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Wednesday 9 September 2009

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Mercredi 9 septembre 2009

**Standing Committee on
Government Agencies**

Agency review:

Ontario Power Generation

**Comité permanent des
organismes gouvernementaux**

Examen des organismes
gouvernementaux :

Ontario Power Generation

Chair: Julia Munro
Clerk: Douglas Arnott

Présidente : Julia Munro
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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
GOVERNMENT AGENCIESCOMITÉ PERMANENT DES
ORGANISMES GOUVERNEMENTAUX

Wednesday 9 September 2009

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The committee met at 0930 in room 151, following a closed session.

AGENCY REVIEW

ONTARIO POWER GENERATION

The Chair (Mrs. Julia Munro): Good morning, ladies and gentlemen, and welcome to the Standing Committee on Government Agencies. This morning, we are pleased to have Ontario Power Generation here for our hearings. I would just remind everyone that we will begin in a moment and have the opportunity to hear from the representatives of Ontario Power Generation. After that presentation, we will have questions from members of the committee. This morning, we will begin our question round with the NDP.

First of all, I'd like to welcome the chair, Mr. Epp. For the purposes of Hansard, I'd ask you to introduce those who are with you and begin when you're ready.

Hon. Jake Epp: Thank you, Madam Chair and members of the committee. It's been two years since Ontario Power Generation's last appearance before you, and we welcome this opportunity to be here again.

Let me, as per your instructions, introduce the people who are with me. To my immediate right is William Sheffield. Bill is a member of the OPG board of directors and he's chair of the board's compensation and human resources committee. He was here as well in 2007 when we last appeared.

To my left, we have Tom Mitchell. Tom has been recently appointed as the president and CEO of OPG. I'll introduce him a little more formally as we get closer to his comment.

Sitting next to Tom is Donn Hanbidge, who's OPG's senior vice-president, as well as being our chief financial officer. Quite aside from Tom's leadership, Donn has given us great leadership and has been recognized internationally for some of the work that OPG has done in the financial sector.

I'd like to say a couple of things, then, if I might, about our new CEO and president. Tom has been with OPG since 2002. For the past three years, he's been our chief nuclear officer, and he's been responsible for the work of approximately 8,000 employees, up to July 1 of this year, and now it's the full 12,000. Before that, he held senior positions at the World Association of Nuclear Operators, as well as the Institute of Nuclear Power

Operations in Atlanta. As well, he's managed nuclear plants in the United States and obviously here in Canada.

Tom's appointment as our CEO has the full support of the OPG board and the confidence of our shareholder. We believe that his solid operational and management experience makes him the right person to lead OPG successfully into the next decade, and he'll speak to you as to the operations of OPG.

As a preface to Tom's remarks, may I say that the board is very pleased with OPG's performance, the strong leadership provided by management and the continued focus on some key areas, those being safety, financial sustainability, cost reduction, and asset management and operations.

When I was first appointed to chair this board, I don't have to give any members of the Legislature a lesson that we were struggling. We believe that the performance you'll see today is a testament to the hard work and success not only of the board but of management, our employees and I think the people of Ontario, who see OPG as "theirs."

Our board understands that the current global economic downturn poses new challenges for Ontario's economy as well as our company, and with our diversity of generation resources and the quality of our management and employees, the board believes that OPG is up to the challenge for the next 10 years. But going forward, all of us, I think, and the board, will continue to provide guidance and stewardship to OPG management as they address those challenges and lead the company to become a "leading low-emissions energy company and generator of choice for Ontario."

In doing so, our job is to ensure that the company continues to reflect the highest standards of corporate governance, public and workplace safety, corporate citizenship, and environmental and social responsibility. We will also ensure that OPG continues to operate in an open, transparent and accountable manner, and this includes having an open and productive relationship with our shareholder, the province of Ontario.

Today represents, we believe, an excellent opportunity for OPG to communicate the ways in which we are providing that service, value to Ontarians and responsible stewardship for these important assets on behalf of the people of Ontario, who own those assets.

With those words, may I turn to Tom, and he'll give you the operational side of OPG.

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Mr. Tom Mitchell: Good morning, Madam Chair and members. I'm pleased to be here. I'm pleased to be here to discuss OPG's performance and to answer your questions in this, my seventh week as CEO.

I would like to begin my remarks with some observations on the role of OPG and the values that define who we are. OPG is heir to a strong tradition of generating electricity. It's a tradition marked by service to the people of Ontario and commitment to the principle of public power. Our predecessor companies—the Hydro-Electric Power Commission of Ontario and Ontario Hydro—established this tradition. Through an array of productive and reliable generating assets, they safely provided Ontarians with electricity for over 100 years.

In the first half of the 20th century, these assets were virtually all hydroelectric, the product of an enormous acquisition and building program that laid the foundation for Ontario's future greatness as an economy and society. In the 1950s and 1960s, fossil plants were added to the portfolio to further meet the province's growing energy needs. And as our energy needs continued to expand from the 1970s to the 1990s, nuclear stations were brought into the mix. As a result of this legacy, Ontario today has one of the world's great power systems, noted for the diversity of its generating facilities and its excellent record of safety, reliability and flexibility.

With the break-up of Ontario Hydro in 1999, these generating assets and the tradition of service that they represent were passed to Ontario Power Generation. We became custodians and stewards of the legacy of publicly owned power generation in Ontario.

We're proud of this role. We take it seriously, as did our predecessors. But we are not clones of our predecessors. Despite the fact that many people still think Ontario Hydro exists or that OPG is Ontario Hydro, we're not.

Ontario Hydro was a monopoly and a fully integrated utility. It was designed to meet, and obliged to meet, all of Ontario's energy needs and was responsible for all aspects of Ontario's power system. It was also looked upon and used by governments of the time as a tool for achieving certain economic and social policy outcomes.

OPG is a very different kind of company. In contrast to Ontario Hydro, we operate in a competitive environment with other power producers, and our responsibilities are much more specific. We don't transmit or distribute electricity, we don't manage Ontario's electricity market, we don't plan supply and we don't make energy policy. These responsibilities all belong to other organizations: Hydro One, the Independent Electricity System Operator, the Ontario Power Authority and the Ministry of Energy and Infrastructure.

