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Tuesday 20 October 2015

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des débats
(Hansard)**

Mardi 20 octobre 2015

**Standing Committee on
Estimates**

Ministry of Energy

**Comité permanent des
budgets des dépenses**

Ministère de l'Énergie

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Tuesday 20 October 2015

Mardi 20 octobre 2015

The committee met at 0900 in committee room 1.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): Good morning. I warrant everyone has had their requisite two hours' sleep; I know I have. We're back. We are here to resume consideration of the estimates of the Ministry of Energy. There is a total of six hours and 26 minutes remaining.

Before we resume consideration of the estimates of the Ministry of Energy, if there are any inquiries from previous meetings that the ministry or the minister has responses to, perhaps the information can be distributed by the Clerk at the beginning in order to assist the members with any further questions.

Minister, are there any items that you brought—

Hon. Bob Chiarelli: No.

The Chair (Ms. Cheri DiNovo): No? Okay.

When the committee was adjourned on October 7, the third party had the floor, with two minutes and 43 seconds remaining in its rotation. Mr. Tabuns, use it wisely.

Mr. Peter Tabuns: Good morning, Minister.

Hon. Bob Chiarelli: Good morning.

Mr. Peter Tabuns: Good morning, all at that table.

I understand that Hydro One is going to borrow \$800 million in order to give an \$800-million cash dividend to the government. Do we know how the government will spend that \$800 million? Where will it be allocated?

Mr. Serge Imbrogno: I believe the \$800 million would go to pay down debt.

Mr. Peter Tabuns: Are we talking of residual stranded debt or are we talking of stranded debt or are we talking of other parts of the OEFC balance sheet?

Mr. Serge Imbrogno: I would just say at this point: It would be to pay down provincial debt.

Mr. Peter Tabuns: So you don't know the destination for that money.

Mr. Serge Imbrogno: Other than debt, I don't want to say whether it's the stranded debt or provincial debt.

Mr. Peter Tabuns: Okay. I've asked you about the 60-40 debt-to-equity ratio, the capitalization for Hydro One, and you had said to me that the OEB requires 60-40 debt-to-equity. Why has Hydro One in the past not been required to have a 60-40 ratio?

Mr. Serge Imbrogno: The OEB sets its rates on having a 60-40 debt-equity ratio. If you're offside that,

then the OEB doesn't give you more. If you have more equity, for example, they would only give you what they deemed to be the appropriate amount, so your rates are set on the deemed amount.

Mr. Peter Tabuns: Is it expected that equity will be more expensive than debt?

Mr. Serge Imbrogno: Normally, the equity component gets a higher rate of return than the debt component.

Mr. Peter Tabuns: So in this change of the ratio, there will be a higher proportion of funds taken from rate-payers to satisfy the equity holders. Is that correct?

Mr. Serge Imbrogno: No. Hydro One has always had the deemed 60-40, so it continues on. I think what Hydro One is doing going forward is just making sure that they structure themselves to achieve the 60-40. The 60-40 hasn't changed; that has always been in place.

Mr. Peter Tabuns: So in the past, Hydro One hasn't been able to recover the costs of interest payments on debt?

Mr. Serge Imbrogno: No, I think they have. They may have been undercapitalized. They may have had more debt than equity or more equity than debt, so I think they're just moving forward to structure themselves at the exact 60-40.

Mr. Peter Tabuns: What's the advantage to Hydro One of restructuring on a 60-40 basis?

Mr. Serge Imbrogno: I think it just allows them to achieve the maximum that the OEB allows with that debt structure and the equity structure.

Mr. Peter Tabuns: So they haven't been achieving the maximum that has been allowed to date.

Mr. Serge Imbrogno: Either they've been over, and they don't get credit for that, or they've been under. They need to move forward.

The Chair (Ms. Cheri DiNovo): I'm afraid that is all your time.

Mr. Peter Tabuns: Thank you.

The Chair (Ms. Cheri DiNovo): We now move to the government side. Ms. Kiwala?

Ms. Sophie Kiwala: I'm delighted to be here today—it's an historic day, I might add—particularly to chat about connecting First Nations to power. As I understand, there are currently a number of First Nations communities that still rely on diesel to generate their power. There has been significant conversation around the possibility of connecting these First Nations communities to the electricity grid.

As you know, I do have a First Nations reserve right next door to my riding of Kingston and the Islands—Tyendinaga—and we do have a number of issues there that we focus on. I am concerned and I'm also very encouraged by the conversation that this government has had around quite a number of aboriginal issues. It has reverberated in my community of Kingston and the Islands. It's also a topic of conversation in the neighbouring areas to Kingston.

I was recently at a Sisters in Spirit Vigil in Belleville. There were quite a few comments there about how much they appreciate what the provincial government is doing for them.

I'm wondering if you can inform us as to what steps the government has undertaken to connect the remote First Nations communities in northern Ontario to the grid.

Hon. Bob Chiarelli: Certainly. Thank you, MPP Kiwala, for the question and for the interest in First Nation communities. It's something that I think we all share around the table. It certainly is a priority issue for this government.

We've made the connection of remote First Nation communities a priority in our long-term energy plan, and we've been implementing that priority over the course of the last three years. The government recognizes that there are unique challenges associated with supplying remote communities with clean and affordable electricity.

In 2014, the Independent Electricity System Operator's updated analysis shows up to 21 of the 25 remote First Nation communities in northwestern Ontario are economical to connect to the provincial electricity grid, reducing their reliance on dirty diesel generation. Grid access will enable growth and lower costs over the long run.

The IESO's analysis indicates that transmission connection of up to 21 First Nation communities would result in savings relative to continued use of diesel generation in these remote communities over the next 40 years. Savings would accrue to the federal government and provincial ratepayers, who currently subsidize the cost of diesel. This is approximately a billion dollars in avoided costs for the federal government and the province, compared to the status quo of continued diesel over the planning period.

The province is working with the remaining four First Nation communities, those that will not be connected to the grid, to explore alternatives to reduce their dependency on diesel fuel. We'll work also with the federal government and energy partners to support innovative solutions to supply electricity to these more remote communities, if I can put it that way.

The Remote Electrification Readiness Program, or RERP, is a provincial government funding program designed to support remote First Nation communities in developing community readiness plans to benefit from future transmission grid connection projects identified in the long-term energy plan. The 2014-15 budget allocated \$1 million per year for three years toward the program,

and it will be administered by the Ministry of Aboriginal Affairs.

The governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories, the Yukon and Ontario have established a pan-Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities. In addition, Watay Power, which is owned by a group of 20 First Nation communities, recently signed a partnership agreement—basically a public-private partnership—with Fortis-RES, an electricity transmitter. Watay Power can now take the next major step towards connecting remote First Nation communities in Ontario. This was really a transformational event, where we had 20 First Nations entering into a public-private partnership for commercial purposes in order to serve their communities.

Responsibility for electricity service in remote First Nation communities is shared between the province and the federal government. A fair cost-sharing agreement is critical to implementing the grid connection project. We are committed to working with our federal counterparts to make this project a reality. I might add that, given the fact that the federal government will be saving approximately \$500 million, we still have no commitment—or we've had no commitment from the outgoing government, at least—to participate in any investments whatever towards bringing these remote communities into the grid.

At this point, I'd like to ask Deputy Minister Imbrogno and ADM Michael Reid from the strategic, network and agency policy division to expand further on these points.

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Mr. Serge Imbrogno: Thank you, Minister. I just would add a bit to what the minister said in terms of the remote First Nation connections.

There are 25 remote First Nations; 21 of them we believe we can connect economically through the grid. There are also four that we think aren't economic to connect through the grid, but we're working on on-site solutions for the other four First Nations. We think there are environmental benefits, economic benefits and social benefits to moving forward with this initiative.

Just a bit of expansion on working with the federal government: We've set up a deputy ministers' committee with aboriginal affairs from the federal government, and NRCAN as well. We have a deputies' working group that's been trying to work through the economics of what it means to the federal government, what cost savings are in place for them, what cost savings are in place for Ontario, and how we can move forward together to make this initiative work.

Michael is part of an ADMs' working group that has been really digging deeper into the numbers and trying to get the feds to provide some commitments, so maybe I'll let Michael give you a bit more detail on the report that was done on the connecting and a bit of an update on where we are with the federal government.

Mr. Michael Reid: Thank you. Good morning. I'm Michael Reid from the strategic, network and agency policy division at the Ministry of Energy.

Remote connections is something that the government and the ministry care deeply about and have put a lot of time and effort into over the last couple of years. I'd just like to expand on some of the points that the minister and the deputy made, by way of a bit of background.

The 2010 LTAP, or long-term energy plan, declared remote community connections a priority, and that led to the government asking the then-Ontario Power Authority, which is now the Independent Electricity System Operator, to undertake a business case, essentially, of remote community connections. The IESO/OPA did that business case, unpacked that a little bit. It's what led to the 2013 LTAP commitment to moving forward with the transmission connection of 21 remote communities.

Just by way of a bit of facts as well about the remote communities in Ontario: As the minister and the deputy have mentioned, there are 25 remote communities in Ontario. These are communities that aren't connected up to the provincial transmission system and that rely on local diesel generation for their electricity production. There's a total combined on-reserve population of about 15,000 in these 25 communities, and their peak electricity demand is about 20 megawatts, just to give you a sense of the size.

In terms of diesel consumption, these communities use about 30 million litres of diesel per year to generate electricity. There are all sorts of issues associated with that diesel, from the environmental issues through emissions as well as spills. Just getting the diesel into these remote locations as well is complex and costly, in that these communities are largely only accessible either through winter roads or by air. About 70% of the diesel, for example, has to be flown in. So again, it's complex and costly to get the fuel up to these communities. And just by way of the cost of generating the electricity, it's about 10 times the cost in these communities that it is in the rest of the province.

As I mentioned, following the 2010 long-term energy plan, the government asked the Ontario Power Authority to undertake a business case of what was possible with respect to the connection of these remote communities. The IESO did that business case and they found that in 21 of the 25 remote communities it made economic sense to connect them up via the transmission grid, which I'll talk about in a little bit more detail. With the other four communities, although transmission connection was not deemed to be economic, the IESO recommended pursuing microgrids and alternative options to help reduce diesel use in these communities as well. Again, I can talk a little bit more about that.

In terms of undertaking this business case analysis, the IESO did consider a variety of options, and that included renewables and local microgrids as well as transmission connection. They posted their initial report in 2012, and it was shared with communities and engaged in consultation with communities as well. It was updated with the

final report in August 2014, which solidified the conclusion that there were significant savings associated with the transmission connection of the 21 communities.

In terms of some of the high-level details or interesting points of the IESO's analysis—transmission versus diesel—I've already mentioned some of the high costs and complicated factors of getting diesel into communities. Transmission takes away all of that. It's just a lot more certain over a longer time period. They looked at a business case over a 40-year period, in terms of being able to supply power through the grid, and not subject to factors such as global oil prices, which do drive the cost of diesel around, as well as weather and other things that make it complicated to get diesel in there.

As well, grid connection would enable these communities to unlock some of their economic and also social potential. For example, a lot of the diesel systems are very constrained. You do hear stories about new housing stock being built in these communities and that you can't actually connect up to the existing—there's just not enough power to hook up new houses. Transmission connection will allow communities to take advantage of things like the new housing stock as well as local economic development opportunities. It will also, as a co-benefit, help unlock, in the Far North, natural resources, which could lead to private investment as well as other opportunities for the local First Nation communities.

The deputy and the minister have also mentioned the fact that this business case is a positive business case and does lead to significant savings for both the province and the federal government over this 40-year time frame. It's roughly a billion-dollar savings that the IESO has calculated. That is shared between the province and the federal government. In these remote communities, the federal government is responsible for a lot of the direct diesel costs.

Just by way of a bit more detail, there are two different types of rural communities as well. It's roughly a 50-50 split with the 25 communities. Roughly half of them are currently served by Hydro One remotes, so they are subject to OEB regulation, and it looks very similar to what things would look like in any other local distribution company across the province. The other half are what are called independent power authorities, or IPAs. It's roughly 10 communities. These communities are the direct responsibility of the federal government. Not only are they not grid-connected, but there are also no regulatory or other touch points with these communities in terms of the delivery of power.

This cost-sharing, as the deputy has mentioned—there has been significant work done with the federal government over the last couple of years to make sure they're well aware of this positive business case that the IESO has developed and also to try to get them to the table to recognize these costs and become co-sponsors of this project and contribute their fair share in accordance to the cost savings that would accrue to them. It has been a long time talking with them, and it has been difficult to get actual costs out of them, but we are continuing on with that work.

The Chair (Ms. Cheri DiNovo): Mr. Reid, you have about five minutes left.

Mr. Michael Reid: Okay.

In terms of just a little bit about the remote community connection project, it's an about \$1.3-billion total transmission build-out, which would be a very significant new build-out for the province, and there are a couple of different components of that. The first component is some reinforcement of the existing transmission system, so, roughly, from the Dryden to Pickle Lake area. There are other local reinforcements that would need to be done in the Dryden and Red Lake area, and then there is the significant build-out of taking from the current transmission grid up to remote communities to build both new transmission and distribution infrastructure for those projects.

The minister has mentioned that Watay Power is a consortium of 20 First Nations, as well as a recently announced transmission partner in Fortis-RES, who are making significant progress in terms of moving this project forward. They have an improved environmental terms of reference, for example, and they're applying for a transmission licence right now with the Ontario Energy Board. So it's definitely continuing to move the markers and a very-good-news story, we think, in terms of very significant First Nations ownership and stake in that particular partnership.

0920

In terms of some of the work with the federal government that we've mentioned, we're also working with our colleagues in other provinces, because remote communities are not a uniquely Ontario problem. In fact, there are nearly 300 off-grid communities across the country, with roughly 200,000 people living in these communities—largely aboriginal, but it's a mixture of both aboriginal and non-aboriginal.

We realize that there are lessons to be learned in terms of some of the specific projects that are under way in other provinces. That has led to the establishment of what is called a pan-Canadian task force on remote communities. The task force will be chaired by Manitoba, but we've been keenly involved with them in terms of spearheading this particular effort. They have recently sent out a letter to all provinces and territories, asking them to become part of this pan-Canadian task force.

The key things that this task force would do are largely sharing of information across the country and working together to develop consistent approaches to getting off-grid communities connected, as well as consistent approaches with the federal government, because all other provinces and territories, I think it's fair to say, are experiencing the same difficulties that we have in terms of engagement with the federal government.

This task force will aim to prepare a joint report amongst all participants that will outline some of these experiences and maybe some of the things that worked, and look into communities, as well, to understand what works in communities in terms of moving these projects forward and identifying other opportunities for collaboration.

The last thing that I would mention is focused a lot on the transmission connection. It is a very significant project that we're devoting a lot of time and resources to, but, as I mentioned, there are four remote communities for which transmission connection wasn't identified as a viable economic opportunity. Those communities are Whitesand, Gull Bay, Fort Severn and Weenusk. The ministry's and province's remote strategy is also making sure that we are working with those four communities to identify what makes sense in their areas to help displace diesel use. That's both the ministry as well as the IESO doing that work.

For example, with Whitesand, the ministry has been working with them over the past year or so on a fairly interesting biomass project that could have significant benefits for the community, both in the sense of displacing diesel power but also the potential for a lot of economic development and job opportunities—a lot of social co-benefits. I think that's one example where we're trying to move forward with these four communities.

Some of the other things that are going on with these four communities: For example, for the Fort Severn First Nation, there has been a recent announcement through the Northern Ontario Heritage Fund Corporation—

The Chair (Ms. Cheri DiNovo): I'm sorry, Mr. Reid. Your time is up. Thank you.

We now move to the official opposition: Mr. Smith.

Mr. Todd Smith: Thank you, Chair, and good morning, Minister. I hope you had a nice week off—and the deputy minister and counsel as well.

Hon. Bob Chiarelli: The best part of it was last night.

Mr. Todd Smith: Yes, the Blue Jays win. You're right.

Last week, we of course learned that electricity prices are going to go up again in the province of Ontario, as of November 1, just in time for the winter months. I'm not going to start there; I think we'll actually start with a few loose ends that I wanted to wrap up from when we last met.

One of those issues that we were dealing with: Mr. Yakabuski was asking you some questions about managing the grid when the wind producers are producing more power than we need, and maybe adjusting the amount of power that nuclear and hydro are putting on to the grid to make up for those fluctuations. Mr. Imbrogno said that—this is from last week or two weeks ago—“The IESO, in managing the system when there is surplus generation, would take into account whatever payments they would have to make to Bruce Power”—in this case—“to manoeuvre the system.”

I know when I've been at Bruce Power and speaking to the folks there, they were talking about the fact that often they have to keep an eye on what's happening across the province and reduce the amount of power they're producing at Bruce. We were talking about, at that time—two Wednesdays ago, I guess it was—the cost to the system of doing that.

I don't know, Minister or Deputy Minister, if you could tell us how much that is actually costing the rate-payers of Ontario to make those kinds of adjustments?

