government officials and explained to them each and every aspect of those sites, but I was not personally involved in those meetings.

**Mr. Bob Delaney:** Well, in the last minute and change, in what I guess we both hope will be our last pleasure to have this conversation before the committee, when it comes to siting, what final remarks or suggestions would you like to leave with the committee?

**Ms. JoAnne Butler:** Again, I think I'd just go back to look at the work that was done over the summer and look at those three main principles: engage early and often; municipal voice, municipal accountability; collaboration among all the ministries—energy policy and energy literacy—

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

**Ms. JoAnne Butler:** I think getting out there and working on those aspects would certainly help, going forward. I think there are some things we can do with our procurements in terms of how we rate them and where the points come and maybe contracting a little later in the game. Again, it's something that we need to put our minds to and try to make better.

**Mr. Bob Delaney:** JoAnne Butler, thank you very much for having come a second time to share your insight with all of us.

**Ms. JoAnne Butler:** Thank you.

**The Chair (Mr. Shafiq Qadri):** Thank you, Bob Delaney, for your questions, and thanks to you, Ms. Butler, for your presence. I commend all members of the committee for having a relatively benign afternoon.

We do have a motion before the floor, I understand, from Mr. Bisson, for which purpose I am instructed we will recess for a few minutes.

*The committee recessed from 1636 to 1650.*

**The Chair (Mr. Shafiq Qaadri):** Thank you, colleagues. The committee's back in session. We have a motion from Monsieur Bisson.

Monsieur Bisson, s'il vous plaît, introduisez votre motion.

**Mr. Gilles Bisson:** I move that the Standing Committee on Justice Policy request from Cabinet Office and cabinet committees, including the priorities and planning committee, documents from May 16, 2012, to October 2, 2012, related to the May 16, 2012, request of the Standing Committee on Estimates on the cancellation of the Oakville and Mississauga gas plants; and that this shall include but not be limited to: correspondence, minutes, briefing notes, emails, PIN messages, BBM messages, SMS messages, memoranda, issue or House book notes, opinions, submissions and any drafts of or attachments to those documents; and

That the documents be tabled with the Clerk of the Committee without redaction by 12 noon on November 26, 2013; and

That all submissions be tabled as searchable PDF documents.

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Bisson. Are there comments on this before we vote on it?

**Mr. Bob Delaney:** Chair, I would like to ask whether or not we can have until our next get-together to determine whether in fact this information has already been provided, and pursuant to previous motions there are and continue to be rolling releases of documents pertaining to exactly what's on here. We have no objection to turning

over the material. The government has already said that it will, but what's not clear to me at this point, not having seen the motion before today, is whether or not we already have, and if we have, at our next get-together or before, as soon as I can get the material, we'll let Mr. Bisson know where it is and what date it was submitted and whatever else—

**The Chair (Mr. Shafiq Qaadri):** Thank you, Mr. Delaney. Point understood. Just for the committee's awareness, our next official meeting is Tuesday, November 19. Are you willing not to defer? Thank you.

**Mr. Gilles Bisson:** As far as I know, these documents have not been provided. If they have been provided, then they'll instruct us when they come back, and when they reply in regard to my request, if some of the stuff or all of it has been given, they can tell us at that time.

**The Chair (Mr. Shafiq Qaadri):** That's fine. Thank you. Any further comments before we vote on this motion?

**Mr. Bob Delaney:** With the proviso provided by Mr. Bisson that if those documents have in fact been provided, rather than providing a second copy of everything, we'll note when and where it's already been provided, yes.

**Mr. Gilles Bisson:** Sure. I'm okay with that.

**The Chair (Mr. Shafiq Qaadri):** All right. Thank you. The point's understood.

Those in favour of the motion presented by Mr. Bisson? Those opposed? The motion carries.

If there's no further business before the committee, once again I thank you for a benign afternoon. The committee is adjourned until Tuesday, November 19.

*The committee adjourned at 1653.*



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