Our mandate at OPG is to focus on one thing: producing electricity to help meet Ontario's electricity needs. And the specifics of what we do are laid out in a written mandate from the shareholder issued in 2005.

In OPG's 10-year history, we annually produced the electricity for about two thirds of the Ontario electricity

market. Everything we do centres on this core mandate, and there are many facets to this mandate. It includes the operation of our assets, 24/7, which span the province and consist of three nuclear stations, with 10 operating units; five fossil-fuelled plants, currently with 15 units; and 65 hydroelectric stations, with a total of 232 generating units; and 240 water control structures located on 24 river systems across Ontario.

It includes keeping these assets in good condition through refurbishment, strategic maintenance and on-going equipment improvements to enhance efficiency and output, and by hiring, training and effectively leading the skilled people who do these things every day. It includes expanding our asset base by building new plants and facilities that help enhance Ontario's supply of clean, low-emission power.

Our role as a generator also includes producing increasing amounts of low- and no-emission electricity. In 2008, OPG's nuclear and hydro assets accounted for about 78% of our production. In the first half of 2009, they accounted for nearly 87%. This provides a strong platform to support the goals of Ontario's Green Energy Act.

Finally, our role as a generator especially includes managing our assets according to well-defined and established commercial principles. We are a public power business dedicated to delivering value to the people of Ontario. I believe that a strong business focus is essential for and compatible with this role. That's why concepts like "value for money," "cost efficiency" and "performance" are more than just words at OPG; they are the values that we are driving into our culture and upon which we strive to base all of our business decisions and practices.

The mantra of my predecessor Jim Hankinson was, "It's all about performance," and I intend to build on that mantra during my tenure. I've provided to the clerk a copy of a just-issued, publicly available performance report, It's All About Performance, that is available for your review.

There is one final value that we adhere to that I want to emphasize to this committee. It's the value of accountability. As a public power company, OPG is accountable to the people of Ontario. A very important form of this accountability is that the majority of the energy we produce is now regulated by the Ontario Energy Board in a public, open and demanding review of our businesses. These regulated assets produce the least expensive form of electricity for ratepayers. Every year for the past three years—that's from 2006 to 2008—the average sales price OPG has received for its electricity has been lower than the province's weighted average hourly spot market price. This represents a significant contribution to consumers and towards maintaining a competitive economy in Ontario.

Accountability also means developing clear and ethical policies and guidelines when it comes to incurring expenses and procuring the goods and services we need to operate our business. As CEO, my job is to make sure these policies are understood and followed throughout

the company. While this is an evolving process, OPG can be proud of the progress it's made.

We have always had rules and procedures governing procurement and expenses at OPG but we have also worked to refine and improve them, both on our own initiative and in response to external benchmarking. For example, in 2004, KPMG conducted an operational review of OPG, which included a third party assessment of our expense policy. In response to that review, we tightened up a number of our policies and practices. And in 2006, following the Auditor General's report, we implemented a number of steps to further strengthen our procedures. The Auditor General subsequently noted that all of his recommendations were addressed by OPG.

In terms of contracting, I can assure you that we spend money to produce business results. Nuclear outages, new equipment and hydroelectric runner upgrades: All produce tangible results that can be seen in our performance and that we continually measure and evaluate.

At the heart of how we expect our staff to do business is OPG's code of business conduct, and I have a copy here also available for the committee. The code establishes three key principles—integrity, excellence and citizenship—that underpin our business activities. Everything we do at OPG, including our policies and guidelines on procurement and expenses, rests on these principles, which all employees must follow—and if they don't, they are held to account. New employees must complete a training program based on the code within 30 days of being hired, and every employee must complete a training program every two years. I just completed my biennial training last month. It's a good course with lots of practical examples that are directly relevant to our staff.

We also have a chief ethics officer who provides additional support and oversight with respect to our code and whom employees can and do contact if they have questions or concerns regarding a business ethics issue.

As a result of all of these measures, I believe OPG's governance, policies and practices are already very similar to those of the Ontario public service. In some cases they appear to be more stringent. Where they are not as stringent or specific, we will work to bring them up to OPS levels. We will continue to refine and improve our policies to ensure they are consistent with the high standards the government expects from the agencies, boards and commissions under its authority. We will submit our expenses for any additional reviews requested, including to the Integrity Commissioner.

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Premier McGuinty has made it clear that the senior management of government organizations and companies, of which OPG is one, are to lead by example. As the executive accountable, I am committed to meeting that expectation. OPG will comply with new directives on procurement and expenses, and we'll be doing more internal checks.

As I said, OPG sees itself as the custodians of the people's assets and interests. There are a number of ways we fulfill that duty:

—by operating our nuclear, hydroelectric and fossil assets effectively;

—by keeping our facilities well maintained and in top operating condition to protect public safety and the environment; and

—by managing projects according to expected standards of quality and safety and in a timely, cost-effective manner.

We are also expanding our portfolio to provide Ontario with more clean energy, especially on the hydroelectric front. In support of our hydroelectric development activities, we are working with First Nations communities to build strong relationships based on openness, respect and mutual interest. This is a major success story that we hope will be a model for others.

We also add value to Ontario in areas such as biodiversity, safety and community commitment. For example, in biodiversity, we planted more than 3.8 million trees and shrubs across Ontario since the year 2000, and in the area of community commitment, we contributed in 2008 nearly \$4 billion to the province's economy through purchases, salaries and payments to governments at various levels.

I recognize that OPG has a challenge operating in an evolving electricity sector. As a value-driven company, I have every confidence we can meet that challenge. At OPG we believe in excellence, performance, efficiency, accountability and stewardship, and we believe these values will see us through.

In conclusion, I see a promising future for OPG, built on operating our low-emission, lower-cost generation 24/7 and adding new biomass and revitalized nuclear as needed to keep the lights on and keep the rates low.

I welcome your questions about our operations and the chance to expand further on my statement. Thank you very much.