Hon. Bob Chiarelli: If I can just give a bit of background and then I'll turn it over to the deputy. The mandate in the operations of the IESO, the Independent Electricity System Operator, is often misunderstood. A significant part of their mandate is to match—they have to deal with the demand that's there. Therefore, they are in a position in their control room, in real time, where they're monitoring the exact amount of generation that's coming from every generator in the province. They're monitoring the interties where electricity is being bought and sold into the various jurisdictions, and they're monitoring the demand. They have very, very complex algorithms where they predict how much demand there will be, but there are often circumstances which change that demand; for example, an ice storm. They're required to keep in balance—the way I explained it is the whole electricity system is like a thin hose, and if you put too much in, it will explode or burst; if you don't put enough in, it will collapse.

So they have to match the generation that's there to the demand on a minute-by-minute basis, and they have absolute authority—their operators in the control room—to tell a generator to ramp up or ramp down or to tell large consumers, such as the LDCs or automobile companies, to ramp down or ramp up. This is part of the system where that going up and down is happening all the time. It's like trying to conduct an orchestra in a sense, to make sure that there's exactly the right amount of power in all of the wires across the province. So they will give directions to a nuclear plant to ramp up or ramp down to meet this demand.

Mr. Todd Smith: Some of those musicians, though, are making more than others in this orchestra; in other words, some of them are costing more to produce electricity than others. What's happening is, when the wind is blowing, would you not agree that that is a more expensive way of producing power than when the nuclear plant is just humming along?

Hon. Bob Chiarelli: The critical time is peak period when you've got the maximum demand where, in effect, that's when they're using, by design, the most expensive last. They manage the system in that particular way. So if you're looking at peak period in the middle of summer, they're ramping up the nuclear, they're ramping up the gas plants, they're ramping up the water power—they're doing it all, and they're using as much wind and solar as they can to meet that peak. Yes, they actually try to balance the most expensive being used to be used the least. That's part of the system management.

I just wanted to give an overview of that before I turn it over to the deputy.

Mr. Serge Imbrogno: Just building on what the minister said, actually manoeuvring at Bruce is quite an accomplishment because normally nuclear plants just run 24/7, but Bruce has managed to provide some innovation into what it does, and it allows the IESO more flexibility to actually manoeuvre Bruce as well.

I think it adds to the flexibility of the system. The IESO has the tools that the minister mentioned. They can

dispatch wind on or off, as necessary, they can manoeuvre Bruce on or off as necessary; to manage the load as it changes over the day and the hour. It's an added flexibility, the manoeuvring that we get from Bruce, and it's part of the tools that the IESO uses to minimize the cost. Imports as well: When it's economic to import, the IESO will take that into account as well. So it is a menu of different options that the IESO uses to manage the load and minimize the cost.

0930

Mr. Todd Smith: But there are many occasions when steam is just being let go from a nuclear plant back into the community, or water is spilling over Niagara Falls or Beck. I believe when we met last time you said that those producers, while they are manoeuvring, are still paid even when they're not producing power. Is that not correct?

Mr. Serge Imbrogno: I think the IESO builds a system to manage at peak plus reserve. At times during the day, the system doesn't need all that power—I think that's just part of the way the system works—so they'll have to manoeuvre to manage the load. We don't build the system to produce enough power to export; we build enough to make sure that we have enough to meet our peak demand. But at times during the day or the week, we have more of that power than we need because we've kind of built the system to have excess. That's when the IESO takes steps to minimize whatever the cost to the system is of manoeuvring the plants.

Mr. Todd Smith: What is that cost to manoeuvre the Bruce Power plant?

Mr. Serge Imbrogno: I think it's part of the cost that is part of the contract that IESO has with Bruce Power. It's all part of those payments that go to Bruce.

Hon. Bob Chiarelli: I think last year it was \$350 million that was recouped by using some of that surplus power that was in process and generation. They decided, because of balancing the system, that they had to cut down on the amount of generation. Instead of just cutting down on the amount of generation and losing that money, they actually export it. Sometimes they export it at profit and sometimes they export it at a loss. You always see in the newspaper when they're exporting at a loss; you never see when they're exporting at a profit.

Last year, 2014, my understanding is that there was about \$350 million of power that was recouped through that process to reduce costs in the system.

Mr. Todd Smith: Is that a fact? Is that a number?

Mr. Serge Imbrogno: It was over \$300 million. We have the sunk costs of the system. When you can run and get money from the export market, it reduces your existing costs. I think it's in the \$320-million range—

Interjection.

Hon. Bob Chiarelli: It's \$320 million.

Mr. Todd Smith: Can we have those documents presented? Are those on the IESO website? Where would we find that?

Mr. Serge Imbrogno: I think the IESO has made that public. We can find that figure for you in the public domain.

Mr. Todd Smith: Yes. Can we make a note of that, that you'll provide that to the Clerk? That would be appreciated.

Okay. Let's move on. How much time do I have left? Quite a bit, I assume.

The Chair (Ms. Cheri DiNovo): You've got just over 10 minutes.

Mr. Todd Smith: I know Mr. Tabuns has asked numerous questions about the \$2.6-billion departure tax. I just want to go back to there. Maybe let's start by reminding us of what the OEFC is responsible for, briefly.

Mr. Serge Imbrogno: The OEFC was really the continuation of the old Ontario Hydro, so it was part of the 1999 restructuring of Ontario Hydro. All the hydro assets were divided. Transmission and distribution went to Hydro One; the generation assets went to OPG; and we created the IESO at the time to run the system. There was ESA that was set up, the Electrical Safety Authority. Then all the debt and liabilities of the old Ontario Hydro remained with the Ontario Electricity Financial Corp.

Mr. Todd Smith: What is that number? What is the number that we have remaining, the debt number?

Mr. Serge Imbrogno: At the time, the total debt and liabilities were in the \$30-billion range. I'd have to give you the update from the OEFC of where we are. It's lower but—

Mr. Todd Smith: It's \$26 billion or in that range.

Mr. Serge Imbrogno: Or \$27 billion, in that range, the total debt and liabilities.

Mr. Todd Smith: So that's \$26 billion that remains. The purpose of the sell-off of Hydro One, or broadening of ownership of Hydro One, as the Premier likes to say, is to raise \$9 billion in this 60% sell-off. You've said on numerous occasions, Minister, that \$5 billion of that is to pay off the hydro debt, right? Is that correct?

Hon. Bob Chiarelli: I think it was to pay off debt. I'll leave it up to the deputy to decide which debt it is actually applied to.

Mr. Todd Smith: Okay.

Hon. Bob Chiarelli: The debt of the province in one form or another.

Mr. Todd Smith: The debt of the province?

Mr. Serge Imbrogno: As part of the initial restructuring, there was a debt-for-equity swap between the province and the OEFC. The province assumed a portion of the debt in exchange for the equity, so the province would pay off that portion of the debt from selling off a portion of Hydro One. It's back-to-back debt with OEFC, if I could describe it that way.

Mr. Todd Smith: Okay. So the \$2.6-billion departure tax is going to be paid to the OEFC to settle what's owing from Hydro One, right?

Mr. Serge Imbrogno: I wouldn't characterize it as what's owing from Hydro One. I think it's part of the Income Tax Act. When you leave the payments-in-lieu regime, then you become taxable under the Income Tax Act. There's a calculation of departure tax. It's not just Hydro One. Any corporation that's in the same situation

that's leaving the PIL regime, there would be a calculation of a departure tax. The departure tax depends on the individual corporation so it would vary.

The Minister of Finance made a determination of what that would be for Hydro One, and that payment would be made to the OEFC as it does with any of the payments in lieu of taxes it currently makes.

Mr. Todd Smith: With the OEFC, I just want to make sure that I understand. The \$5 billion to pay down the debt will go to the OEFC, right? Will the \$5 billion that we're talking about from the sale of Hydro One go to the OEFC?

Mr. Serge Imbrogno: Well, it would reduce the provincial obligation to the OEFC. So it's part of the province's debt reduction, but it's related to the debt it owes to the OEFC.

Mr. Todd Smith: So the \$5 billion won't be coming necessarily out of the hydro debt. There's \$5 billion that's owed there right now. So really the \$26-billion or \$27-billion number, that's not going to change?

Mr. Serge Imbrogno: Well, I don't want to get into all the finance—how the finance will work things, but I believe some of that would be a reduction in the total debt of the OEFC as you're paying down some of that back-to-back debt.

Mr. Todd Smith: So there's no way to know how much that \$26-billion or \$27-billion number is going to change as a result of this—

Mr. Serge Imbrogno: I don't want to speculate on how finance will actually complete the books. I don't want to go too far and say it will be one for one, but there's an existing amount owed from the province to the OEFC and this would reduce that obligation.

Mr. Todd Smith: So the number under—sorry, it's a line item under assets called “due from the province of Ontario,” and it's \$4.9 billion—

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have about five minutes left.

Mr. Todd Smith: Thank you.

So \$5 billion is the goal from the sale that's not going to the infrastructure projects that the government has planned. So while they hope to raise \$9 billion, \$5 billion of it is supposed to go to pay down the debt at Hydro One, but there's a line item that says this money is already due from the province, so we don't really know if—that's not included in the debt is what I'm saying. Would it be fair to say that the debt that Hydro One has left is actually closer to \$31 billion when you factor in this \$4.9-billion line item that's there?

Mr. Serge Imbrogno: I think that's a payable due from the province to OEFC. I believe that's the electricity sector dedicated income. So what the province does is, it dedicates in one form or another all the income it gets from Hydro One and OPG towards OEFC. So part of it is a \$520-million payment we make on the debt-for-equity swap plus anything above the \$520 million on the net income is dedicated to the OEFC. So the province could pay that down, that payable from the province to the OEFC. It could also pay down any back-to-back debt that

it has. I just don't know exactly what's left in terms of the initial debt-for-equity swap versus how much is in this payable.

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Mr. Todd Smith: So how in the world do we ever expect to pay down that \$26 billion that's there?

Mr. Serge Imbrogno: Not to get into too much technicality, there is total debt, but part of that is that there have been loans made from the OEFC to OPG. OPG, unlike Hydro One, doesn't borrow in the capital markets; it borrows from the OEFC. That additional debt is backed by assets at OPG, so it's not part of the stranded debt. Even though OEFC's debt hasn't reduced by as much as the stranded debt, that's because we've added borrowing from OPG through the OEFC. It's almost like the banker to OPG.

Mr. Todd Smith: Isn't the OEFC, though, just supposed to be paying down the debt? Why is it lending money to the province?

Mr. Serge Imbrogno: Part of its objects allows it to lend money to the successor companies. Hydro One was able to go into the market and borrow. OPG at the time wasn't able to borrow into the market, so they borrowed from the OEFC.

Mr. Todd Smith: Okay. Over the last week, we've had—I don't know exactly what you can say, but the final prospectus came out. You're looking at initial share prices of \$19 to \$21 per share, which would bring, for the first 15% segment or tranche of the sale of Hydro One—if those numbers are legitimate numbers and that's what we can expect, we're talking about raising \$1.7 billion in the first tranche of the sale. If you multiply that over the next three sell-offs, if those numbers hold true, are we talking about \$6.8 billion—I see that counsel is ready to answer. Are we talking about \$6.8 billion, or where does the \$9 billion come from?

Ms. Sharon Geraghty: It won't surprise you; I'm just going to say it again. We're in the quiet period, and so the references to that price spread in that prospectus are part of the pricing process, the marketing process. It would be inappropriate for the minister or the deputy to speculate either as to what the value of the company will be at this time or at future times. Obviously, they're going to respond to your question, but I just wanted to mention again that we have to be very cautious and they really cannot be speculating about the value of the company.

Hon. Bob Chiarelli: I think it would be fair to say that our financial advisers are telling us that we're still on target to meet the \$9 billion that was referred to in the prospectus. I don't think we should go beyond that.

Mr. Todd Smith: There are no guarantees. This is the open market, and there are no guarantees.

Hon. Bob Chiarelli: It could go up.

Mr. Todd Smith: It could go up. It could go down. It could, right? There are a lot of variables at work here. I know we have to tread lightly there, so—

The Chair (Ms. Cheri DiNovo): Mr. Smith, your time is up.

Mr. Todd Smith: Oh, I guess I won't move on.

The Chair (Ms. Cheri DiNovo): We now move on to the third party. Mr. Tabuns?

Mr. Peter Tabuns: Thank you, Chair. Just a question for the deputy minister first, because I'm not sure I heard a statement correctly: Did you just say a few minutes ago that OPG borrowing increases the stranded debt, or did I mishear you?

Mr. Serge Imbrogno: It increases the total debt, but it's not stranded because it has an asset. It lends, but it has an asset in OPG.

Mr. Peter Tabuns: Okay. Thank you.

On October 10, a government backgrounder said, "The province remains on track to dedicate approximately \$4 billion to the Trillium Trust and \$5 billion towards debt repayments, as outlined at the time of the 2015 budget." The same backgrounder said that these dedications would include a \$2.2-billion one-time fiscal gain from an enhanced, deferred tax benefit resulting from the revaluation of its fixed asset. Am I to understand that the \$4-billion total includes this \$2.2 billion, or should the backgrounder have said that the government is now on track to dedicate a total of \$6.2 billion to the Trillium Trust?

Mr. Serge Imbrogno: No, the \$4 billion would include the \$2.2 billion.

Mr. Peter Tabuns: Okay. Mr. Imbrogno, you previously said that the \$2.6-billion transaction from the Ontario Financing Authority to Hydro One and then on to the OEFC would be cash neutral and fiscally neutral. Was this not correct?

Mr. Serge Imbrogno: Yes.

Mr. Peter Tabuns: So we're recycling the cash. It goes from our working capital to Hydro One. Hydro One pays it to the OEFC. I'm assuming the OEFC isn't paying off debts because, if I understand you correctly, the cash comes back to the Ontario Financing Authority. Is that correct?

Mr. Serge Imbrogno: That's correct.

Mr. Peter Tabuns: Okay. In other words, this \$2.6 billion in cash, including this \$2.2 billion that's going to be dedicated to the Trillium Trust, is already sitting there in the government's treasury, regardless of what accounting has done. There is no new cash coming in or going out. Is that not correct?

Mr. Serge Imbrogno: The Ontario Financing Authority would have working capital cash on hand, so that would be part of their normal course.

Mr. Peter Tabuns: So they're not borrowing?

Mr. Serge Imbrogno: No, they're not doing additional borrowing.

Mr. Peter Tabuns: And that working capital doesn't need to be replenished because the money is coming straight back into it, correct?

Mr. Serge Imbrogno: You can see it almost as an instantaneous transaction.

Mr. Peter Tabuns: Yes. It's a circle: Ontario Financing Authority, Hydro One, OEFC, back to the Ontario Financing Authority. Correct?

Mr. Serge Imbrogno: In effect, but it allows Hydro One to maintain its capital structure, so it has a purpose.

Mr. Peter Tabuns: No, I'm following the circle.

If the government is putting \$2.2 billion resulting from this paper transaction into the Trillium Trust, is it not simply dedicating existing cash that's already in the treasury? Is this not correct?

Ms. Sharon Geraghty: Again, these are two different transactions that we're talking about. The \$2.6-billion payment of the departure tax, which is funded by a \$2.6-billion contribution into the equity, is one thing. The \$2.2 billion, which is an estimate based on the pro formas in the prospectus, is an estimate of a gain that would be ultimately a fiscal gain to the province. They both relate to the fact that the company is leaving the PILs regime, but they are not the same thing. So the \$2.2 billion is separate from that. It's a calculation of a deferred tax asset. It's actually the change in the deferred tax balance in the Hydro One books that will occur if the transaction proceeds. It is a different amount of money; it's not the \$2.6 billion. I just wanted to make sure that was clear.

Mr. Peter Tabuns: Well, if the \$2.6 billion didn't hitchhike its way through Hydro One, then Hydro One's capital structure would be different. It would actually have to take money out of its bank accounts and pay it to the OEFC, correct? I've been told before that if the money didn't go to Hydro One, it would affect its credit rating and its capital.

Ms. Sharon Geraghty: All I am saying is that whether the \$2.6 billion were funded the way it is or not, the estimated change in the deferred tax balance would still happen. It is not dependent upon the way in which the \$2.6 billion is being funded.

Mr. Peter Tabuns: But if the money didn't go into Hydro One, Hydro One would have to pay \$2.6 billion to the OEFC in its departure, correct? And it wouldn't be refunded by the province of Ontario.

Ms. Sharon Geraghty: If the \$2.6 billion weren't funded this way, it wouldn't be funded this way. I'm simply saying that the \$2.2-billion estimated amount, or the change in the deferred tax balance, would occur regardless.

Mr. Peter Tabuns: If, in fact, there was no action on the part of the treasury, the value of Hydro One would be reduced by \$2.6 billion, correct?

Mr. Serge Imbrogno: I think Hydro One would have an obligation to pay the departure tax, so it would make a \$2.6-billion payment.