The Chair (Mrs. Julia Munro): Thank you very much. As I mentioned before, we'll begin with the NDP, Mr. Tabuns. Each caucus will have approximately 15 minutes for the first two rounds and then whatever's left over will be divided, third round.

Mr. Peter Tabuns: Tom, thank you very much. Thank you for the presentation this morning. Good to see you both—good to see you all; sorry, I didn't mean to be exclusionary in my comments.

The first question I have is about the proposed new build at Darlington. I know it was the OPA that was putting out those calls. What was the role of OPG in that process, preparing for the calls and assessing the calls?

Hon. Jake Epp: If you don't mind, I'll ask Tom to answer that, other than to say from the board's perspective, the board takes these mandates from its shareholder. The board obviously, if it was called upon to do so, would be responsible to make sure that the project is both evaluated and built and functioning along the principles that Tom's mentioned.

To your specific question, I'll ask Tom to answer that.

Mr. Tom Mitchell: Mr. Tabuns, I think as you are aware, and you've mentioned, Infrastructure Ontario was

leading the procurement process—of course, which has now been suspended.

Mr. Peter Tabuns: Yes.

Mr. Tom Mitchell: Our role in that was we were part of teams that Infrastructure Ontario had set up to evaluate various parts of the proposal. Obviously this was all done under strict confidentiality. So we performed the activities that were requested by Infrastructure Ontario and provided that information. What you've seen transpire is the outcome of the process that was managed by Infrastructure Ontario.

Mr. Peter Tabuns: Did OPG have to assume any expenses at Darlington in preparation for this bid? Did you do any pre-engineering work there? Were there costs, either in outside consultants or inside staff, related to this RFP?

Mr. Tom Mitchell: Mr. Tabuns, there is work associated with the Darlington new build project. Perhaps it would be good if I could just explain what is still transpiring on the nuclear—

Mr. Peter Tabuns: I'd be happy to hear your comments.

Mr. Tom Mitchell: We are proceeding with the work needed to continue with an environmental assessment process and a site licence process. We are doing that in a technology-neutral way. So what is going on in that is, we're doing preparation of paperwork, being ready to make submissions and do all of that work. Our goal is to make sure that the Darlington site is available for a new nuclear project, if and when the procurement process provides a reactor design to put on that.

We're very excited that the Darlington site was selected, and we're very excited that OPG was selected to be the operator. So we are continuing with those processes, again, just to make sure that when and if the procurement process provides a design, we can move forward with implementing a new-build nuclear project at the Darlington site.

Mr. Peter Tabuns: Can you tell us what it has cost OPG so far?

Mr. Tom Mitchell: I can't give you that exact figure. We could provide that.

Mr. Peter Tabuns: Could you provide this committee with that figure via correspondence?

Mr. Tom Mitchell: Yes.

Mr. Peter Tabuns: Okay, thank you.

The original process in the building of Darlington was characterized by on-again and off-again decision making, and subsequent governments have normally cited that as the reason for the spiralling costs of that project. What we have now, with regard to Darlington, is for us strongly reminiscent of the experience in the 1980s of on-again, off-again decision-making. Is this a concern to OPG?

Mr. Tom Mitchell: Mr. Tabuns, I can't comment on your characterization of the past. I wasn't here in the past.

Mr. Peter Tabuns: Fair enough.

Mr. Tom Mitchell: But my sense is that the process that's in place was laid out in terms of, we knew that the environmental assessment and site licences, those processes, would take time to go through. We're proceeding with those.

Our objective would be, if and when a decision is made to build a new nuclear power plant at Darlington, that we will be ready to assume our responsibility with a place to put it and, at the appropriate time, with a team ready to commission and operate it.

Mr. Peter Tabuns: If, in the end, the Candu bid is rejected and the Areva bid is accepted, what are the financial and organizational consequences for OPG, given that your organization, the nuclear end, is organized around the Candu technology—technology your people are trained in? I'm sure that in terms of spare parts and consultants, all of that, you have a Candu backup. What do you see as the consequences for you?

Mr. Tom Mitchell: Mr. Tabuns, the Ontario procurement process was to look at the entire life cycle cost of all these different technologies. My understanding is that those types of questions and concerns were built into the process.

What I can tell you is that obviously we're quite comfortable, at OPG, operating Candu technology, but I can also tell you that we are familiar with operating other types of technologies. I'm quite confident, based on my personal experience in operating different types of technologies—light water reactors—that we can successfully operate a Candu technology or a technology other than Candu at Darlington if that's what is in the best interests of the people of Ontario.

Mr. Peter Tabuns: So have you done an assessment of the cost to OPG of dealing with a different technology on that site?

Mr. Tom Mitchell: Mr. Tabuns, I believe I attempted to answer that question in saying that the—

Mr. Peter Tabuns: I understand, but I wanted a different answer. I wanted clarification on what it's going to cost you, which is why I asked you a second time.

Mr. Tom Mitchell: I understand that. It's built into the cost of operating a new plant, and the life cycle cost was a major consideration in the entire procurement process, so those issues would have been dealt with through that process.

Mr. Peter Tabuns: And what's it going to cost OPG?
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Mr. Tom Mitchell: I don't believe there's any additional cost other than the cost that would be associated with operating a power plant.

Mr. Peter Tabuns: Okay. When will the Darlington A reactors reach the end of their life span?

Mr. Tom Mitchell: The end of life of a Candu reactor is—it's not a time-driven activity; it is an activity that is driven by engineering analyses of major components. Every outage and between outages we do hundreds of tests and inspections. We assure ourselves and the regulator that that plant is fit for service based on, as I said, hundreds of inspections, tests and measurements.

We would intend to operate the plants for as long as the results of those fitness-for-service evaluations indicate that it's completely safe to do so. All of those results are reviewed by the independent Canadian Nuclear Safety Commission regulator, who issues on a periodic basis a licence for the Darlington facility. We currently have a five-year licence, which is the longest licence that's been issued by the commission for a nuclear operating plant. That takes us to 2013. There is nothing right now that would indicate anything other than going in for a renewal of that licence in 2013.

In particular, I would mention in that regard that we just completed a four-unit planned outage at Darlington, which is an inspection of the containment and emergency systems. That was a very successful outage. What it showed was that the condition of those systems is excellent and supports the continued operation until the next planned inspection of the systems, and that's on a 12-year frequency.

Mr. Peter Tabuns: Given the long lead times, normally, to refurbish, to make the decision to do the engineering and then carry out the work to refurbish a plant, I would think that most operators would be looking 10 years out. I have heard from time to time reference to 2018 as a target year for refurbishment of Darlington. I appreciate the fact that you inspect these plants whenever there's an outage.

Do you at this point have a date when you're expecting to be looking at refurbishing this plant, or do you have no date for refurbishment at this point?

Mr. Tom Mitchell: The 2018 date that you refer to—for talking purposes, one generally establishes sort of normal nominal timelines that you use for planning purposes, and I think I tried to explain that the real date is based on actual results. That is, I would say in a general sense, the nominal life of the plant based on our current estimates.

You're right that our refurbishment project is a very complicated project. We have begun, as you mentioned, because of the timelines, the condition assessment of Darlington, and we are getting ready to proceed with the environmental assessment for Darlington refurbishment. That work has been initiated.

By the way, what we intend to do is use the environmental assessment for new build, as many of those components can be directly applied to the Darlington refurbishment environmental assessment, so we'll maximize our efficiency in that way.

We have begun what I would call the preliminary reviews. There is a very well defined regulatory process which we've been through and understand. We've mapped out those timelines, and I can assure you that we would be ready to refurbish Darlington if it's identified as a need in the system, which we believe it to be—if it's identified as being important to the electrical system, which we believe it would be—and to meet a schedule for that refurbishment that would be coordinated with overall plans and needs in the system.

Mr. Peter Tabuns: I'll go back to my question. You've done a lot of answering questions at committee, I

can tell. The question of when that environmental assessment is targeting a date: Are we talking 2018, 2025, 2030? What's the ballpark when you expect to actually be doing work? And I know you can be off a year or so.

Mr. Tom Mitchell: As I said, the nominal timeline is 2018. I think the other thing—and this is why we need to consult with system planners and the system operator. I don't think it would be prudent to do all four units at once. We would spread them out. So we're doing what I would call the conceptual level engineering, which looks at how you lay them out in a sequence. Do you two at a time? Do you do one at a time? Do you do one with some overlap? That work is still under way and hasn't been completed, so it would, in my view, bracket that timeline.

Mr. Peter Tabuns: And what, at this point, are you budgeting for the refurbishment of those units?

Mr. Tom Mitchell: We do not have a budget for refurbishing the units. We are doing the work in which one would determine the scope. That's why you do condition assessments. That's why we do an integrated safety review. We have learned that it is important, when you develop the duration and cost of a project, to make sure one understands, as specifically as one can, the scope.

The scope would be driven by three factors. One is, what are the results of the environmental assessment—we don't have that yet; second, the results of the integrated safety review, which is required by the CNSC to review Darlington to modern codes and standards; and third is our own analysis of what are the investments we want to make so that when we come out of a refurbishment, we have a plant that's operating in tip-top shape. All of those will come together into a scope, then our best practice that we've learned—and it's typical of the industry—is then to lay that through detailed engineering into a scope schedule and the cost.

Now, having said that, we look at the asset at Darlington; it is performing very well in all facets of its operation. For example, in the first quarter of this year, Darlington station operated at a 99.9% capacity factor, which is about as close to perfection as you can get in this business. We think it's a fine asset and we intend to manage it in a way that it will continue to be a fine asset for the people of Ontario for as long as it's safe, reliable and economical to do so.

The Chair (Mrs. Julia Munro): Thank you very much. It's time for us to move on. Mr. Brown.

Mr. Michael A. Brown: Welcome. My question has to do with the aboriginal relationships of the corporation and how you are proceeding to work with the aboriginal groups and First Nations to achieve mutually beneficial results, hopefully, on behalf of the people of Ontario. Perhaps someone would like to describe that.

Hon. Jake Epp: Possibly I could start, Mr. Brown. I won't go into the background of the relationship between Ontario Hydro and First Nations; all of us can write our chapters. What I think is important is the change that was instituted at Ontario Power Generation. The board strongly endorsed the change, and the change is this—

and if you don't mind my being quite personal, having had a little bit of background in this subject, I truly believe that the First Nations of Canada have to become partners in terms of economic development, social development. They will do it to their best interests and their best lights, which is not much different from the rest of us.

That being said as background, what we changed is that we have formed partnerships. Before you can form a partnership, you have to take care of the past, and where there are grievances, you have to openly resolve the grievances. You can't change the effect or the historical fact but you can change the go-forward platform on which you want to have a mutual relationship.

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So in a number of cases, we have resolved the grievances. I want to put this as a minimum point: There have been financial contributions, but I believe it is the relationship that's more important than the financial. The result of that is, then you have a platform. So today they are partners. The best example I can give you is Lac Seul, where they are now 25% partners. There are others where we are in negotiations. If we develop more hydroelectric in the north—and that is a purpose of the board and management to do that—then these are the platforms on which we will operate.

Is everything perfect? Has history been taken care of? No. Do I believe we have the right set of attitudes and relationships? I believe we've made some progress.

Tom, anything?

Mr. Tom Mitchell: I think I would just add a couple of comments. Jake has used the word which I think is the highlight here, which is "partnerships." We have developed relationships and partnerships. We have, I think, moved from people and organizations and groups that are opposed, if you will, to now being proponents with each other in these projects.

I would tell you that my view is that OPG, under Jake's guidance and my predecessor's leadership, has demonstrated a degree of persistence and patience in developing those relationships and then providing for some outcomes.

Actually, before I took the job of CEO, Jake and I went up to Whitesand First Nation and I participated in a public apology for the past. I think what moved me the most personally in that was hearing the elders talk about the past but also talk about the promise of the future. I left that whole experience with a realization that the Little Jackfish project, which is still under development, is an opportunity for this company and for the province. So we're very excited about the work we've done with the Moose Cree and others.