Mr. Peter Tabuns: Right. So whatever the value of the corporation was before it paid the departure tax, \$2.6 billion would be a reduction in that value.

Ms. Sharon Geraghty: If I'm taking your hypothetical, if the province did not fund the \$2.6 billion, then the \$2.6 billion would be received by the province. I don't know the fiscal results of what that would be, but it wouldn't be offset by the contribution of equity. The province's plan is to make a \$2.6-billion contribution of equity which will ultimately affect the offering—I agree with you—but if we're actually reversing that, if you

hadn't done that, there would be a different impact, I presume, fiscally. That's over two—

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Mr. Serge Imbrogno: I think if you just ended it there, the province would have—because we consolidate OEFC and Hydro One—a \$2.6-billion reduction at Hydro One and a \$2.6-billion increase in payments in lieu, so that would be consolidation, fiscally neutral—

Hon. Bob Chiarelli: On the province's books.

Mr. Serge Imbrogno: On the province's books.

Mr. Peter Tabuns: And I'm assuming that the \$2.6 billion going to the OEFC from the departure tax would be used to reduce the debt of the OEFC. Is that not reasonable?

Mr. Serge Imbrogno: It would be part of the revenues that OEFC would use to reduce its obligations, yes.

Mr. Peter Tabuns: You're putting in \$2.6 billion. You're going to dedicate \$2.2 billion of that \$4 billion that's going to the Trillium Trust. So the new cash coming out of the sale is only going to be \$1.8 billion.

Ms. Sharon Geraghty: Again, all I am saying is that we're in the quiet period so the province should not be—the minister and the deputy should not be speculating as to what the proceeds will be. I just wanted to emphasize that again. We shouldn't be assumed to be stating what the proceeds of the offering will be.

Mr. Peter Tabuns: I'm just going by the published numbers that the province has put out. If it had put out a number saying \$40 billion, I'd be asking you about \$40 billion.

Ms. Sharon Geraghty: Again, I'm just emphasizing that the proposed price range is part of the marketing process, so it is not a speculation as to what we ultimately receive. The market will ultimately have to decide that. I'm repeating myself, but I just wanted to do that.

Mr. Peter Tabuns: And I'll repeat myself as well: The government has used the number \$9 billion. When the Premier gets up in the Legislature and says, "We've got all this money that we're going to spend on bridges, roads, subways, busways, high-speed rail"—a list that's very, very long and substantially more than \$4 billion—she refers back to this sale as being an important piece of that, and she typically uses the number \$4 billion. If you didn't put in that \$2.6 billion—because I understand Hydro One would have less—are we talking about a much smaller number for the amount that will be generated for infrastructure?

Mr. Serge Imbrogno: I think the news release says that the government will dedicate both cash and non-cash gains to the Trillium Trust. I think that's what it's saying. There's a calculation that the non-cash gain is \$2.2 billion. What the government is clarifying is whether it's cash or non-cash—

Mr. Peter Tabuns: So the \$2.2 billion—

Mr. Serge Imbrogno: —because it's a fiscal benefit, the government wants to credit it to the Trillium Trust.

Mr. Peter Tabuns: And so how does the government use the \$2.2 billion in non-cash gains to pay for subway trains?

Mr. Serge Imbrogno: The details of how the Trillium Trust will work will be part of the legislation that the government is bringing forward, so I can't really speculate on how you credit the \$2.2 billion and how you fund it, and how you fund it over time. I think that's something that—

Mr. Peter Tabuns: Sorry, Deputy Minister. I want to go back: There is new legislation coming forward on this?

Mr. Serge Imbrogno: On the Trillium Trust.

Mr. Peter Tabuns: There is new legislation coming forward?

Mr. Serge Imbrogno: That's what we have announced, that there will be legislation on naming the shares of Hydro One as eligible for being included in the Trillium Trust, and then also crediting the non-cash items into the Trillium Trust.

Mr. Peter Tabuns: So the non-cash items will be collateral for borrowing money?

Mr. Serge Imbrogno: Well, it has a fiscal benefit. I think the province is trying to say, "Whether the benefit to us is cash or non-cash, we want to dedicate the fiscal gain into the Trillium Trust." So I think the government wants to be consistent whether it's a cash or non-cash fiscal gain.

Mr. Peter Tabuns: What I see is Hydro One not paying off previous taxes, getting a tax holiday for future taxes, and this province having put \$2.6 billion in more equity into Hydro One, and if we had the \$2.6 billion in the first place then, frankly, that \$4 billion that has been used by the Premier as a figure—there's very little new money; most of it is existing cash that's just being recycled through the books.

Mr. Serge Imbrogno: The gain for the Trillium Trust is from selling the shares in Hydro One. That produces that net fiscal gain. The \$2.6-billion payment on the departure tax doesn't have a fiscal gain for the province, because on one part of the ledger we're getting the \$2.6 billion; on the other side, we're reducing our value by \$2.6 billion. So on that one transaction, there's no fiscal benefit to provide. It really is when you sell the shares in Hydro One that you're producing a net gain, and the province is saying, "We will dedicate that net fiscal gain to the Trillium Trust, whether it's in cash or non-cash."

Mr. Peter Tabuns: The \$2.2 billion that is going to come in value—non-cash value, I gather, is the term—from Hydro One to the Trillium Trust: That's a very big chunk of the \$4 billion that's available for infrastructure, and it wouldn't exist if existing money wasn't pumped into Hydro One, allowing them to have a tax holiday for a number of years in the future and to cover their taxes from the past.

Mr. Serge Imbrogno: I think, as counsel has said, that those two transactions are separate, the \$2.6 billion and the writing up of the tax deferral asset. They are two distinct transactions.

Mr. Peter Tabuns: They're distinct, but they are profoundly linked. If you weren't putting in the \$2.6 billion, you'd have far less to dedicate to the Trillium Trust. Is that not correct?

Mr. Serge Imbrogno: I don't think that's how the calculation would work.

Mr. Peter Tabuns: Well, you've said in the past that if the \$2.6 billion wasn't made available to Hydro One, it would reduce the value of the asset and affect its credit rating.

Mr. Serge Imbrogno: But it doesn't change the tax deferral, the \$2.2 billion that we're talking about. I don't want to speculate on how it could change the proceeds going forward because that's—

Mr. Peter Tabuns: I'm going to go to another question. How is the departure tax calculated, and what is the value of Hydro One that the departure tax is based on?

Mr. Serge Imbrogno: There is a determination by the Minister of Finance. I don't have all the technical details of it. It's dependent on each individual corporation and the information that's provided, so—

Ms. Sharon Geraghty: The only thing that I could add to that is that it's a calculation that is driven off tax rules that are actually—I believe; I'm not a tax expert—in the federal Income Tax Act. What they're designed to do is that, when you leave the PILs regime, the depreciable assets of a company are written up to their fair market value, and I think they create something called eligible capital expenditures. It is the writing-up of those assets to their fair market value on the departure from the system that generates the change in deferred tax balance that we discussed. So the Minister of Finance has determined what they believe that amount should be.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have about five minutes left.

Mr. Peter Tabuns: Thank you.

My understanding is that the departure tax has been set by the provincial government, that the idea in the first place was that if profits were to be realized from sales of utilities, those funds would be used to reduce the hydro debt and they were there to ensure that the value that was passed on to individual investors would help those who are stuck paying rates not to have to cover as much in the future.

I understand that you had in the last budget reduced the departure tax rate, with the idea that it would be easier—and there's a brief window of a few years—for municipalities to sell off their local distribution utilities. Was Hydro One not covered by any provincial legislation, in terms of having to pay a departure tax?

Mr. Serge Imbrogno: So, Mr. Tabuns, there are two taxes. There's a transfer tax that applies to municipal electric utilities that are leaving the PILs regime and are sold to the private sector—more than 10%. Then there's a departure tax that also applies to all the MEUs.

So there are two taxes. What the government did previously was to say that under the transfer tax, there's a holiday if you're 30,000 or less. In public-to-public, there is no transfer tax, but you always pay the departure tax. When you pay the departure tax, the calculation is like a PILs payment. The transfer tax allows you to net off any PILs payments that you make.

There are two different taxes. Hydro One doesn't pay a transfer tax because it is not a municipal utility and the province already dedicates all of its net income to the OEFC, whereas with a municipal electric utility, because it's owned by the municipality, they get the benefit of the net income, and so that is why we impose this transfer tax.

So there are two different taxes: the transfer tax and the departure tax.

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Mr. Peter Tabuns: Okay, so you've told me the transfer tax does not apply to the sale of Hydro One and the departure tax does. If it's the Income Tax Act, the calculation is done by the provincial Minister of Finance or the federal Minister of Finance?

Mr. Serge Imbrogno: The provincial Minister of Finance would have done the determination of what the departure tax is.

Mr. Peter Tabuns: Is there any place where we can look at how that calculation was done?

Mr. Serge Imbrogno: The calculation was made and it's pronounced and it's made public—

Mr. Peter Tabuns: I can see the end number; I can see the bottom line. I don't know what the factors are that allow for the calculation of the \$2.6 billion.

Ms. Sharon Geraghty: It does have to be a reasonable estimate. I may not have the words exactly, but it has to be a reasonable estimate of what the calculation is. In context, when this happens, if it happens because a company is—there's going to be an offering to the public, there is provision for the Minister of Finance to make a reasonable calculation of what that amount should be. So there is a provision that governs how the calculation has to be made.

Mr. Peter Tabuns: And is there any place where the public can see the basis for that calculation? I'm assuming that the Minister of Finance did an assessment of the total value of the corporation and applied a formula. There's a reason that it's \$2.6 billion and not a \$4-billion departure tax or a \$1-billion departure tax. Is there any place where the public can actually see the elements of the calculation?

Mr. Serge Imbrogno: I would think in the Income Tax Act, there is probably—I'm just speculating. I don't want to give you that answer without knowing for sure, but I would think it would outline what the ins and outs of that calculation are in the Income Tax Act. But that's not my area of expertise.

Mr. Peter Tabuns: Have you seen an opinion from the Minister of Finance in writing anywhere that sets out how he made that calculation?

Mr. Serge Imbrogno: I have only seen the end number, that they have made a calculation, a determination that it's the \$2.6 billion.

Mr. Peter Tabuns: Can I ask you—we've been talking about Hydro One. Hydro One Brampton: What is the expectation for cash to be realized from its sale?

Mr. Serge Imbrogno: The public figure is the \$607 million.

Mr. Peter Tabuns: It's \$670 million?

Mr. Serge Imbrogno: It's \$607 million total.

Mr. Peter Tabuns: Where is that money going to be applied?

Mr. Serge Imbrogno: Well, I believe that—the net proceeds—would also be dedicated to the Trillium Trust.

Mr. Peter Tabuns: Is that in addition to the \$4 billion for infrastructure?

Mr. Serge Imbrogno: I would have to check on that. I'm not sure if it's in addition or if it's part of the existing \$4 billion.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, I'm afraid you're out of time. We're now moving to the government side. Mr. Ballard.

Mr. Chris Ballard: Thank you for the information you're giving us, Mr. Minister. It certainly is fascinating and helps to complete the knowledge that I have about how things are rolling along.

I did have a question about the Canadian Energy Strategy. We know that this past summer, the Council of the Federation met in beautiful St. John's, Newfoundland and Labrador, where Premier Wynne worked with her Canadian counterparts to finalize the Canadian Energy Strategy.

The strategy strikes me as a great example of collaboration between provinces and territories on an issue of national importance. Energy policy is an important topic in Ontario as it's an issue that affects every Ontarian directly. I understand that the Canadian Energy Strategy is focused on ensuring energy development takes place in an environmentally and socially sustainable manner. Mr. Minister, my question is this: Can you tell us about the details of the Canadian Energy Strategy and how it will benefit Ontarians? Perhaps, can you also tell us what kind of concrete collaboration we can expect to see coming out of this strategy?

Hon. Bob Chiarelli: Thank you very much for the question, MPP Ballard. The Canadian Energy Strategy has been the subject of a lot of commentary through the media, through the meetings of the various Premiers, and certainly it has been one of the priorities collectively of the Premiers up to this point.

You're probably also aware of the fact that they tried to encourage the then Prime Minister to participate in those meetings. That wasn't able to occur, so it was very much a provincial initiative.

The Canadian Energy Strategy, or CES, was established to address issues of energy demand, diversity of supply, access to new markets, and climate change. It's aimed at ensuring that energy development takes place in an environmentally and socially sustainable manner. It demonstrates a commitment to strengthening the economy, creating jobs, and improving access to affordable, clean, renewable and reliable supplies of energy for all Canadians.

We're taking into account the importance of developing Canada's oil and gas resources while ensuring the environmental protections and community consultations are put in place.

All provinces and territories will work together in order to grow the economy, protect the environment, mitigate climate change, create new opportunities and enhance the quality of life for all Canadians.

The CES expresses a renewed vision that describes the kind of energy future that all Canadians aspire to achieve, and promotes the export of energy, expertise and innovation.

Each province and territory contributing to the development of the strategy has unique energy needs and unique energy assets. Ontario and Newfoundland and Labrador have committed to exploring opportunities for importing clean, reliable electricity into Ontario from Newfoundland and Labrador where feasible and economic. A high-level working group composed of provincial government officials, along with representatives from the IESO—that's the Independent Electricity System Operator—and Nalcor Energy, will undertake a study of the potential for electricity trade. This is about finding ways to lower costs for Ontario consumers and businesses while at the same time fighting climate change through the development of renewable resources, creating jobs and strengthening the economy.

The governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories, Yukon and Ontario are establishing a pan-Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities. Reducing or eliminating diesel use in these communities will reduce harmful emissions, strengthen local economies and create well-paying jobs.

The pan-Canadian task force will be chaired by Manitoba and consist of officials from each of the provincial and territorial ministries and agencies that have policy responsibility for electricity supply in remote off-grid communities and remote off-grid indigenous communities.

This agreement will allow us to work with our provincial and territorial partners to find opportunities for interprovincial collaboration. By taking the diverse priorities of all provinces and territories into consideration, we can continue to develop our energy resources in a sustainable manner while addressing the challenge of climate change.

At this point, I'd like to turn it over to Deputy Minister Imbrogno and ADM Steen Hume, from the energy supply division, to expand on these points.

Mr. Chris Ballard: Thank you.

Mr. Serge Imbrogno: Thank you, Minister. We're very excited about the Canadian Energy Strategy because it gives us an opportunity to work with the other provinces in terms of new supply opportunities and also new innovations, things that we're doing in Ontario that also would benefit other provinces and things that they're doing that would benefit us.

Steen has been working with his colleagues from across Canada to implement, in real terms, the Canadian Energy Strategy, so I'll ask Steen just to walk you through some of the work that we've been doing and some of the interesting opportunities that are available to Ontario.

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Mr. Steen Hume: Good morning, committee. My name is Steen Hume. I'm the ADM of energy supply division in the Ministry of Energy.

Just following up on the comments of both the deputy and the minister, Ontario strongly supports and is encouraged by the work that has come out of the Canadian Energy Strategy. The Canadian Energy Strategy is a real opportunity for Ontario and other provinces. It's an opportunity to strengthen the economy, ensure that we have a secure supply of energy for all Canadians, and support energy innovation and climate change. I think a key point is the notion of collaboration across jurisdictions.

With respect to the strategy itself, I'd like to go into a little bit of background on how we got here because I think it's very important that folks understand that this has been a long process and a lot of work has been done by Premiers, as well as Ministers of Energy and the public service, to support the development of the Canadian Energy Strategy. This work really demonstrates a collaboration exercise amongst provinces and territories.

The kickoff of the Canadian Energy Strategy really took place back in 2007 at the Council of the Federation meeting in Newfoundland. It's a bit ironic that in July 2015, Premiers were back in Newfoundland to kick off the release of the Canadian Energy Strategy.

In the 2012 COF, Alberta at the time, in co-operation with Newfoundland and Manitoba, started to put life back into the Canadian Energy Strategy. At that time, all the Premiers agreed to a renewed Canadian Energy Strategy based on common principles of things like energy conservation, development, use. This really became the foundation for the work that was developed leading into the 2015 release.

Working with provincial and territorial energy ministers, Premiers at the time identified three themes that they wanted to address for the future of energy in Canada. These broad themes included sustainability, conservation, technology innovation and energy to people. These themes were then divided up amongst the provinces to develop working groups that would then eventually report back to Premiers on these types of themes.

In addition, in June 2013, stakeholder engagement workshops were also held in Edmonton, Alberta. This was an opportunity to hear from experts, industry associations, environmental groups, academics, research institutes as well as other provinces and those who were working in the field of energy to inform the energy strategy to give it real life.

In July 2013, at the Council of the Federation, Premiers were provided with a progress report, which was an update on the strategy—an agreement that the Canadian Energy Strategy should be expanded to focus on some important developments that I think were pre-occupying a number of Premiers at the time and the shift building on the initial work of sustainability, conservation, technology innovation and energy to people. They also started to move in the area of affordability, clean

renewable, and reliable supply of energy in aboriginal and remote communities.