I can tell you that as I have toured the province and I've been—I was at one point at Whitedog Falls generating station. I think it was 10 kilometres from Manitoba, and then later on I was on the Montreal and Mattagami. I have sought out, when available, First Nations to talk with them, to meet them and to establish a relationship to carry forward in these partnerships. So it's a personal objective of mine, as well.

Mr. Michael A. Brown: Just to follow up just briefly, is the corporation providing opportunities to do business for aboriginal groups and businesses with the corporation? One of the things we're all interested in is seeing that aboriginal companies have opportunities to progress and participate in our economy more generally. Is there any specific thing you're doing along that line?

Mr. Tom Mitchell: I think what I would tell you is that in general we are interested in establishing those opportunities, consistent, of course, with the procurement requirements that exist. But we are sensitive to aboriginal-based businesses. What we try to do is encourage them to participate in the processes so that they have the opportunity.

The other thing I would tell you is that we are heavily involved in and strongly support the Lieutenant Governor's programs of literacy, and our employees have participated in that. What we want to do is to provide encouragement to persons to obtain the educational requirements to allow them to enter the trades and become engineers and we hope eventually be employed by OPG in one or more of its operations.

Mr. Michael A. Brown: Thank you. Mr. Johnson.

Mr. Rick Johnson: As someone who lives about 25 kilometres north of Darlington—and many of my constituents work there and were involved in building it. Actually, a number of my neighbours still work there. Reading through the material that has been provided, the safety record, you have to be commended for that, and I personally thank you for that, living in the neighbourhood, so to speak.

Mr. Mitchell, as the new president and CEO, you have extensive background in nuclear. What are your goals for OPG over the next few years?

Mr. Tom Mitchell: Thank you very much for your question. I do appreciate you recognizing the good work that's done. I currently live in Whitby, so I'm right between our two nuclear stations. I can assure you that we live and work in those communities and we take safety as our number one priority in everything we do, so I do appreciate the acknowledgment.

In terms of my priorities, as I mentioned in my remarks, we have an evolving electricity sector that we're entering into. Obviously, my focus, with my background, is to make sure that we operate all of the facilities that I mentioned—our nuclear plants, our fossil fuel plants and our hydroelectric facilities and water control structures—to the highest standards in meeting all of the requirements.

Beyond that, we want to maximize the value of those assets for the people of Ontario. We see a lot of exciting opportunities in that. We see expanding our hydroelectric base. I recently visited and toured the plants that we're building on the Montreal and the Mattagami. I can report to you that excavations are almost done, the concrete's being poured and the major parts of those plants are there and being installed, so we're looking forward to 44 megawatts of clean energy.

We're also very interested in other power plants that already exist and in upgrades to our facilities on the Mattagami.

In the nuclear file, we're interested in revitalization of those assets and are excited about refurbishments and new build.

In the fossil fuel area, we are extremely excited about the opportunities of biomass and of re-powering a substantial portion, if possible—if it can be done safely, reliably and economically—of them with wood, which we think would help establish a use of Ontario wood products in making electricity.

I would say that even more recently, I've become quite aware of a number of what I would call exciting possibilities in agricultural biomass and using non-food—we're not going to burn food—agricultural parts to burn and make electricity. I view this as an excellent opportunity. In fact, the word I would use, again, in this is the same word I used on First Nations: It's about partnerships. It's about developing partners in the wood and agricultural industry to see what the fuel supply is. We are actively looking at converting our Atikokan facility to wood-based biomass. We set an aggressive target for that: 2012. We're looking at the possibilities in other plants for wood and/or agricultural biomass or even co-fuelling them in some other way so that we can provide a useful asset and value to those assets for the people of Ontario.

One thing I would point out in that is that in support of the Green Energy Act, we understand there will be a need for wind generation support, and we think that our re-powered coal plants—we're powering them with biomass—would allow what's called a low-load capability. We can operate those plants at extremely low power levels and ramp them through the entire power range. That would be a benefit over combined-cycle gas plants, which tend to have a very fine operating range at the top, if you will, of the power range for the plant, but in lower power levels, you're sort of on and off.

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We think there is a niche there where we can support the Green Energy Act and renewables, and support it using a renewable, carbon-neutral resource. I wouldn't want to lay them out in a set of priorities. I would say we're moving on all of those fronts. But I would end with this: With all those opportunities, I can assure you we will never lose focus on operating safely, reliably and economically the power plants we have. We make two thirds of the electricity in this province, we believe we are doing it in a way today that is low or no emission, and we're keeping the rates low. We're not going to lose sight of the value that we provide in doing that.

Mr. Rick Johnson: As you move forward, as Mr. Brown said earlier about working with our aboriginal peoples in the north, do you see any further development of water resources up there? I grew up in Manitoba, and of course the whole of northern Manitoba—

Hon. Jake Epp: All of us have a certain cachet.

Mr. Rick Johnson: I visited the Gillam station before it opened in the late 1960s and it was really quite

remarkable to see. Do you see any expansion of that in working with the aboriginal peoples in northern Ontario?

Mr. Tom Mitchell: I think it's an excellent question. As I've mentioned, we're certainly looking at expanding on the Mattagami. We're looking at Little Jackfish. Obviously we're quite proud of our Lac Seul generating facility. We would certainly be interested and are interested in evaluating other projects where we could again partner with First Nations. I think probably the only limit is to our imagination and to sites.

What I would tell you is that we do want to make sure that as we look at those opportunities, we can deliver the results in terms of getting those projects done. So we'll always try to temper our imagination with the practicality of what we can accomplish.

The Chair (Mrs. Julia Munro): Thank you very much. We'll move on. Mr. Yakabuski?

Mr. John Yakabuski: Thank you very much for joining us this morning, and congratulations to you, Mr. Mitchell, for your first seven weeks—the toughest seven weeks.

Anyway, I'm going to start by asking some questions on nuclear for probably different reasons than Mr. Tabuns, but I may get the same answers; I don't know. Let's talk about the nuclear performance. You talked about how in the first quarter, Darlington performed at 99.9%. It's not just the first quarter; your numbers recently have been spectacular at Darlington. I think one of the units, unit 3, was the top-performing Candu reactor in the world at 98-point-something or 99-point-something per cent for the whole year last year. Is that correct?

Mr. Tom Mitchell: Yes, if I could maybe just expand on that. But I think to answer your general theme here—

Mr. David Ramsay: That's not the government side.

Mr. John Yakabuski: Oh, we'll be getting there, David. Don't worry.

Mr. Tom Mitchell: I think the facts that you're referring to are that in 2008—and again, I think this is a testimony to our staff. Every year a list is published of the top Candu performers in the world. OPG had four out of the top five in the world in Candus. Three of them were at Darlington, including the one that you mentioned at the top. Number 5 was Pickering B, unit 6, which I'm quite proud of, because I used to run the Pickering B station. It's good to see a Pickering unit in the top five. The fourth was a Romanian station, a Romanian Candu. It was its first year of operation. So it's quite an august group, I would say, to be a part of. We were glad to see that level of performance.

You're right; it's more than Darlington. This year, we have a Pickering unit at 97% capacity factor. It just completed a 454-day run, which is the type of performance I like to see—safety, reliability—and we actually now have three units at Pickering this year that are over 91%.

Mr. John Yakabuski: I just want to quantify that top-performing reactor because it's not just about being the top five. The top-performing reactor at Darlington for the year was over 99%, correct?

Mr. Tom Mitchell: I will confirm that number, but I believe that to be the case, yes.

Mr. John Yakabuski: You will confirm it?

Mr. Tom Mitchell: I will confirm it.

Mr. John Yakabuski: So if nuclear's—I mean, it's performing tremendously well. If you look at the IESO website, and if you look at the generator reports, as a researcher told us we should do from time to time, and you look at our capability and the output from our nuclear fleet, it's very good, unbelievably good, other than when you had your planned outages in May, which was a once-in-10-or-12-year-cycle type of thing. So we know that the nuclear fleet is dependable. Now what are we going to do, I guess is the question, because Mr. Tabuns talked about refurbishment, and the government has made the decision that they're going to suspend the new-build process.

We are looking at a time when—and I understand your issue; you can't just exactly say when a unit is due for refurbishment based on the time of the year or the year. There's a whole lot of critical information that has to go into that based on what it's been doing through its life cycle. Some people are old at 50 and some people are young at 90; we understand that. But there is going to be a time, and given that the government has gone ahead and they've made the decision that they're going to shut down coal by 2014, and now they're planning to accelerate that based on the fact that there's nobody left working in this province—I guess they figure they can shut down some of those units earlier. So the timetable for that has changed. But if you take that out of the system—6,500 megawatts, approximately, of coal-fired generation—and you don't proceed with a nuclear new build, there is a time where we have to look at refurbishing these reactors. Where are we going to get the base-dispatchable and baseload generation—we have to have baseload and we have to have dispatchable. Where are we going to get that if we don't proceed with new build in the province of Ontario?

Mr. Tom Mitchell: The answer to that question, just to be clear, as I've mentioned in my opening remarks, is not my responsibility or accountability. I'll just quickly remind you: My responsibility and accountability is for operating the assets that we have, that we hold in trust for the people of Ontario and maximizing the future value of those assets.

I think I've already earlier described that we have a number of processes under way to prepare for the future, which I think is our responsibility and accountability. I believe the questions you raise are best answered by the Ontario Power Authority, which has an accountability for system planning, and the Independent Electricity System Operator, which has a responsibility for making sure that the grid functions in a safe and reliable way.

What I can assure you, and I will assure you again, is that we will do everything that we need to do to support system plans and system operational parameters that are provided now, as we speak, for the plants that we're

operating today and into the future to meet the needs of the people of Ontario.

Mr. John Yakabuski: Into the future as long as we actually have nuclear plants, because if we don't build them or refurbish them, eventually you will have fewer assets to manage. I know that's beyond the point of where you or I will be sitting in either one of these chairs.

Have you had times this year where you've had to sell power at a negative price for many of your nuclear units to keep them operating?

Mr. Tom Mitchell: As I mentioned in my opening remarks, our large assets are regulated by the Ontario Energy Board in an open, public and transparent process that sets the rates that we receive for our nuclear generation assets and our large hydroelectric assets. They are not part of the market price. The only assets we have that are unregulated and operate on the market are our unregulated hydroelectric assets.

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I guess to perhaps expand a bit—I'm trying to be co-operative—there certainly have been times this year, with overall electricity demand being low due to economic conditions and to the fact that we've had a remarkably cool summer—I believe we've only had three days this year that have been above 30 degrees—that baseload generation at times, the quantity, has exceeded the demand. So what that means for OPG is that our fossil fuel stations have run at very low levels but ready. On August 14, when it got warm, we were running seven of our fossil units at Nanticoke to support the need, so they're ready.

We have been in situations where we've had to manoeuvre our nuclear units. We have not taken any offline but we have manoeuvred them down in power and we have spilled water out of our hydroelectric facilities. That's just a normal course of how one conducts those operations.

I want to again assure the committee that in doing any and all of those operations, our foremost concern is public safety and the reliability of the electricity system.

Mr. John Yakabuski: Thank you. We were aware that you're regulated on your nuclear, but I wanted to get that on the record because it is my understanding—I don't know if you can answer this for me or not—that Bruce has actually sold power at a negative at times this year to keep nuclear units running.

I guess my question with regard to that, and you've answered one of my next questions—if you had to spill, bypass hydroelectric production at times because of low demand, so we're just letting water go past our dams. We're getting no revenue out of it, no generation, just running it down the river. That's what happens when you have an economy that is in significant difficulties, of course, with the way that apparently the current government seems bent on operating this one. But that's political, so we're not going to go down that road. We're asking questions of a crown agency here.