In November 2013, we also started to see much more active participation on the part of British Columbia and, in May 2014, an active participation of Quebec. Although these provinces were participating through the COF—

The Chair (Ms. Cheri DiNovo): I'm sorry, Mr. Hume. Your time is not up, but it's time to adjourn. We will reconvene this afternoon at 3:45. Thank you, everyone.

The committee recessed from 1015 to 1555.

The Chair (Ms. Cheri DiNovo): Good afternoon. Before we get started, I believe the official opposition has a request.

Mr. Todd Smith: Yes, I have a motion that I'd like to move, and it doesn't have anything to do with the Blue Jays.

The Chair (Ms. Cheri DiNovo): Move it.

Mr. Todd Smith: I move that this committee request that the Chair of the Standing Committee on Estimates make arrangements to have this committee meet in room 151 for the remainder of the consideration of the 2015-16 expenditure estimates.

The Chair (Ms. Cheri DiNovo): The official opposition has requested that this committee meet in room 151 going forward. Does the committee agree?

Mr. Delaney.

Mr. Bob Delaney: Would the member please give us the reason for his request?

Mr. Todd Smith: It's a much nicer room than this one. No. There's the opportunity there for audiovisual as far as live-streaming the events. It is just a brighter, nicer room. This one can get hot too. It can get very hot. We're big guys here, so—

Mr. John Yakabuski: If the sun is shining, it's very hot.

Mr. Todd Smith: It's just a nicer room. From what I understand, they're using the Amethyst Room now just for report-writing, I believe, on Wednesdays. So if it's possible to move our committee meetings there—

Mr. Bob Delaney: I'm trying to understand this. We grasp that this is a committee primarily, frankly, to assist you in your deliberations as members of the opposition—

Mr. John Yakabuski: Then help us.

Mr. Bob Delaney: Well, help me help you. You say to make arrangements. Do we know, for example, whether or not the facilities of the Amethyst Room may be required by one of the other committees? I don't know what the other committees meeting there are and whether or not those other committees feel that they have a reasonable use for whatever facilities may exist in room 151 that exist here.

The Chair (Ms. Cheri DiNovo): Mr. Delaney, if I may, if you agree to this motion, I will then go into negotiation to make it so. If you disagree with this motion, then it dies right here.

Mr. Bob Delaney: This is why I'm trying to see whether or not we can be helpful. I'm not here to sit down and discuss it to death. But if what you'd like is

support from the government for this, can you report back on whether or not the other committees are amenable to it and—

The Chair (Ms. Cheri DiNovo): Again, I think I can answer that. Yes, the other Chair of the other committee is amenable to it if this committee is amenable to it.

Mr. Bob Delaney: What are the other committees currently using room 151?

Interjections.

The Chair (Ms. Cheri DiNovo): It's actually social policy that's using it. The Chair is sitting right over there. That's the negotiation.

Mr. Han Dong: Chair?

The Chair (Ms. Cheri DiNovo): Yes, Mr. Dong.

Mr. Han Dong: For the two committees to switch location, does the other committee also have to move a motion and pass—

The Chair (Ms. Cheri DiNovo): No. I just have to negotiate with their Chair. But I have to get your agreement. So really what's important is your vote here.

Mr. Han Dong: The reason for my question is that if that room is nicer, wouldn't other members of that committee want to keep that room? I'm just asking. What's the process? Do they have to vote on this?

The Chair (Ms. Cheri DiNovo): No. It would be decided by the two Chairs: myself and Mr. Tabuns as the Chair of that committee. He already agreed before this motion was put forward, but again, it's up to you. The bottom line is it's up to this committee to decide whether you want to move or not.

I think we're going to take one more speaker and then we're going to move to a vote. Mr. Balkissoon?

Mr. Bas Balkissoon: I'm sorry, Madam Chair. You're saying that at this committee we get the chance to discuss it but that committee will not be allowed to? I have to disagree. In fairness to all members who participate in committees, if we're going to make a decision, they should also make a decision. So to me, if this is the interest of everybody—what I hear Mr. Delaney asking for is, "Are we sure?", so rather than approving this motion now, why don't you as a Chair just investigate, get the other Chair to take his vote and come back and tell us?

1600

The Chair (Ms. Cheri DiNovo): I might suggest that we take a vote here, and then we go there and I talk to them. No?

Interjections.

The Chair (Ms. Cheri DiNovo): There is a motion on the floor, and we're going to need to vote on it, so why don't we proceed?

Mr. Bob Delaney: I think we actually are allowed to discuss a motion that's on the floor.

The Chair (Ms. Cheri DiNovo): Sure. Absolutely.

Mr. Bob Delaney: Is the other committee that's using room 151 the select committee?

Mr. John Yakabuski: Yes.

Mr. Bob Delaney: Do you know whether or not—

Interjections.

Mr. John Yakabuski: No, it can't be that one, because Daiene Vernile chairs that committee.

The Chair (Ms. Cheri DiNovo): It's social policy on Tuesday afternoons.

Mr. Bob Delaney: Yes. What I'm trying not to do here is to presume the will of other committees. If it's the will of the other committees and it's the will of this committee, why not? But the point that the government is trying to make here is that we would rather not presume the will of what we understand are two other committees.

On its face, we feel that this request merits some discussion. The only part here is that we're trying not to presume the will of two other committees. Would the Chair like to suggest a solution so that we don't vote on a motion that presumes the will of two other committees?

The Chair (Ms. Cheri DiNovo): Mr. Delaney, fair enough. I will confer with the Chair, who will then take it to their committee.

Yes, Mr. Yakabuski?

Mr. John Yakabuski: It is the select committee that has that room on Wednesdays. Don't forget that we have committee on both days. The select committee does have the room on Wednesdays. So there are two committees that actually have the room: social policy and the select committee.

Interjections.

The Chair (Ms. Cheri DiNovo): Excuse me for a second. The Clerk has just clarified something. The select committee doesn't have any specified time. It's only the social policy committee that has a specified time, so it's the social policy committee that I have to confer with, and I'm quite happy to do that and bring this back on Wednesday afternoon. Is that fine for the committee? Is that fine for the mover of the motion?

Mr. Han Dong: Chair?

The Chair (Ms. Cheri DiNovo): Yes, Mr. Dong?

Mr. Han Dong: I sit on the select committee as well, and we have a very tight schedule to write the report. I think that moving locations and all that discussion is going to disturb the entire discussion on that report—

Mr. John Yakabuski: How would it? You wouldn't even—

The Chair (Ms. Cheri DiNovo): Okay. I'm hearing that somebody has—

Mr. John Yakabuski: One day you go to the other room; one day you go to the next room. What will you do? You're not moving the chairs, Han.

The Chair (Ms. Cheri DiNovo): Quiet, Mr. Yakabuski.

Mr. Dong, I'm hearing that there's already a concern from that committee. I'm just going to test the waters. Does the committee want to vote on this now, or do you want me to investigate further and bring it back on Wednesday?

Mr. Bob Delaney: If the motion has merit, the government would rather not vote it down. We would like to have the Chair investigate this issue so that we do not presume the will of the select committee.

The Chair (Ms. Cheri DiNovo): Is that fair enough for the mover of the motion? I'll bring it back tomorrow

afternoon after checking with that committee and its Chair.

Mr. Todd Smith: You're going to check with the other committee first?

The Chair (Ms. Cheri DiNovo): Yes.

Mr. Todd Smith: Well, let's check with the other committee first, and then we'll vote.

The Chair (Ms. Cheri DiNovo): Thank you, Mr. Smith. Having discussed that—

Mr. John Yakabuski: I'm glad I didn't move a motion to change the brand of toilet paper we use in this building. We'd never settle that.

The Chair (Ms. Cheri DiNovo): Okay, moving right along—

Interjections.

The Chair (Ms. Cheri DiNovo): Moving right along, we will resume consideration of vote 2901. When the committee recessed, the government side had eight minutes and 39 seconds left in their rotation. Government side, please proceed. Mr. Ballard.

Mr. Chris Ballard: Thank you, Chair. I believe we were hearing from the minister about the Canadian Energy Strategy. Minister, I was wondering if you could have your assistant deputy minister of the energy supply division come back and continue telling us about the details of the Canadian Energy Strategy, about how it benefits Ontarians and what kind of concrete collaboration we can expect to see coming out of the Canadian Energy Strategy.

Hon. Bob Chiarelli: Certainly.

Mr. Steen Hume: Good afternoon, committee. My name is Steen Hume. I'm the assistant deputy minister of the energy supply division in the Ministry of Energy.

Before we recessed this morning, we were having a conversation about the work that went into the development of the Canadian Energy Strategy. I was giving the committee an overview of some of the key dates, to highlight some of the work that was going on amongst Premiers and jurisdictions leading up to July 2015.

Where I left off was in 2014, at the Council of the Federation in PEI. This was an important meeting of Premiers with respect to the Canadian Energy Strategy, where all the Premiers at the meeting agreed that a big push had to be put on with respect to finalization of the Canadian Energy Strategy. There was an expectation that by the next summer meeting, the Council of the Federation in Newfoundland, there would be something to review, approve and release.

In 2014, in November, there was also an important thing that occurred between Ontario and Quebec, where a number of ministries, and this ministry in particular, entered into some collaboration discussions based on a joint cabinet meeting. Those collaboration discussions leading to agreements were critical in the development of a future MOU between the Ministries of Energy with Ontario and their Quebec counterpart to explore opportunities for collaboration around electricity trade, which I'll get into in a little bit more detail following some additional details on the Canadian Energy Strategy.

In 2015 in Newfoundland, the strategy was approved by all the Premiers, with broad endorsement of it. The objectives of the Canadian Energy Strategy, as mentioned both by the deputy and the minister, included things like a commitment to strengthening the economy, creating jobs and improving access to affordable, clean, renewable and reliable supplies of energy for all Canadians—important commitments.

The Canadian Energy Strategy was also designed and intended to address a variety of issues that all provinces and territories are facing. These include energy demand, diversity of supply, access to new markets and, of course, climate change.

I think overall, the feeling is that the Canadian Energy Strategy is a flexible framework that allows for provinces and territories to move together on a common vision to shape Canada's energy future. The Canadian Energy Strategy also outlines areas for collaborative action, which is important to this ministry in our discussions with places like Newfoundland and Quebec around electricity trade or the pan-Canadian agreement, discussions around remote communities.

In addition to the collaborative actions that were highlighted in the Canadian Energy Strategy and the importance of that, provinces and territories—Premiers—were also focused on four specific priorities related to energy. The four include:

- energy efficiency: performance policies and standards to drive uptake of energy efficiency improvement;
- the delivery of energy to people: new and enhanced transportation and transmission infrastructure;
- climate change and the transition to a low-carbon economy, which is around expanded market-based mechanisms towards the reduction of GHG emissions; and finally
- technology and innovation: technology to develop and improve access to clean energy, for off-grid communities in particular.

The Premiers at the time felt that additional energy and focus needed to be put towards these four priorities and are expecting, in the coming year, some level of report back on this work.

In addition to these four priority areas, the Ministry of Energy has also been working closely with its provincial and territorial colleagues on energy collaboration opportunities that complement the work in the Canadian Energy Strategy. These include, as I alluded to, (1) the pan-Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities; (2) Ontario and Quebec opportunities for energy collaboration; and (3) Ontario and Newfoundland and Labrador's opportunity for energy collaboration. I'll go into a bit of detail on 1 and 2, and then more detail on the work of Newfoundland.

1610

With respect to the pan-Canadian task force to reduce use of diesel fuel: Basically, the governments of Manitoba, Quebec, Newfoundland and Labrador, the Northwest Territories and Ontario have established a pan-

Canadian task force to reduce the use of diesel fuel to generate electricity in remote communities. Reducing or eliminating diesel use in these communities would reduce harmful emissions, strengthen local economies and create well-paying jobs for those communities.

The pan-Canadian task force will be chaired by Manitoba and consists of officials from each of the provinces and territorial ministries and agencies that have policy responsibility for electricity supply in remote, off-grid communities and remote off-grid indigenous communities.

There's also work under way, as I spoke about a couple of weeks ago when I was before the committee, on the collaboration work between Ontario and Quebec on energy trading. In September 2015, Ontario signed an MOU with Quebec to explore further opportunities to enhance clean energy trade with Quebec that would help to reduce greenhouse gas emissions and provide value to Ontario ratepayers. Any resulting medium-term energy agreement between the two jurisdictions must meet certain threshold criteria. These include help to reduce Ontario electricity sector greenhouse gas emissions, provide savings to Ontario ratepayers and provide composite value to Quebec, and complement other electricity wholesale markets and policy initiatives in Quebec and Ontario.

Ontario remains focused on mitigating costs for Ontario ratepayers. That is a key issue for us.

Finally, with any deal that would go forward with Quebec, we would expect that Quebec would be able to provide us with electricity at a cheaper rate than it would cost to generate it here in Ontario. Our goal is to get the best possible deal for Ontario ratepayers.

The other—

The Chair (Ms. Cheri DiNovo): Mr. Hume, I'm afraid your time is up. Thank you very much.

We're going to move now to the official opposition. Mr. Yakabuski.

Mr. John Yakabuski: Thank you, Minister and support, for joining us today. I'll try to concentrate on energy estimates and not worry about what José Bautista is up to.

It was interesting listening to that stuff about Quebec. I'm really looking forward to the day that you actually sign something other than an MOU. I think what we'll be signing will be an IOU, because you're just dreaming with this stuff you're talking about with Quebec. You're just hoping. This is just fluff that you're putting out there and hoping the people are buying that this is somehow going to be your answer to the energy problems that you've created here in the province of Ontario. I know you're laughing at me, but it's true.

Anyway, let's talk about last week—well, we weren't here last week. Just as I predicted the week before, I said by the cover of darkness we'll get the announcement on what energy rates are going to be effective November 1. As sure as Bob's your uncle—that's an old saying; it has nothing to do with you personally—the announcement came and energy rates, surprise, surprise, are going up.

Mr. Todd Smith: You're like Kreskin.

Mr. John Yakabuski: Oh, I'm not as good as Kreskin. I don't get paid for this, actually. I just have to use the powers of deduction, whereas he actually used ESP.

Anyway, it went up from 8.0 cents to 8.3 cents a kilowatt hour for off-peak times. That's an increase of 3.75%. On mid-peak, it went from 12.2 cents to 12.8 cents. That's an increase of 4.91%. On peak, it went from 16.1 cents to 17.5 cents a kilowatt hour. That's 8.7%. I'm using a calculator, so I'm not even relying on my own math skills to calculate this, and I'd like to know how the Ontario Energy Board—or, if you're telling them exactly what to put in press releases, that's entirely possible, I suppose, because they sure seem to spout the Liberal line. They put out a press release that said that rates are going up 3.4%. We have three different time-of-usage rates here in the province of Ontario. We have three categories: on peak, mid-peak and off peak. At the very lowest, it's an increase of 3.75%; at the highest, it's an increase of 8.7%.

Can you explain to me how you can put out a press release that goes out to the people—because I heard it on the radio in my riding—that the Ontario Energy Board has announced that electricity is going up 3.4% on November 1? Can you help me with the math or simply just tell us that the information was erroneous or deliberately misleading?

Mr. Bob Delaney: Um—

Mr. John Yakabuski: I didn't say anything about him. I said “the Ontario Energy Board.”

Mr. Bob Delaney: I would ask the Chair to be sure that the member just moderates his language.

The Chair (Ms. Cheri DiNovo): It's okay. We'll continue. Minister, you can respond. Thank you.

Hon. Bob Chiarelli: I think the member from Renfrew–Nipissing–Pembroke knows very well that the Ontario Energy Board sets the rates. They make a decision when they're going to announce them, and that's the way it has always been.

We know that the Conservative Party of Ontario has a white paper, which they have not disavowed—the new leader has not disavowed it. It was adopted by Mr. Hudak when he was the leader, just a short while before Mr. Brown came in—a year or so. It says very, very specifically that the position or the policy of the Conservative Party is to expand ownership of Ontario Power Generation and Hydro One—

Mr. John Yakabuski: We're talking about the rates here.

Hon. Bob Chiarelli: No, no, I know that. I'm going to get to the rates very momentarily.

Mr. John Yakabuski: And the math.

Hon. Bob Chiarelli: They also indicated that your party's position is to rely on the Ontario Energy Board to set the rates. That's your existing party policy, which has not been disavowed by your new leader. They actually do the determination. They have public hearings, they have evidence, etc. They determine the timing of the announcement and the method of the announcement. It has

nothing to do with us. It goes directly from the Ontario Energy Board. I'm going to pass it on to the deputy and he's going to—

Mr. John Yakabuski: Okay. Because he has had his pencil out and he's figuring this out.

Hon. Bob Chiarelli:—expand on that answer somewhat.

Mr. Serge Imbrogno: The OEB hires Navigant to do an analysis of the forecast going forward. They would disclose all the information. The 3.4% is calculated based on the increase in the total bill, so what you're referring to is the increase in the commodity portion.