So when we do that, when we have that negative pricing—we've had times when the actual market price

has been negative this year. The actual market price has been below zero, and I think we've got a chart here, where it is for the year. July: spot market price, 1.9 cents per kilowatt hour or \$1.90 a megawatt hour. If you look at the charts on those days, we actually have exports. We've been exporting a lot of power because we have an excess. We're generating; we're selling it. We sell it at the market price, correct?

When we sell it to a foreign agency, whether it be New York, Michigan, whatever, we're selling it at the market price but our consumers basically are paying the market price plus the provincial benefit—or we can call that a global adjustment as well. So our consumers are basically subsidizing the power purchases of Americans, mostly because that's where most of our interties are. Is that correct, as you understand it?

Mr. Tom Mitchell: Again, those are not areas of my responsibility. We sell our electricity, essentially dispatch it into the Independent Electricity System Operator, who manages the grid. They are the ones who control exports and imports and all the things that need to be done. What I can tell you is that they, along with our staff, I think are some of the unsung heroes of the electricity system in Ontario on a minute-by-minute basis of our balancing supply and demand. What I can tell you that applies directly to OPG is that a majority of our energy is rate-regulated through an open and transparent process, that those historically have been less than the spot market, and so we believe we have met what I would call my objective of supporting the increasingly low emission system—

Mr. John Yakubuski: When the economy was good, you were providing benefit—

Mr. Tom Mitchell: —and keeping rates low. What I would also tell you is that now, with market price so low, the reality for us is that our revenue stream has declined because we do sell a portion of our power at market rates. So we are also now providing an additional benefit to the consumers of Ontario because they are paying a low market price for our unregulated assets, and the impact of that financially for us is that it lowers the amount of return we provide to the province as being a crown—the fact that our balance sheet essentially is on the provincial balance sheet. So that portion that we can return from those operations has declined, but from a consumer's point of view, consumers are benefiting from a low market price.

I would also tell you that I believe we are probably the last organization that's actually being paid market price for a portion of our assets.

Mr. John Yakubuski: The IESO sets the market price. We understand that. But just like OPG, Hydro One, OPA or the OEB, they're all answerable to the Minister of Energy. They're all answerable to the government of Ontario. So I think it is important to know that the Ontario consumer is actually subsidizing our export market for electricity this year based on economic choices we've made in this province, which are just saddling our consumers with another bit of a bill.

I'm going to move on. How much time do I have?

The Chair (Mrs. Julia Munro): I'm just going to say thank you very much.

Mr. John Yakubuski: Apparently I'm moving out, not on.

The Chair (Mrs. Julia Munro): Now we'll move on. Mr. Hampton.

Mr. Howard Hampton: I want to thank all of the representatives from OPG for being here. I sense some frustration on your part. I want to ask you some questions about electricity planning, and you have to tell us that, while the Ontario Power Authority is responsible for that, the Ontario Power Authority is doing deals potentially in the several-billion-dollar range and yet they're not a reviewable agency. I think the people in Ontario would be shocked to know that there's an agency that can sign contracts for \$20 billion, \$30 billion, \$40 billion, \$50 billion and yet under the current system in Ontario you can't review them.

I also share your frustration that you have to make your electricity available to the Independent Electricity Systems Operator, and they may do all kinds of financial manoeuvres, and yet we're not allowed to call them for review. I think Ontarians would be shocked to know that under this current system that can happen in Ontario, that literally perhaps billions of dollars could be lost in electricity trading and they can't be called to account before this legislative body or any other legislative body. I think anyone looking at this would say that you couldn't design a more imperfect system than this if you're concerned about accountability to the public, accountability to the ratepayers and accountability to the taxpayers of Ontario. However, we'll get into more of that in another body in the weeks to come.

I wanted to ask you first of all about regulated assets. In the fall of 2008, I believe, you asked for a 14% rate increase at the Ontario Energy Board for your regulated assets. As I understand, your regulated assets are all of your nuclear facilities and your very big hydro plants. Is that right?

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Hon. Jake Epp: That's correct.

Mr. Howard Hampton: Everything else is market-based.

Mr. Tom Mitchell: It's market-based or we have contracts to—

Mr. Howard Hampton: Okay, that's fine.

Mr. Tom Mitchell: But, again, just for clarity, the businesses that were subject to OEB review were the nuclear assets and the large hydroelectric assets.

Mr. Howard Hampton: Good, yes.

So that was the fall of 2008. Is OPG planning on asking for another regulated-asset rate increase?

Hon. Jake Epp: Mr. Hampton, your characterization is correct up to the last—up to your question. Management has not come to the board with any requests, nor has the board made any decisions relative to your question. If there is anything further to add to that, either Tom or Donn can answer it.

It probably should be put on the record that, previously, in the old Ontario Hydro, it was the board—that is, not the OEB. The board of Ontario Hydro set the rate.

Mr. Howard Hampton: Yes.

Hon. Jake Epp: Talk about transparency. So that has all changed, and we're now in front of the OEB, so I believe that's a better public process.

But we've been through it once, and Donn Hanbidge and his team have largely been responsible for that. Maybe either Tom or Donn would answer that.

Mr. Tom Mitchell: Well, I think I just may, to add factually to the discussion—2008 was the first time that we had been through the Ontario Energy Board process. I found it a very disciplined and demanding process. I believe it was accountability, in every sense of the word, and I think we acquitted ourselves well in that review. We left with some learning. Actually, I would say there was some learning on both sides in terms of—because, obviously, our business is a big and complex business. We left with some things that we would certainly factor into the next proceeding.

Prior to that, our rates had been set on an interim basis in 2005, so I would just point out that there was a fairly long period of time between when our rates were last set and when we went back in 2008. I think that was what was reflected in some of the numbers that you used. Going forward, we believe we will probably be getting into, approximately, a two- or three-year cycle of rate submissions.

The setting of rates, in our sense, is highly dependent on a process that we're actually involved in right now, which is our business plan. We do long-range and short-range business planning. In terms of establishing rates, we need to know what our generation plan will be, which we're still finalizing. We need to know our cost structure relative to that, which we're still finalizing, because we haven't finalized our business plan or brought our business plan to the board. Then, obviously, another component of that is a separate question, which really gets back to rate of return on those assets. We were, I would say, very thoroughly reviewed on all of those aspects in our last hearing.