Mr. John Yakabuski: Are you telling me that the distribution charges have gone down? No.

Mr. Serge Imbrogno: No, it's just that when they do the calculation for that particular 3.4%, it's based on what the increase is on the total bill. You can also do the increase on just the commodity part. In the OEB press release, they talk about what the increase on the total bill is for an average consumer.

Mr. John Yakabuski: I would put it to you, then, Deputy, that it is either erroneous or deliberately misleading, because you're not going to be able to take a bill—an average bill or any other bill—and show a 3.4% increase unless they're using every bit of their power at off-peak times, and then it's factored in with no other increase on any other part of the bill. You can't calculate forward because you're talking about November 1. This was the rate on November 1.

I question the accuracy and the transparency of that kind of press release that tells the public that rates are going up 3.4% when the math just doesn't support that.

Mr. Serge Imbrogno: They would have disclosed the increase in each of the components of the off-peak, on-peak and so on. They would have disclosed what the commodity increase would have been. This part of it talks about what the increase is compared to your average total bill.

Mr. John Yakabuski: Could you provide for the committee all of the analysis and the calculations involved in coming up with that figure of 3.4%? Could you provide that for the committee?

Mr. Serge Imbrogno: I think the OEB press release provides all that. It also provides—

Mr. John Yakabuski: No, no. The OEB's press release—there's nothing in there. It says that rates are going up 3.4%. There's no background whatsoever in the press release.

1620

Mr. Serge Imbrogno: Part of the press release is based on the Navigant study, which is—

Mr. John Yakabuski: I understand that. Can you provide for the committee the copy of the Navigant study or whatever the OEB used to come up with that figure? Because I believe that figure is misleading to the public. The public, when they pick up their bill, they don't get a calculator out. They pick up their bill and they say, “Oh, my God. It's up this much. Can you believe it, dear? What are we going to do? It's heat or eat.” They don't get the calculator out, but they know it's more than 3.4%.

Mr. Serge Imbrogo: I can provide the committee with a copy of the Navigant report.

Mr. John Yakabuski: That would be helpful, and if you could lay that out in exactly how they came up with that figure, because that is the figure that has been released to the public, the 3.4%. It was released to the media, which of course is the conduit to the public. So we need to have the information on that and how they calculated that.

Let's get to the increases themselves. We knew it was going to be bad news when we saw the information that was leaking out throughout the summer with regard to power sales to other jurisdictions, and they had losses etc. My question is to the minister: How much do you believe that the average residential energy consumer can absorb when it comes to—what is your position? You must have a number in your mind or a number you've talked about at the cabinet table, something that you say, "This is one that we can get away with." What do you think the average consumer can actually absorb in increased energy costs as a result of this six-month cycle? They view with trepidation the calendar dates when those energy increases are coming into effect. What is your position on how much they can absorb or how tolerant they are for more abuse?

Hon. Bob Chiarelli: That's a very, very good question. That's a very important question. If you look at the 2013 long-term energy plan, there's a chart in there which shows the projected increases in electricity rates over a 20-year period. Over the last several years, the increases have been less than what we had projected—that's number one—because we have really cut down a lot of the capital costs that have been going into the sector; for example, taking \$3.7 billion out of the Samsung contract, indefinitely deferring new nuclear construction, which is twice the cost of refurbishment, and putting dispatch in for wind. That took costs out of the system.

So the rate of increase has diminished. That still doesn't help the consumer a lot, because they still have to pay more. Because of that, and we've said all along, we've rebuilt the system. You can talk about renewables all you want, but you talk about 20 new gas plants, you talk about the Niagara tunnel—

Mr. John Yakabuski: Which you wouldn't have had to build if you didn't put in all the renewables.

Hon. Bob Chiarelli: —you talk about the Lower Mattagami—

Mr. John Yakabuski: You would not have had to build all those gas plants if you hadn't gone down all this renewable road.

Hon. Bob Chiarelli: —all the costs of those have gone on so that we could put ourselves into a situation where we have an adequate surplus or reserve, which is recommended for the system.

As you're aware, because you've asked me the question many times and I've given you the answer many times—

Mr. John Yakabuski: You've given me the spin; you've never given me an answer yet. I'm still waiting for the answer.

Hon. Bob Chiarelli: —we've created programs to mitigate the rate increases. We've created a number of programs to mitigate increases for the ratepayer. You know that we have an Ontario Energy and Property Tax Credit that saves qualifying individuals up to \$993 a year, with a maximum of \$1,131 per year for qualifying seniors. You know that, in addition to the new program coming forward, there's a Low-Income Energy Assistance Program that provides emergency financial support of up to \$600 for families and individuals having trouble with their bills. You know that we have a Northern Ontario Energy Credit, which helps families and individuals in northern Ontario by providing tax credits for low- to middle-income families and individuals living in northern Ontario. The maximum annual credit for a single person is \$143, and for a family, including single parents, it's \$221.

You also know that we have some new reductions coming online, which is the Ontario Electricity Support Program, which will reduce rates for modest-income families—

Mr. John Yakabuski: What's that again? What do you call that again?

Hon. Bob Chiarelli: The Ontario Electricity Support Program will reduce rates for modest-income families by \$360 per year. In addition, the debt retirement charge imposed by the Conservatives—you'll recall that—is being removed from residential bills starting in about nine weeks, saving homeowners \$70 per year. Those are in addition to those other programs—

Mr. John Yakabuski: What about anything else that you're taking away from the consumer?

Hon. Bob Chiarelli: Yes. The Clean Energy Benefit will be cutting off January 1—

Mr. John Yakabuski: The Ontario debt retirement charge was going to save the consumer how much?

Hon. Bob Chiarelli: Seventy dollars.

Mr. John Yakabuski: How much?

Hon. Bob Chiarelli: Seventy.

Mr. John Yakabuski: Seventy. How much is the taking away of the Clean Energy Benefit going to cost them?

Hon. Bob Chiarelli: I think it's \$110 or \$120.

Mr. John Yakabuski: Yeah, so they're down 40 bucks there.

Let's just talk about a few of those. Every time you talked about one of these, you said, "qualifying, low income." Each one of these has a threshold. You've arbitrarily decided what that threshold is.

We looked at some of your programs, and when you just fall outside of the program—it's not like there's a sliding scale. If you're outside of the program, you don't benefit at all. You could be in one of the worst positions with regard to having energy poverty or being completely reliant on energy, depending upon your situation. You're a senior couple, living alone, in a baseboard electrically

heated home, but your income just gets above the maximum threshold.

The Chair (Ms. Cheri DiNovo): Mr. Yakabuski, you have about five minutes left, and, you should know, Kansas City is ahead four; the Blue Jays, zero. Continue.

Mr. John Yakabuski: That's almost as bad news as what I keep getting from the Minister of Energy. But the good thing is that the Blue Jays are going to come back with some good news—I'm confident of that—but I'm afraid the only thing I'm going to get from the minister is going to be bad news.

Here we are: You're just outside of that threshold. What do you say to those people? These are the ones who are at my doorstep—I guarantee you, they're at Mr. Smith's doorstep, and of all of those folks over there, which I'm never going to hear about, because they've been told by the corner office on the second floor, "Don't talk about it." But I'm sure you hear about it, Minister, and not just—

Mr. Bob Delaney: Chair?

The Chair (Ms. Cheri DiNovo): Excuse me for a second. Mr. Delaney, yes, quickly.

Mr. Bob Delaney: On a point of order: The same rules that apply for imputing motive in the Legislature also apply in committee. The allegation and the imputation of motive made by the member crosses the line.

The Chair (Ms. Cheri DiNovo): Okay, thank you. Back to Mr. Yakabuski.

Mr. John Yakabuski: I was not impugning any motives at all; I was simply correctly implying that the decisions are made in the corner office on the second floor and they are bound to abide by them or they'll find themselves out of their PA job or whatever.

Here we go: What do you say to those people who fall just outside of the lines, Minister? I know you hear about them in your riding, too, not just because you're the Minister of Energy, but you're a good constituency man; I know that. You hear about them, too. What do you tell those people when they're going into energy poverty as a senior couple, living in a home electrically heated with baseboards built in the 1970s and their hydro bills are \$700, \$800 a month and going up? What do you say to them?

Hon. Bob Chiarelli: A number of things. Number one: The former Environmental Commissioner, supported by both the NDP and the PCs, called for a bigger spread between peak and non-peak, stating that a bigger differential between off-peak and on-peak would help Ontarians conserve electricity—

Mr. John Yakabuski: How does that change something for a senior who's living at home in the wintertime and they've got to heat the home?

Hon. Bob Chiarelli: I'm just going to keep on talking because you asked for an answer and I'm providing an answer.

The Chair (Ms. Cheri DiNovo): One at a time, please.

Hon. Bob Chiarelli: The Auditor General, whose appointment the NDP and PCs both supported, said that

the on-peak to off-peak ratio needed to be broadened to further incent conservation. In fact, I think the Environmental Commissioner said it needed to be a 5-to-1 differential which is very, very—

Mr. John Yakabuski: I'm not interviewing the former Environmental Commissioner.

1630

Hon. Bob Chiarelli: So we're providing tools for individual consumers to help mitigate what they're paying on their electricity bills.

We also have a significant number of conservation programs that are offered through the LDCs, and there are enhanced conservation programs that are in the making right now because the 70 LDCs have signed contracts with the IESO to raise their targets for conservation, to help people mitigate the rates. So they have that tool, conservation; they have the time of use that they can use.

The other thing, really—and I have to admit that maybe we haven't communicated it as well as we could have, and I certainly do personally as an MPP—is by making the individual consumers aware of the programs that they can access. So we communicate with them, basically telling them about the Ontario Energy and Property Tax Credit, the Low-Income Energy Assistance Program, the saveONenergy Home Assistance Program, including help to buy energy-saving appliances.

We're trying to implement what the Auditor General has asked us to do, what the former Environmental Commissioner asked us to do, in terms of providing tools for consumers to assist them with their bills.

I'm going to ask the deputy to respond to that as well.

Mr. John Yakabuski: I think we're just about out of time. You ragged the puck long enough that I'm not even going to get another question.

Hon. Bob Chiarelli: You rag the puck by asking such long questions.

The Chair (Ms. Cheri DiNovo): You have about 30 seconds left—rag on.

Mr. Serge Imbrogno: I would just say, on the Ontario energy support program, the Ontario Energy Board did an extensive consultation with low-income communities to target the program to the groups that need it the most. So I think that what you see in the OESP is a program that came about through extensive consultation—

The Chair (Ms. Cheri DiNovo): Thank you, Deputy Minister. We are now going to move to the third party. Mr. Tabuns.

Mr. Peter Tabuns: Thank you, Chair. I want to just follow up on a question I asked earlier. The sale of Hydro One Brampton will bring in how much? My note was \$670 million, but I'm not sure I heard you correctly.

Hon. Bob Chiarelli: It's 607, I think.

Mr. Peter Tabuns: It's \$607 million? Where will that revenue go?

Mr. Serge Imbrogno: It will be the same as when we dispose any other asset. So a portion would go to pay down some of the debt. The net proceeds would go into the Trillium Trust.

Mr. Peter Tabuns: What's the ratio?

Mr. Serge Imbrogno: I don't have the net number from that particular sale.

Mr. Peter Tabuns: Can I ask you to get it?

Mr. Serge Imbrogno: We're in the process of trying to track that down.

Mr. Peter Tabuns: Okay. So that's noted in Hansard that that's coming forward.

I'm trying to understand the benefit to ratepayers who will be paying for transmission services, as well as distribution services. Of the \$800 million that's going to be borrowed by Hydro One that the ratepayers will be paying back that's going to be paid to the province of Ontario, what's the benefit to the ratepayers?

Mr. Serge Imbrogno: There's no impact on the ratepayers.

Mr. Peter Tabuns: Won't they have to pay back that \$800 million?

Mr. Serge Imbrogno: The OEB would only allow increases that are prudent and justified.

Mr. Peter Tabuns: So you're telling me the OEB won't allow Hydro One to recover funds for that \$800 million, and that this is not a prudent or justified expense?

Mr. Serge Imbrogno: I'm saying Hydro One is using the deemed equity-debt ratios that are provided by the OEB. So they're working within the OEB construct.

Mr. Peter Tabuns: So, in fact, the ratepayers will be charged to pay back this \$800 million; is that correct?

Mr. Serge Imbrogno: It will be part of Hydro One's rates—

Mr. Peter Tabuns: Right.

Mr. Serge Imbrogno: I'm not saying they're additional to that. I'm saying that Hydro One is working within what is allowed by the OEB.

Mr. Peter Tabuns: I'm sorry. There was a bit of noise there. Could you repeat that, please?

Mr. Serge Imbrogno: I'm saying that the OEB sets the deemed debt-to-equity ratio—

Mr. Peter Tabuns: Right.

Mr. Serge Imbrogno: —that Hydro One is working within. So they're not going outside the bounds of the OEB; they're doing what the OEB allows.

Mr. Peter Tabuns: I understand that. The OEB will allow a lot. But I don't see what the advantage is to the ratepayers of taking on \$800 million more in debt. How is that going to help the ratepayers?

Mr. Serge Imbrogno: Well, it is helping to have a capital structure that's efficient. Hydro One is moving forward with what is allowed by the OEB, like any other LDC would be allowed to do.

Mr. Peter Tabuns: But, Deputy, if Hydro One borrowed \$800 million and set up a fund to help ratepayers conserve energy, I can see assuming that debt would actually come back to the ratepayers in the system. But Hydro One is going to borrow \$800 million and turn it over as a dividend to the province of Ontario, and the ratepayers, who don't pay based on their income but pay a flat rate for electricity, will be paying \$800 million.

What's the advantage to the ratepayers of taking on \$800 million more in debt? Is there any advantage?

Mr. Serge Imbrogno: What I'm saying is, that is what the OEB allows any corporation that's regulated by the OEB to do. They set a debt-to-equity ratio—

Mr. Peter Tabuns: I have no doubt they allow it to be done. I'm not arguing that. I don't think it's illegal. What's the benefit to the ratepayer?

Mr. Serge Imbrogno: Well, the benefit is having an efficient capital structure, being able to borrow with an efficient capital structure.

Mr. Peter Tabuns: Well, yes, they borrowed and they're going to pay back a debt, but they aren't going to get any benefit from that debt, are they? It won't make the electricity system more efficient. It won't help them reduce their costs. It's just a debt that they're going to be paying off. That's a dividend to the province. Correct?

Mr. Serge Imbrogno: I wouldn't characterize it that way.

Mr. Peter Tabuns: Well, how would you characterize it? If you borrow \$800 million, don't spend on the electricity system and give it to someone else, they're stuck paying debt and they don't get any benefit—unless you can tell me there's a benefit.

Mr. Serge Imbrogno: Well, I think the benefit is having an efficient capital structure, which is allowed of every LDC. Anyone that's regulated by the OEB has a deemed debt-to-equity ratio that they're allowed to structure towards.

Mr. Peter Tabuns: No, I understand they're allowed to have a debt-to-equity ratio, but they're taking on a debt that they're going to pay off on their rates for years to come, and they won't see any benefit from it. It's a loss to them, is it not?

Mr. Serge Imbrogno: Well, they would have a change. They would have more equity than debt. They're now rebalancing to have more debt than equity.

Mr. Peter Tabuns: So why didn't they borrow \$800 million to improve the Hydro One system and make it more efficient? Why are they borrowing \$800 million to give to the province and taking on more debt that ratepayers will have to pay off, and they won't see any benefit in the operation of the system or their bills?

Mr. Serge Imbrogno: I think Hydro One is moving to a more efficient capital structure, which is more debt and less equity—

Mr. Peter Tabuns: Why didn't you borrow \$800 million to improve the system?

Mr. Serge Imbrogno: Well, they're improving the system in other ways. This is allowing them to have an efficient capital structure—

Mr. Peter Tabuns: They could have borrowed \$800 million to deal with outstanding contamination. That would have made Ontario a cleaner place. But borrowing \$800 million, and there is no benefit to the ratepayers that you can point out to me—they're going to pay for it, no question, unless you or the OEB deems it an imprudent cost. Do you think it's imprudent?

Mr. Serge Imbrogno: I think having an efficient capital structure that's deemed by the OEB is prudent by Hydro One. If they need to borrow to invest in infrastructure, that's also part of what Hydro One does and they have a plan for doing that.

Mr. Peter Tabuns: But they aren't borrowing for infrastructure. Are they? Minister?

Hon. Bob Chiarelli: Why don't we let counsel try to answer, maybe a little bit differently than that?

Mr. Peter Tabuns: I'm happy to have counsel give it a shot.

Ms. Sharon Geraghty: Thank you. I think everything the deputy said is correct. But I think what he's trying to say—maybe there's a misunderstanding with you—is that the company needs capital to do what it does. Right now it has capital in the form of \$800 million of equity, and it's shifting that capital that it has to debt in order to have the deemed capital structure that the OEB assumes it has for purposes of rate-setting anyway. So it's just moving capital that it has from equity effectively to debt.

Mr. Peter Tabuns: Well, I can see how you can take on \$800 million of debt in a variety of ways. There are a variety of things that the electricity system needs. It could have taken on \$800 million in debt to beef up the transmission links with Quebec to buy power. We could have borrowed \$800 million to beef up the transmission system in northwestern Ontario to deal with problems there. You're telling me they're borrowing more money in order for the structure of the debt-to-equity to look better but not actually to improve the system itself.

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Ms. Sharon Geraghty: What the deputy is saying and I'm repeating is that the OEB assumes a debt-to-equity structure which this dividend will allow the company to mirror because it's being treated for rate-setting purposes as if it has that capital structure already.

Mr. Peter Tabuns: I don't think you've said anything to me that says to me that this will be an improvement to ratepayers. If I go talk to my constituents and say, "Hydro One, which delivers power from these generating stations across Ontario to you, is borrowing money, is going to pay it to the government of Ontario, but it's actually something that you're going to pay for in your rates. You're not going to see any advantage," I don't think they would be happy with the idea of simply inefficient capital structure.

Ms. Sharon Geraghty: I think what we're saying is that this won't impact rates. It doesn't change the rates that are in place now because it's simply a change to the capital structure of the company.

Mr. Peter Tabuns: If you change the capital structure of a company and you lose \$800 million in the process—

Ms. Sharon Geraghty: But they haven't lost \$800 million.

Mr. Peter Tabuns: Are they paying \$800 million to the province of Ontario?

Ms. Sharon Geraghty: The province of Ontario's equity is being reduced by \$800 million.

Mr. Peter Tabuns: After putting in \$2.6 billion to beef up the equity?

Ms. Sharon Geraghty: As you know, that's separate.

Mr. Peter Tabuns: Yes, but I'm watching all the numbers going back and forth. You're telling me you have to put in \$2.6 billion to beef up the equity. Why don't you put in \$1.8 billion instead of \$2.6 billion?

Mr. Serge Imbrogno: The \$2.6 billion relates to the payment of the departure tax, and so that—well, we've been through this transaction—

Mr. Peter Tabuns: They could have borrowed \$800 million to pay the departure tax. I know that \$2.6 billion is for the departure tax, but in addition to all of that there's another \$800 million that's being borrowed that people will have to pay off.

I have to say to you, I know you're shaking your head and, for the record, you do look a bit frustrated, but what—

Ms. Sharon Geraghty: No, I'm not frustrated.

Mr. Peter Tabuns: No. You're—

Ms. Sharon Geraghty: I'm trying to be helpful. That's all, and I sense I'm not being helpful, but I want to be.

Mr. Peter Tabuns: I think for myself and for my constituents who are dealing with hydro bills that make them crazy, this whole idea of borrowing money that doesn't improve the system but is going to be part of their costs in the years to come doesn't make sense. I'll leave it at that for the moment.

Before I go to the contaminated sites, will the corporate taxes paid by Hydro One go to pay down the hydro debt of the Ontario Electricity Finance Corp.? I'm assuming this new Hydro One will be paying corporate taxes. Correct?

Mr. Serge Imbrogno: Once it exits the payments-in-lieu-of-tax regime, it would be subject to regular income tax.

Mr. Peter Tabuns: And will that money be directed to pay off the hydro debt?

Mr. Serge Imbrogno: That would be a question better posed to the Ministry of Finance. The PILs are directed to the OEFC. Actual corporate taxes: That would be another question for finance.

Mr. Peter Tabuns: Will the new revenue from the Hydro One dividends go to pay down OEFC debt or go into general funds, consolidated revenue?

Mr. Serge Imbrogno: Sorry. Could you repeat that one again?

Mr. Peter Tabuns: Will the new revenue from the Hydro One dividends—it's going to be declaring a \$500-million dividend, according to the prospectus. Will the province's portion of those dividends be used to reduce the hydro debt held by the OEFC?

Mr. Serge Imbrogno: I believe it will be the same. We have 85% of it versus the 100%. So it would be the same proportion and the same dedication to the OEFC. About 85% of the—

Mr. Peter Tabuns: Will go to the OEFC. Correct?

Mr. Serge Imbrogno: Yes. Before, it would have been 100%. Whatever the—above the cost of borrowing.

Mr. Peter Tabuns: Will this reduce the revenue that's used to pay down the stranded debt and extend the time it'll take to pay off the hydro debt? If we're only getting 85% now and in a little while we'll get 40% less, then eventually we'll only be getting 40% of that revenue—revenue that was supposed to be paying down the Hydro debt.

Mr. Serge Imbrogno: That's a calculation that finance would make in terms of—you have a couple of things happening. You have more upfront revenue, and then you have a loss of some revenue streams going forward. They'd have to make a calculation to see—some are going up, some are going down on that—does it change your defeasance state?

Mr. Peter Tabuns: But when I've asked you previously about which debt was going to be paid off, there was no specificity. You just said debt generally—not to the residual stranded debt, not necessarily to the stranded debt, just to debt. Ontario has a lot of debt.

Mr. Serge Imbrogno: I thought you were referring to the impact on the debt retirement charge and whether it would end earlier or later. That calculation is partly forward looking—what you think the revenues are going to be going forward. When you do that calculation, if you have 85%, it would be lower revenues forecast going forward, but you'd also have more upfront revenues. I think there's a calculation that finance would have to make to see, are you defeasing at the same time or not?

Mr. Peter Tabuns: Is the \$5 billion in debt reduction that comes from the sale of 60% of Hydro One going to be used to reduce the residual debt?

Mr. Serge Imbrogno: Not the residual debt, but the debt. It's not a stranded debt because it's part of an asset. It will reduce debt, but it doesn't have an impact on stranded debt.

Mr. Peter Tabuns: So it isn't going to pay the debt that the OEFC is holding.

Mr. Serge Imbrogno: Well, it will pay the debt, but not the stranded debt. There's a difference between—because it's backed by an asset. There's an asset and you're selling the asset and you're paying down the book value of that asset. That doesn't change your stranded debt position.

Mr. Peter Tabuns: So ratepayers will still be on the hook for the stranded debt, and the payment will go to pay a part of the debt that the ratepayers aren't having to deal with right now?

Mr. Serge Imbrogno: It's paying down debt in the OEFC; it's just not having that impact on stranded debt because it's not a stranded asset. It's—

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have about five minutes left.

Mr. Peter Tabuns: Thank you.

I'm going to go to another question about contamination. The Hydro One prospectus describes present-day value of \$207 million in environmental liabilities for Hydro One—page F23, I think. Do you have or can you

provide a list of those contaminated sites and those contamination problems that Hydro One is dealing with?

Mr. Serge Imbrogno: I'm sorry; what page is that?

Mr. Peter Tabuns: I was told F23.

Mr. Serge Imbrogno: I must have a different—so you're asking whether we can provide the—

Mr. Peter Tabuns: Provide a list of what the sites are that are going to have to be decontaminated. What are the exact liabilities? Are we talking about a hundred barrels of PCBs in a warehouse somewhere in Etobicoke or are we talking about a brownfield site?

Ms. Sharon Geraghty: The only caution I have is, as we've said before, we can't expand upon what's in the prospectus. The prospectus was designed to provide to investors all the material information, and so this was described in a way that was intended to provide all the material information. I do not know if the information that you're requesting is public, and so this is the description that I think people determined was the—

Mr. Peter Tabuns: Well, I'll ask for the description of the contaminated sites as of December 31, 2014.

Ms. Sharon Geraghty: I think that's equally something where I just want to be cautioning us not to try to expand—I'm not even sure you're in a position to do so, frankly, but just be careful about expanding on what's in the prospectus. This detail may or may not be public; I don't know.

Mr. Serge Imbrogno: I think if it's in the prospectus, that's probably the amount of disclosure that Hydro One has provided. It's possible, in previous submissions to the OEB, they may have disclosed information in their rate filings and that would be publicly available if they've done that.

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Mr. Peter Tabuns: Do you have access to that from the Ministry of Energy?

Mr. Serge Imbrogno: I think whatever they've filed in the past would be available on the OEB website, so I think that would be publicly available, if they've disclosed that.

Mr. Peter Tabuns: I'm curious as to on what basis the assessment has been made. In public accounts, in the figures "Liabilities for Contaminated Sites in Public Accounts of Ontario 2014-2015, Consolidated Financial Statements," the liabilities for contaminated sites were \$107 million in 2014 and \$1.792 billion in 2015. The method for assessing contamination was changed. Previously it was based on federal regulations. The new number has been restated based on provincial regulations. Is the number that's in the prospectus reflecting the old method of assessing or the new method of assessing?

Mr. Serge Imbrogno: I don't know the answer to that.

Mr. Peter Tabuns: Can I ask you to find out the answer? Because I think it's quite material. It's a very substantial difference between the two figures.

Mr. Serge Imbrogno: To the extent that it doesn't get us offside the prospectus, we can find what methodology was used.

Mr. Peter Tabuns: Well, does the prospectus state whether or not it's using the most current provincial method for determining liability, or the previous one, which was dramatically smaller?

Ms. Sharon Geraghty: I do not recall what the prospectus specifically describes. I'm not sure it goes into that level of detail. I can tell you that, given that this is in the notes to the financial statements, I'm confident that it describes it in accordance with GAAP, for example, in how the auditors would have required it to be disclosed. So that would have been current as of June 30, 2015.

Mr. Peter Tabuns: Well, in 2014 the contaminated sites number at \$107 million, I'm sure, was consistent with GAAP as well—generally accepted accounting practice. But it's been restated, and I think I would like to know, and many would like to know, whether it's based on the old system of assessment or the current system.

Ms. Sharon Geraghty: This reporting that we're talking about in the prospectus is reporting by Hydro One, as you know, and they I'm sure have complied with all of the standards and provided the details that they're supposed to.

The Chair (Ms. Cheri DiNovo): I'm afraid we'll have to end it there. Your time is up. By the way, it's Kansas City 5; Jays 0.

We're going to move to the government side. Yes, Ms. Kiwala.

Ms. Sophie Kiwala: Thank you very much for your time on this committee. It's been very interesting so far.

While we're on the subject of finance, I'm pleased that we're having this discussion about it, because this whole conversation relates back to exactly why we are having the discussion in the first place, which is about reinvesting in the province and infrastructure and transportation.

I understand that recently Hydro One released an amended and restated prospectus that contained the number of shares in the Hydro One IPO and a share price in the range of between \$19 and \$21. I'm wondering if the minister can provide some information about what the amended and restated prospectus means in terms of what Ontarians will get out of the IPO. More specifically, are we still on track to get the \$9 billion: \$5 billion to pay down debt, and \$4 billion to invest in transit and transportation infrastructure?

Ms. Sharon Geraghty: I might just say again—sorry—just to caution that when he's answering this question, it's important he not speculate on the value that the company will actually have and so on.

Hon. Bob Chiarelli: Okay, thank you. I'll respond to that, then I'll ask counsel and perhaps the deputy to expand on my answer.

Broadening the ownership of Hydro One will create, we believe, a stronger-performing customer-service-focused company. Any efficiencies created will also put downward pressure on electricity rates. This move will provide billions to help finance the single largest investment in transit and transportation infrastructure in the province's history, without increasing borrowing, raising taxes or cutting public services. We believe we have a mandate to do that.

Despite any recent global market volatility, the province remains on track to realize our budget target of \$9 billion generated through the IPO—\$4 billion for infrastructure investment and \$5 billion for debt repayment. Our goal, as we've always said, is to get the best possible value for the people of this province and to invest billions of dollars in infrastructure through the Trillium Trust.

The amended and restated prospectus is a very standard step in the process of moving forward with the IPO. It applies to all companies who are going forward with IPOs, including Hydro One and any others who do so. It includes an initial share price range of \$19 to \$21. Typically, such estimates tend to be prudent and careful, leaving room for market reaction. The final price will only be decided after a defined marketing period with potential investors, as well as by further analysis. In fact, there are many cases where the final price of an IPO is listed higher and, in some cases, lower.

Our goal, as we've always said, is to get the best possible value for the people of this province, and also to invest billions in infrastructure through the Trillium Trust. Proceeding in a careful, staged manner of multiple tranches allows us to stay on track and realize our targets. We remain confident with our earlier estimates that the province remains on track to realize our budget target of \$9 billion generated through the IPO. We will also realize an up-front payment of \$1 billion in the form of an \$800-million special cash dividend to pay down provincial debt associated with Hydro One and \$200 million in payments in lieu of taxes. We will also benefit from a higher than originally anticipated fiscal gain, which is estimated to be approximately \$2.2 billion and will be invested in the Trillium Trust.

The range included in the prospectus is a prudent, careful estimate, and final figures will only be known after the marketing. Our goal, as we've always said, is to get the best possible value for the people of this province, and also to invest billions in infrastructure through the Trillium Trust. We've considered this issue carefully, given recent attention on market conditions and continuing challenges in certain sectors. With the input of our financial advisers, we believe that it is an appropriate time to proceed with the marketing efforts. By proceeding in a careful, staged manner like this, we're able to stay on track, reduce risk and realize our financial targets for the benefit of the province. If anything, this validates our approach and stands in marked contrast with the reckless plan proposed by the former PC government to sell 100% at once.

I'm going to ask counsel if she might have a comment or two on that, and then I'll ask the deputy to comment.

Ms. Sharon Geraghty: I'll only expand on what I was saying before, which is that the information that you've noted in the prospectus—the number of shares and the estimated price range—is, as the minister said, a standard part of the marketing process. It will be used by the company and the dealers in this marketing phase of the process. Ultimately, whatever the market determines is the right price will be the price, and we shouldn't be speculating, obviously, on that.

Mr. Serge Imbrogno: I think the only other thing I would add is that the amended, restated prospectus talks about the 81,100,000 common shares, but there's also an over-allotment option of 8,150,000 common shares that should also be factored in that brings it up to the full 15%.

Ms. Sophie Kiwala: Thank you. While we're on the subject, I would also like to ask another question about First Nations collaboration. As you know, I've been doing some work through the Ministry of Tourism, Culture and Sport on a survey with aboriginal First Nations libraries. We've been speaking a lot about many different aspects of their community and some of the different ways in which they collaborate with different levels of government or within their communities.

1700

When the 2013 long-term energy plan was being developed, I believe there were many consultations regarding how to best involve First Nations communities in Ontario's energy sector. My question is: As a result of those consultations, what is the government doing to promote those aboriginal partnerships—which are so important for them—in new energy projects?

Hon. Bob Chiarelli: Thank you very much for the question.

The issue of aboriginal affairs, if I can put it that way, and how it relates to the energy sector is very important to the people across the province, not only to aboriginal communities. We made very significant efforts to engage with First Nation and Métis communities; we're continuing to do so. I meet regularly with the Chiefs of Ontario, as other ministries do in their particular mandate—but we're doing it in the energy sector.

We've had some significant successes. In total, 65 First Nation and Métis communities are involved in wind, solar and hydroelectric projects across the province. They are participating in more than 500 projects representing over 1,500 megawatts of clean energy capacity. That also includes significant transmission. The Bruce-to-Milton transmission line, which I think is somewhere around a billion-plus dollars, has significant First Nation equity participation.

The Lower Mattagami dam expansion, which I think is a \$2.6-billion dam expansion, also has significant aboriginal First Nation equity participation.

The former Aboriginal Renewable Energy Fund helped to eliminate barriers and encourage partnerships and participation in renewable energy projects by First Nation and Métis communities. Over \$8.5 million was committed under the Aboriginal Renewable Energy Fund.

A new streamlined program, the energy partnerships program, is in development and will provide funding to First Nation and Métis communities that are exploring partnerships on renewable energy projects and transmission projects, as well as development work on renewable energy projects.

Ontario's Aboriginal Community Energy Plan Program, or ACEP, continues to support First Nation and

Métis communities to understand and plan for their electricity needs and opportunities by developing a community energy plan. To date, over 44 communities have received Aboriginal Community Energy Plan Program funding.

We will continue to provide opportunities and support programs to encourage First Nation and Métis community involvement in Ontario's clean energy economy. The Aboriginal Loan Guarantee Program, or ALGP, supports First Nation and Métis communities' equity participation in renewable energy and transmission projects by providing a guarantee for up to 75% of the equity. To date, nearly \$200 million in guarantees has been provided to six projects.

Our government believes our First Nation and Métis communities have an important role to play in Ontario's energy future. We have taken significant steps to encourage and facilitate aboriginal participation in the energy sector, including support through the following programs: the Aboriginal Renewable Energy Fund, which was replaced by the energy partnership program; the Aboriginal Loan Guarantee Program; and the Aboriginal Community Energy Plan Program.

The large renewable procurement and FIT program continues to include incentives to encourage the participation of aboriginal communities, including an aboriginal adder and contract capacity set-asides.

Our government will continue to provide support for First Nation and Métis involvement in our clean energy economy.

At this point, I would like to ask Deputy Minister Imbrogno and ADM Michael Reid from the strategic, network and agency policy division to expand further on these points.

Mr. Serge Imbrogno: Thank you, Minister. I think I'll let Michael talk in a bit more detail. What I would say is, it really is a change in perspective of how we're engaging First Nations and Métis communities. It really is about finding ways to provide them with the opportunity to have equity in either generation or transmission facilities. So a lot of what we do is engage, provide support and make sure they have the opportunity to participate.

I think Michael can walk through how we're doing that through the FIT program, how we're doing that through LRP, like the minister said, and how we've done that in the past on transmission and what the opportunities are going forward.

The Chair (Ms. Cheri DiNovo): Mr. Reid, just to let you know, you have about six minutes.

Mr. Michael Reid: Okay. Thank you. It's Michael Reid, ADM of the strategic, network and agency policy division at the ministry.

Just to pick up on the points made by the minister and the deputy, engagement with aboriginal communities has been a long-standing pillar of Ontario energy policy. As the deputy mentioned as well, it is really about community economic development, so a lot of the emphasis has been on finding ways to help aboriginal communities take equity positions in renewable energy projects as well as transmission projects.

You started off the question asking about the long-term energy plan. During the 2013 long-term energy plan process we did quite an extensive roadshow devoted to First Nation and Métis communities. We went to about 10 cities all across the province, including up in the Far North, Kenora I guess being the most northern place that we went. We talked to a significant amount of people. It was about 100 communities in total, both First Nation and Métis, that were represented in those engagement and consultation sessions.

The feedback that we got through that process you can see reflected in the 2013 LTEP, where there's an actual entire chapter devoted to First Nation and Métis engagement in the energy sector. I think that has been quite a huge success story. The minister has already noted some of the significant numbers; for example, 65 communities participating in about 1,500 megawatts of clean energy, as well as transmission.

Of that generation, roughly half of it is through programs such as the feed-in tariff program. As the deputy mentioned, as we design things like the feed-in tariff program, there has been an emphasis on making sure that there are parts of the program that recognize the unique needs of aboriginal communities. For example, these programs contain things such as aboriginal adders, which is that a project with community aboriginal equity participation can receive an extra little bit of economic benefit to the program. The idea there was, it allows communities to become actively involved in discussions with developers and also enables communities to have some money that they can bring as equity to these projects.

Another half of that is large-scale projects outside of the feed-in tariff programs the minister has mentioned: the Lower Mattagami project, which was a very significant hydroelectric project with Ontario Power Generation. The minister also mentioned the Bruce-to-Milton transmission line, which was a very significant line built by Hydro One that now has roughly a third economic participation by the Saugeen Ojibway Nation, whose traditional territories are around the Bruce-to-Milton line area.

Those are fairly large and very significant examples of the engagement of First Nation communities in system and energy planning.

In terms of some of the other key ways that programs are designed to help encourage aboriginal equity participation, I've mentioned the price adder, but there are also additional things such as reduced security deposits for projects when they have a greater than 50% aboriginal participation.

Some of the newer programs have a points system that prioritizes projects if they include aboriginal participation or aboriginal support resolutions. Also, there has been what we call a set-aside of contract capacity for projects that have more than 50% of aboriginal participation. That's just a guaranteed allotment of megawatts that will go to these programs.

A lot of these programs were designed to recognize the unique challenges faced by First Nations and Métis communities. Those are access-to-capital issues. These

communities just don't tend to have money to invest in projects.

There are also, particularly with First Nations on reserve, real challenges with raising capital and figuring out how to actually do program financing. The minister mentioned the Aboriginal Loan Guarantee Program, for example. That was the province recognizing that there was this unique challenge in coming up with a program that helped to alleviate that by basically stepping in and guaranteeing third parties that lend to First Nation projects.

I think we're at the point now where there are real, successful models of how these partnerships work. Financial institutions and developers, as well as aboriginal communities themselves, are able to see success stories and to realize that there are these replicable models. When we talk about those large amounts of megawatts that currently have aboriginal participation, we expect those numbers to continue to grow and potentially even be able to access financing without needing to go through things like the Aboriginal Loan Guarantee Program because banks and developers do understand exactly how all these projects can actually be done.

In terms of continuing on as we continue to move through new rounds of things like large renewable procurement, mentioned by the deputy, as well as future rounds of the long-term energy plan, we continue to build upon these foundations that we've put in place, including making sure that we talk to communities about whether or not the programs are working or whether there are gaps that exist with these programs, as well as continuing to refine things like the points systems and the aboriginal adders.

The Chair (Ms. Cheri DiNovo): Mr. Reid, I believe your time is up.

We are going to take a five-minute break, to resume promptly at 5:20.

And it's still 5-0.

See you in five.

The committee recessed from 1713 to 1720.

The Chair (Ms. Cheri DiNovo): Okay, it's 5-1 and we are resuming with the opposition. Mr. Smith.

Mr. Todd Smith: My colleague Mr. Yakabuski must have gotten stuck at a television set somewhere since the Jays are rallying right now to get back in the game.

Let me resume where we were. Where were we? We are exporting power at a loss and we're paying for unaffordable microFIT contracts, and that's causing the global adjustment to rise astronomically here in Ontario. This is all separate from the actual kilowatt-per-hour price. That price is going to be adjusted in time for November 1 of this year.

My colleague Mr. Yakabuski is back, and I know he was looking forward to continuing to question you on the price of electricity in the province, so now that he is here, we'll let him resume where he left off last time.

Mr. John Yakabuski: I just suggest we take more breaks, because the Blue Jays are now 5-1 with men on second and third, one out, in the bottom of the third.

Interjection.

Mr. John Yakabuski: Three and two count?

Interjection.

Mr. John Yakabuski: Mine isn't quite that good. You should be paying that kind of attention to the committee.

I actually have a couple of different questions, because I am concerned about the impartiality of the OEB. I read their press release, and they made a very significant point of saying that 40% of this new increase was attributable to the costs of OPG's nuclear and hydroelectric system costs. And then, further in the press release, buried—it was never covered in the media—was that a third of the cost of the increase, fully one third, was due to your renewables program, but we never heard about that unless you dug into it.

My question is this: You must know precisely how much—what was the percentage of Ontario's electricity generated last year generated by Ontario Power Generation's nuclear and hydraulic fleet combined?

Mr. Serge Imbrogno: I would say roughly about 50%.

Mr. John Yakabuski: Roughly about 50%. So 50% of the generation—you can attribute 40% of the increased costs to 50% of the generation. So now my question would be, what percentage of Ontario's power generated last year came from your renewables, wind and solar? That's what they consider, for the purpose of this—wind and solar, your renewables. What was the percentage of Ontario's electricity generated that came from those two sources?

Mr. Serge Imbrogno: I'd have to get you the exact number. I don't have it handy.

Mr. John Yakabuski: Well, you gave me a rough one on the OPG.

Mr. Serge Imbrogno: I knew that from previous—

Mr. John Yakabuski: Okay. Give me your best guess, Deputy.

Mr. Serge Imbrogno: For wind and solar?

Mr. John Yakabuski: Yes.

Mr. Serge Imbrogno: I'd say less than 15%.

Mr. John Yakabuski: Less than 15%? You might as well have said less than 50%. How about 4%? Would that be more likely to be about the number?

Mr. Serge Imbrogno: In terms of managing capacity—

Mr. John Yakabuski: Not capacity. I'm not talking about capacity; I'm talking about energy generated. Of the number of terawatts that we produced last year in Ontario, what was the percentage of that number that came from wind and solar?

Mr. Serge Imbrogno: I think it would be in the 6%, 7%, 8% range.

Mr. John Yakabuski: I think you'd be high. However, you're going to get that number for us tomorrow. I'll have it myself, but we're going to get that.

So a third of the increase is attributable to, in your opinion, 6% or 7%; in my view, closer to 4% of the power produced in this province. Would that not have been an important part of the OEB's release? I guess my question is, how much control of the OEB's press release

is coming either from your office—not you, Deputy; the minister's office or the Premier's office? Because there seems to be a political overtone in this press release, trying to ensure that the government's programs are maybe not scrutinized in the way they should be.

Mr. Serge Imbrogno: The OEB is fully independent. Whatever press release they put out would reflect the OEB view. As I said, that Navigant report is fully disclosed on their website, which provides all the details of how the calculation is made. All the details are there.

Mr. John Yakabuski: Who makes the appointments to the Ontario Energy Board?

Mr. Serge Imbrogno: Well, the minister would make the appointment of the chair.

Mr. John Yakabuski: Right, including the chair. It could be speculated as to how independent any board is when the master appoints the board.

Hon. Bob Chiarelli: You know, that's an irresponsible—

Mr. John Yakabuski: No, it's not.

Hon. Bob Chiarelli: Let me finish. It's an irresponsible assumption that you're making.

Mr. John Yakabuski: I'm not making any assumption.

Hon. Bob Chiarelli: It's a quasi-judicial body that has decision-making authority. You know what? You're acting like Harper.

Mr. John Yakabuski: No, no. I'm not.

Hon. Bob Chiarelli: You're assuming like Harper, who criticizes the Supreme Court of Canada for the decisions they make.

Mr. John Yakabuski: I'm not—

The Chair (Ms. Cheri DiNovo): Okay, one at a time, please.

Hon. Bob Chiarelli: The Supreme Court of Canada is totally independent.

Mr. John Yakabuski: Minister, please, I'm not making any assumption at all; I'm questioning you. I'm questioning you.

Hon. Bob Chiarelli: The answer is no. None, none. The deputy answered for the bureaucracy. I'll answer for the Premier's office and my office: absolutely no influence in any way, shape or form.

Mr. John Yakabuski: None whatsoever?

Hon. Bob Chiarelli: None whatsoever—

Mr. John Yakabuski: No influence at all?

Hon. Bob Chiarelli: —in what comes out of the Ontario Energy Board, in terms of announcements, rates or any communications they make.

Mr. John Yakabuski: No influence whatsoever?

Hon. Bob Chiarelli: No.

Mr. John Yakabuski: Well, at least we have that on the record. I guess we can all make our own decisions as to how much of that we accept as being the truth, the whole truth and nothing but the truth.

Okay, let's go back to—Todd, where were we on the—where were you?

Mr. Todd Smith: Five to two at the top of fourth.

Mr. John Yakabuski: Let's go back to pricing figures. Let's recap—we're going back to pricing and the rate increases that are taking place on November 1.

Number one, if you measure effectiveness when one of your big boasts has been that you're going to mitigate and do what you can to control the increases in energy prices, even though your ministry and the policies of this government are the number one driver of those increases, one of the most critical indicators of your effectiveness would be how much you've done.

Let's just recap for a minute: Rates are going up by as much as \$230 next year, when you figure in cancelling the clean energy benefit. You're exporting power at a potential \$2-billion loss this year—it was already a billion dollars in the first six months; you're on pace for the global adjustment to go even higher than what the Auditor General said in her report, which was \$50 billion by the end of this year, since its inception; and you're selling Hydro One against the public's will.

Minister, with all of that, in your evaluation, do you think that would be defined as being effective?

Hon. Bob Chiarelli: Let's talk about energy exports; that's one of the items that you mentioned. Exporting electricity is good for Ontario—

Mr. John Yakabuski: It is if you're making money at it.

Hon. Bob Chiarelli: —both financially and for system operability.

Mr. John Yakabuski: Now, hold on.

Hon. Bob Chiarelli: We had a discussion, somewhat, about that this morning.

Mr. John Yakabuski: Well, Minister, exporting electricity is good for Ontario if you're making money at it—

Hon. Bob Chiarelli: Electricity exports bring revenue to Ontario that we would not otherwise receive—

Mr. John Yakabuski: —but it's not good if you're losing money at it.

Hon. Bob Chiarelli: —which reduces costs for Ontario consumers.

The Chair (Ms. Cheri DiNovo): One at a time.
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Hon. Bob Chiarelli: Revenue from electricity exports reduced costs for Ontario—

Mr. John Yakabuski: No, but he's just going on; that's not my question.

Hon. Bob Chiarelli: —by \$320 million in 2014.

Mr. John Yakabuski: If he wants to talk about energy exports, we'll talk about energy exports.

When you're losing money on energy exports, how is that a good thing? Without reading the notes, just tell me: When you're losing money at a potential, this year, of \$2 billion, how are energy exports a good thing? I can understand that if you're selling energy at a profit and making lots of money on it, that's a good thing; I agree. But if you're losing money, how can that be defined as—that would be like the retailer bragging that they sold 7,000 million widgets this year, but, "Oh, we sold them at a \$1 loss on each widget." Well, that's not a good thing.

They might have had a really good year in selling widgets, but they didn't have a very good year financially.

You need to juxtapose that and tell me how you can say that energy exports is a good thing if every megawatt that you export is sold at a loss, when you're selling it at less than you produce it.

General Motors wouldn't stay in the business of selling cars if they sold every one at a loss. So I need you to explain to me, in the short version, how selling energy at a loss could be considered a good thing.

Hon. Bob Chiarelli: You're a very fair-minded individual; I know that.

Mr. John Yakabuski: Yes, absolutely.

Hon. Bob Chiarelli: I would ask you to do me the courtesy of giving me as much time to answer the question as you did to place the question. Is that fair?

Mr. John Yakabuski: Okay, I'll do that. That's fair.

Hon. Bob Chiarelli: Okay, good. Thank you.

Mr. John Yakabuski: You're a good negotiator.

Hon. Bob Chiarelli: Okay. A good electricity system has a mix of energy sources: nuclear power, gas, renewables etc. A good electricity system should have a surplus or a reserve—unlike your former government—

Mr. John Yakabuski: Oh, motive.

Hon. Bob Chiarelli: No, fact; you were importing \$1 billion a year in expensive electricity because you had a deficit. We've rebuilt the system so we have enough generation to meet surplus plus significant contingencies like big ice storms, floods or whatever. You need that surplus, okay? You need that capacity.

Part of the discussion we had this morning, you'll recall, was how the IESO operates the system. Now I'm going to give you an example and it has to do with baseball. I'm going to use an example of baseball, particularly playoff or World Series baseball, because the IESO has to plan for one million or two million television sets coming on to watch the baseball game. So they get their nuclear plant or their gas plants ramped up to supply that. Lo and behold, do you know what happens? The game is postponed because of rain, and they've got to ramp all that down. They've got all this power starting to generate up, and you know what they do with it? They sell it instead of throwing it away.

Last year, by doing that, they made \$320 million to the good, reducing the costs by exercising that type of management of the system. That's an example. It could just as easily be Crosby and the NHL, so it's summer and winter. They've got to ramp up; they've got to ramp down. So that's where the \$320 million positive comes from. We do not generate electricity for purposes of resale; we sell electricity when it's necessary to operate the system, to modify, to balance the system between demand and generation. That's the short answer to the question.

The long answer to the question—

Mr. John Yakabuski: You're just about out of time.

Hon. Bob Chiarelli: Sorry?

Mr. John Yakabuski: I've given you enough time. Now, you're just about out.

Hon. Bob Chiarelli: We're about equal now.

Okay, you can go again.

Mr. John Yakabuski: Well, that's a very nice analogy, Minister, except that there ain't that many postponed baseball games or postponed hockey games. It's—

Hon. Bob Chiarelli: But there are floods, there are ice storms, there are hockey games—

Mr. John Yakabuski: Oh, well, yes. I know. I understand the contingency, but when you're talking about the number that we spoke about—and in June alone, \$221 million; one month, \$221 million. Now, that is not because the IESO ordered people to ramp it up and then the demand changed.

Hon. Bob Chiarelli: Yes, it is.

Mr. John Yakabuski: No. That is because there was power coming into the system that you couldn't control. It was coming in because your demands were not up to your production. Much of that came from renewables.

The Chair (Ms. Cheri DiNovo): Mr. Yakabuski, you have about five minutes left. And it is 5-2.

Mr. John Yakabuski: Thank you. So 5-2, Blue Jays. I hope by the time I'm done, they're leading.

Hon. Bob Chiarelli: If that's how it works, you just keep talking for the next hour.

Mr. John Yakabuski: When I'm talking, the Blue Jays do well.

When you're talking that amount of money in that short period of time, you can't explain that away by calling that an IESO miscalculation.

Hon. Bob Chiarelli: It's not a miscalculation; it's part of operating the system.

Mr. John Yakabuski: But these are historical numbers, Minister. If that was the case, then we would have seen this every year since we've been in the electricity trading business, and that's long before you and I got here. Those interties existed long before you and I got here. We've been trading electricity back and forth for a long time. You can't explain that away by simply saying the IESO was a little high this month or that month. No. This has changed.

Now, could I ask the deputy to provide this committee with an accounting for the past 30 years of our imports and exports, and the financial accounting for that—whether we lost, whether we made—for the last 30 years? Imports, exports; lost, made; paid, got paid for—for the last 30 years. Could you provide that for us?

Mr. Serge Imbrogno: I don't have that handy.

Mr. John Yakabuski: No, I didn't think you had it in your pocket.

Mr. Serge Imbrogno: I would just refer you to the IESO website. That would have a historic documentation of imports and exports.

Mr. John Yakabuski: I'm not that good at websites. I'm having a hard time figuring out—she has to tell me how the Blue Jays are doing. So could you do that for us? You've got people on staff who are experts in computers.

Hon. Bob Chiarelli: It must be at least 5-3 by now.

Mr. John Yakabuski: Could you provide that?

Mr. Serge Imbrogno: What I would provide you with is just what is on the IESO website.

Mr. John Yakabuski: Okay, that's fine. But you'll do it in a way that I can read it easier.

Mr. Serge Imbrogno: I'll just copy what's on the IESO website and provide it to the committee.

Mr. John Yakabuski: That's fine. If you could have that for the committee, I'd appreciate it. I want to compare year to year and see how it's changed, particularly in the last six years. That's what I want to see. I want to see how it's changed in the last six years to see if those numbers are actually consistent or if they've changed.

Based on what the people are paying for electricity, we have to believe that those numbers have changed, that the amount of electricity that we're selling at a loss has gone up. We'd like to be able to verify that. If that's part of what is driving up the electricity bills for your average homeowner, then we have a problem in the way that we're forecasting.

Hon. Bob Chiarelli: We know that between 1995 and 2003, it's a one-way street. We were importing a billion dollars a year because the system—

Mr. John Yakabuski: You seem to know a lot about 1995 to 2003. We really want to know about what happened since you guys took office.

Hon. Bob Chiarelli: Last year, for 2014, I already told you it was \$320 million to the good.

Mr. John Yakabuski: No, that's what you got for electricity. That's the electricity that you made money on. You're not calculating the electricity. Are you saying that you netted \$320 million to the good?

Interjections.

Mr. John Yakabuski: Chair, could I—

The Chair (Ms. Cheri DiNovo): Yes, let's have a two-way conversation, please.

Mr. John Yakabuski: Are you suggesting that we actually had a \$320-million surplus in our trading of electricity last year?

Hon. Bob Chiarelli: What I'm saying is we do not generate electricity for purposes of export—

Mr. John Yakabuski: No. Are you suggesting that we had a \$320-million surplus in the back-and-forth trading of electricity last year?

Hon. Bob Chiarelli: We netted \$320 million on our purchasing and sale of electricity last year.

Mr. John Yakabuski: As a net, we were \$320 million to the good, is what you're saying.

Hon. Bob Chiarelli: Yes.

Mr. John Yakabuski: I would love to see the documentation of that. If that's the case, then we're even doing worse. If that's the case and you're driving up these prices this much—if you're driving up prices this much and you're suggesting that the trading of electricity is a net positive for us, then your management is even worse than I suspected it was before.

I'd like to have documentation showing that we actually netted \$320 million to the good in the back-and-forth trading of electricity. When I say \$320 million, I'm

talking about the market-value price of electricity versus the cost we spent to generate it. The cost we spent to generate it versus the price we sold it at: If it was underneath that price, if the price we sold it at was underneath the price we generated it for, that has to be considered a loss.

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The Chair (Ms. Cheri DiNovo): Thank you, Mr. Yakabuski. I'm afraid time is up for the official opposition. We now move to the third party. Mr. Tabuns.

Mr. Peter Tabuns: Minister, going to another area, Ontario Power Generation put out an update in June saying the planning phase cost for the Darlington refurbishment had reached \$1.8 billion. Does the estimated cost of the Darlington refurbishment include the planning phase costs?

Hon. Bob Chiarelli: Would you ask that question again? Sorry.

Mr. Peter Tabuns: Yes. In June, OPG put out an update saying that the cost of the planning phase had reached \$1.8 billion. Does the estimated cost of the Darlington refurbishment include the planning phase costs?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: Yes. That would be part of the total that OPG has talked about publicly.

Mr. Peter Tabuns: Okay. Thank you.

We were talking a few meetings ago about the new framework for setting rates for the refurbishments at Darlington, and you were talking about the volatility from the refurbishment. Does the cost projection for rates in the long-term energy plan from 2013 reflect the volatility that you expressed concern about?

Hon. Bob Chiarelli: Sorry. What's the question again?

Mr. Peter Tabuns: When you set the long-term energy plan projected rates in December 2013, did those rate increases reflect the volatility that you are worried about when it comes to the refurbishment of the Darlington nuclear reactors?

Hon. Bob Chiarelli: I don't believe there was anything particular done at that time to deal with the volatility. The volatility that we referred to when we dealt with this a week or so ago had to do with how the phasing and the construction and the operations of the refurbishment would proceed. A lot of the costs were being incurred not on a regular basis, but the costs would spike periodically. We thought it was prudent to try to smooth those out so that the impact on the ratepayer would be more balanced and more fair than having the unusual gyrations that might occur because of that.

Mr. Peter Tabuns: So the long-term energy plan projections didn't include that spikiness. It was smoothed out in your projection.

Mr. Serge Imbrogno: No. I think what the minister said was we didn't smooth it out in the long-term energy plan. It was whatever the rates were forecast at the time, so there's no smoothing in the long-term energy plan.

Mr. Peter Tabuns: So the long-term energy plan price projections include the occasional spike?

Hon. Bob Chiarelli: In 2013—I guess in 2012, leading up to December 2013—they were done on the basis of the facts that we knew at that time. Since that time, we've made several decisions with respect to the refurbishment moving forward. Number one, you will recall that we indicated that we're not going to lap the refurbishment so we're doing one, and before we finish it, we start the next. We're not doing it that way—that's the way it was originally planned—because we want to have the option to curtail them. Because we've unlapped them, that has created the up and down, rather than having been done on an overlapping basis. That's created those gyrations which have to be addressed at this point.

Mr. Peter Tabuns: Can you tell us what the scale of that spike is?

Hon. Bob Chiarelli: I don't have it by memory.

Mr. Serge Imbrogno: I can check. In our long-term energy plan, we have modules that are public. I can check the modules to see if there is any release of that information.

Mr. Peter Tabuns: Okay, if we could have that in the record, that that will be a report that will be coming back. You'll be looking at a long-term energy plan and coming and telling us what the impact will be.

Mr. Serge Imbrogno: We have six modules that we made public that give the details behind the projections, so I can provide that. Hopefully, that provides an answer to your question.

Mr. Peter Tabuns: Hopefully. We'll find out.

In January 2013, it was reported that overseers were going to be hired by OPG and the Ministry of Energy to keep tabs on the Darlington refurbishment. One of those overseers was going to report to OPG and one was going to report to the Ministry of Energy. Could you tell us the status of those two sets of overseers?

Hon. Bob Chiarelli: Deputy?

Mr. Serge Imbrogno: OPG has an extensive oversight process embedded within OPG. The ministry also procured an oversight adviser who's embedded in OPG and provides regular reports—

Mr. Peter Tabuns: Are those regular reports publicly available?

Mr. Serge Imbrogno: No, because they're all based on commercial information that's not public yet. I think those reports have not been made public.

Mr. Peter Tabuns: Now, it's my recollection that one set of reports was made available last year and that I asked you about this in estimates, because, in fact, there was a substantial overrun in one of the first projects. The project came in at \$500 million rather than \$300 million.

Hon. Bob Chiarelli: No, not correct. First of all, there wasn't an overrun in the project. What we had at that time was a report indicating the costs of the planning and the early implementation. Those costs contained a number of different subsections. I think one or two of the subsections were over budget, and there were a number of the other subsections of the global work that were significantly under budget. When you took them collectively, they were within the budget framework.

Mr. Serge Imbrogno: OPG publicly reports. So in June 2015, they provided a public report on the Darlington refurbishment project and they broke it down by the different categories of costs. I think that a part of that was an overrun on one particular part, but within the whole budget, they're reporting that they're still on track.

Mr. Peter Tabuns: Could you table that report for this committee?

Mr. Serge Imbrogno: Absolutely. I have a copy here, but I'll table it.

Mr. Peter Tabuns: That would be great. If you could table it, if that's in the record, so that all members of the committee could have that? Thank you.

With regard to new nuclear—something that you mentioned earlier today, Minister. You said that one of the things you've done to try and contain costs was defer construction of any new nuclear facilities, saying that new nuclear would be twice the cost of refurbishment. Why is it that we're continuing to spend money, \$1.6 million—I mean, in the scheme of things, it's not the biggest amount that we've seen, but still, it's \$1.6 million that we otherwise could use for more productive things. Why are we spending money to retain a licence for new nuclear build when the cost is so completely outside what we're willing to spend?

Mr. Serge Imbrogno: I'd say that we think it's prudent. OPG has a 10-year licence that they need to maintain with the CNSC, so there are costs related to that. Instead of letting that 10-year licence fade, OPG is maintaining it. It leaves the option value open for the government, and future governments, in the next long-term energy plan. So we think it's a prudent investment to keep that 10-year licence alive.

Mr. Peter Tabuns: But you've said that the cost of new nuclear would be double the cost of refurbishment. I think the last time we looked at the cost of refurbishment, we're looking at somewhere in the 8.5 to 8.9 cents per kilowatt hour—

Hon. Bob Chiarelli: There are innovations in the nuclear sector. One of the most significant areas of innovation is the—is it small nuclear?

Mr. Serge Imbrogno: Small modular reactors.

Hon. Bob Chiarelli: Small modular reactors. There's a significant amount of research being done. These are units that will produce a smaller number of megawatts, as low as, I think, 150 megawatts of nuclear. They can be stacked. There's some reasonably reliable professionals and advisers who are indicating that it might be feasible to be going into that type of nuclear in the not-too-distant future. That's part of the background around nuclear. The sector is changing—

Mr. Peter Tabuns: Fair enough, but if that's the case, are you saying that the licence is for any kind of nuclear technology whatsoever? I would have thought it was specific to a particular technology.

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Mr. Serge Imbrogno: It was broader than one technology.

Mr. Peter Tabuns: So it's just about anything that—

Mr. Serge Imbrogno: I would say it's just about anything. If it's an SMR technology, it'll be—

Mr. Peter Tabuns: Sorry. What's an SMR?

Mr. Serge Imbrogno: A small modular reactor. In the future, if that's the case, they would have to be licensed by the CNSC and then approved at that site. It would be more likely to be approved if they have an existing licence that they would change rather than start the process over again.

Mr. Peter Tabuns: Moving on to peaking power, what are we currently paying for the most expensive peak power that we obtain in Ontario?

Hon. Bob Chiarelli: Currently or starting November 1?

Mr. Peter Tabuns: Currently.

Mr. Serge Imbrogno: In terms of peaking power, it would be—

Mr. Peter Tabuns: Sorry. I realize there was a lack of clarity in my question if you raise this question of November 1. What is it that generating stations are paid for their highest peaking power, not what is it that customers are paying for peaking power?

Mr. Serge Imbrogno: There are facilities that provide capacity that we don't expect to run—only if we really need them on very severe peaking. So they would have a high variable cost and a low capacity cost: something like Atikokan biomass or Thunder Bay, where you don't expect them to run all the time; only on a very peaky day. I don't have the exact cost, but you'd have to do a calculation and say, how many times are they running versus what is the invested capital in that site?

Mr. Peter Tabuns: Okay. I think I understand your answer. So when we're talking about the cost of providing peak power, we're talking not just about the cost of operating the facility on that day but the cost of keeping it in position, available, 12 months in the year. Is that what you're saying to me?

Mr. Serge Imbrogno: Yes. We would pay for the capacity, and then when it actually runs, there would be a charge in the market. That would reduce the contracted price, but you're still paying for that capacity for the year. The marginal cost, the variable cost, is quite high because it's using biomass. It would be lower for natural gas.

Mr. Peter Tabuns: So what is the marginal cost?

Mr. Serge Imbrogno: I don't have that handy, but—

Mr. Peter Tabuns: Could you provide that to us?

Mr. Serge Imbrogno: I will check to see what's publicly available.

Mr. Peter Tabuns: Is there a reason it wouldn't be publicly available?

Mr. Serge Imbrogno: It could be part of the contract between OPG and the IESO.

Mr. Peter Tabuns: Doesn't the IESO post the actual cost of power every hour?

Mr. Serge Imbrogno: They would post the cost of power, but I don't think they'd provide individual contract information by generator.

Mr. Peter Tabuns: You know what? I don't need the individual contract amount for each different plant, but I would like to know what we pay for the most expensive peaking power in Ontario. You can give me an average. You can look at a variety of plants. You can blend them together. I'd like to know what it is that we pay through the IESO for that very expensive peaking power.

Mr. Serge Imbrogno: Yes, and understanding that could maybe be for an hour, it could be for half an hour. I don't want you to get the impression that that is the cost of peaking power at all hours.

Mr. Peter Tabuns: No, no. I would like to know the peak of the peak, the highest price for peak power at those exceptionally spiky moments. But can you also tell us what the average cost is to maintain capacity for these peaking plants?

Mr. Serge Imbrogno: Sorry. Was that a question?

Mr. Peter Tabuns: Yes, it was. Can you tell us what the average cost is for maintaining this capacity in reserve for use when we need it on a particularly cold or particularly hot day?

Mr. Serge Imbrogno: On average across the system?

Mr. Peter Tabuns: Yes, that would be fine.

Mr. Serge Imbrogno: I think there's a calculation about contracts and—

Mr. Peter Tabuns: Yes. I don't need the individual contract for a particular plant, say, down in Windsor. I just need to know what the average is across the system per megawatt capacity that we're keeping in reserve.

Mr. Serge Imbrogno: We have Ontario energy reporting. It's extensive information that we provide on the Ontario electricity system. There's a lot of public information. We've had a lot of stakeholders ask us for specifics, so there's a wealth of information on our website. I will find that information, but I'm just flagging that we have been very transparent and provided a lot of information on how the system works, the cost of the system, demand—

Mr. Peter Tabuns: I won't even argue that, Deputy Minister. I know that some people are better at finding this information than others, and sometimes I have difficulty finding it. If you can find it and give it to us—provide it to the committee—that would be useful.

Has the cost of peaking power gone up sharply in Ontario in the last few years as the cost of natural gas has been coming down?

Mr. Serge Imbrogno: Sorry, could you repeat that?

Mr. Peter Tabuns: Has the cost of peaking power in Ontario gone up sharply in the last few years, given that the cost of natural gas has been on a largely downward trajectory?

Mr. Serge Imbrogno: I'm hesitating on answering that because a lot of the time peaking power is supplied by natural gas, so the hourly energy price would be affected by the marginal cost of natural gas, which has come down.

Mr. Peter Tabuns: Has the cost of providing peaking power in Ontario gone up as sharply as the cost of time-of-use rates for peak power in Ontario?

Mr. Serge Imbrogno: Are you referring to how the OEB makes the calculation, in terms of what they allocate to peaking?

Mr. Peter Tabuns: What does it cost the system? Has the cost of peaking power been going up in Ontario very sharply? Has it been going up 25% in a year?

Mr. Serge Imbrogno: Part of it is how you make that calculation of what you allocate to peaking. So you'd have to look at what the—

Mr. Peter Tabuns: I'm sorry, I'm getting a bit of noise from over there.

Mr. Serge Imbrogno: You would have to look at how the OEB allocates cost to peaking—on-peak, off-peak—and have they changed their calculation over time. Part of it is providing an incentive for conservation, so you'd want to put more on to the peaking part of it. It's possible that their calculation has changed in response to trying to send a conservation message.

Mr. Peter Tabuns: If we could see those calculations, that would be appreciated.

Mr. Serge Imbrogno: I think, as I've said, they have Navigant that would do a study for them each year that would provide all the detail on their methodology.

Mr. Peter Tabuns: Could you provide us with the link for the Navigant study?

Mr. Serge Imbrogno: Yes, I can do that.

Mr. Peter Tabuns: Okay. I don't have much time left, I think. When I look at projections in Ontario's Climate Change Update for 2014, it shows a huge growth in greenhouse gas emissions from gas plants in Ontario through the 2020s, with a range from about four megatonnes of CO₂ equivalent up to as much as 13 or 14 megatonnes. What are your plans to ensure that we don't fail to meet our greenhouse gas emission reductions? What's your plan to ensure that we do meet them, by keeping these emissions down?

Mr. Serge Imbrogno: I don't have what you have in front of you, but—

Mr. Peter Tabuns: If you take a look, there's a very substantial increase in emissions from gas-fired power in Ontario in the 2020s. There's a potential for very substantial increase by 2030. It would be very difficult for Ontario to meet its greenhouse gas reduction targets. What are your plans to ensure that we, in fact, meet our greenhouse gas reduction targets in this field?

Mr. Serge Imbrogno: Part of what you're seeing there in that range is what happens when we start to refurbish our nuclear units. What happens when Pickering comes off? Part of that discussion we're now having with the province of Quebec is, as we're into refurbishment, can we economically use Quebec to fill that gap rather than running natural gas? So that's a discussion we're having now with Quebec, as one of the plans.

The Chair (Ms. Cheri DiNovo): I'm afraid we are out of time. By the way, we have three hours and 21 minutes remaining with the Ministry of Energy.

We will adjourn until tomorrow at 3:45. And it's still 5-2. Thank you.

The committee adjourned at 1800.

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