We are putting together the pieces of that, and it would be certainly premature, on our part, to draw any conclusions on that, but our expectation is that the OEB process will be initiated again next year.

Mr. Howard Hampton: So let me ask the question another way: Are you planning on asking for a rate increase on your regulated assets any time in 2009?

Mr. Tom Mitchell: In 2009? No.

Mr. Howard Hampton: Are you planning on asking for a rate increase on your regulated assets in 2010?

Mr. Tom Mitchell: We are planning on a rate submission in 2010, and, as I attempted to answer the question, it would be premature to decide what that request would be until we complete our plan.

Mr. Howard Hampton: So in 2010, there will likely be a submission.

Mr. Tom Mitchell: That's correct.

Mr. Howard Hampton: If I judge over the last six or seven years, in looking at your financial statements and some of the things you've already talked about in terms of certainly the regulated assets, you've got some very big costs and you have to cover those costs. So would it be fair to say you'll be asking for a rate increase?

Mr. Tom Mitchell: Those are your words, sir.

Mr. Howard Hampton: Okay. Well, will you be asking for a rate decrease on your regulated assets in 2010?

Mr. Tom Mitchell: Sir, I outlined to you the process. We're in the middle of a business planning process. It's premature to prejudge this. We take our responsibility to have safe, reliable, cost-effective generating assets for the people of Ontario seriously.

What I can tell you is that we have been focusing on improving the reliability of our units while ensuring safety and looking for many opportunities to reduce our costs. Until all of those factors are brought into play, I just cannot sit here and tell you what the answer of that is. It certainly would be premature to do that without discussing with my board.

Mr. Howard Hampton: Okay; I'll have a chance to return to this at some later date.

I want to ask you about the Niagara tunnel. In August 2006, with great fanfare and lots of television cameras, OPG participated in a—I guess you could call it a photo op, where the people of Ontario were told that the third hydro tunnel at Niagara Falls would be completed by 2010 and the tunnel would cost \$600 million. We are now on the verge of 2010 and the tunnel is only halfway complete, and the people of Ontario are now being told the tunnel will cost \$1.6 billion. How can that happen? How can OPG participate in a photo op with television cameras all there, where people are told this is going to take three years and it's going to cost \$600 million, and here we are three years later and the price has more than doubled? I'm told now it will be 2013. How does that happen?

Hon. Jake Epp: Mr. Hampton, I'll start answering that, and the reason is very simple: I as chairman of the board, the board members and management of that day, we take responsibility. Of course, now it's Tom, but I think we need to go back.

All the geotechnical work: I think this tunnel has been in Ontario's discussion—I don't want to put a date to it, but I understand it's around 20 years. So a lot of geotechnical work was done. Independent third parties were brought in for assessment. We used academic facilities in Ontario to further risk-test the geotechnical. And we believe, through the RFP process, we hired a very competent tunneller. So I think, from the due diligence point of view, that was done.

Secondly is the issue of, in a mining operation, and I guess as an old mines minister, can you ever be totally sure? Obviously, rock conditions were different than the geotechnical assessment gave us cause to believe. That all being said, we're still responsible.

That having been said, we had to go back with the tunneller, and Tom can answer those questions as to present status. But what I would put into the mix on your question and in my answer is that if you look at the LUEC over a 90- or 100-year period, you'll find that anything that is being built today, still on terms of not only green power but specifically hydroelectric power, it's a number that would be generally welcomed almost in any project. I'm not putting that forward as an excuse; I'm just giving it to you straight as to what happened.

Tom, maybe, can answer as to the present, if that's fine.

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Mr. Tom Mitchell: I would just add one correction. I believe that the initial cost was \$985 million.

Mr. Howard Hampton: The cost of the tunnel was \$600 million. The other work was related work; it wasn't specifically on the tunnel.

Mr. Tom Mitchell: Okay. I just wanted to make sure we clarified that.

Mr. Howard Hampton: Yes.

Hon. Jake Epp: The Strabag contract was \$600 million, originally.

Mr. Howard Hampton: Was \$600 million; that's right.

Mr. William Sheffield: The tunnelling contract was \$600 million. The total amount the board approved was \$985 million.

Mr. Howard Hampton: Yes. I don't disagree with you on that.

Mr. Tom Mitchell: You used a number that I believe is the total cost. I just want to make sure that—

Mr. Howard Hampton: It's \$1.6 billion.

Mr. Tom Mitchell: It's the total.

Mr. Howard Hampton: Yes.

Mr. Tom Mitchell: So just to make sure we're in apples and apples. But what I would tell you is, this is an extremely important project. How important was it or is it? On the ninth day of my job I was 4.7 kilometres underground, sitting on the tunnel-boring machine myself. So what I can tell you is, I had an opportunity to see the operation first-hand to get an idea of the complexities, of the magnitude of this. It is truly a very large and complex project—

Mr. Howard Hampton: Excuse me for a minute. I appreciate what you're saying but I've got some other important questions I want to ask.

Mr. Tom Mitchell: I just wanted to say, to me what occurred here is what you would expect in an organization that has a good project management focus and capability to do. We didn't wait to the end of this and say, "Oh, my gosh, we've gone over budget and over schedule." We have strict project controls. When we ran into differing rock conditions, we recognized it, we stopped, we evaluated the options, including stopping the project, changing contractors and all the different things. We have a competent contractor who has been focused on safety. We set a new schedule and price and we

publicly announced it in an open and transparent way. I am not sure what else you would expect us to do.

Mr. Howard Hampton: Could I ask you this? Strabag is the contractor. I'm told that when you do these boring projects, you're wise to custom-build the boring machine. Was this boring machine—Big Becky, I think you call it—custom-built for this job and this job alone?

Mr. Tom Mitchell: I believe so, yes.

Hon. Jake Epp: The answer is yes. There are different machines, different suppliers, but this machine specifically was related to this project, and as well was part of the price that OPG put into the contract.

Mr. Howard Hampton: Had this boring machine been used on any other projects, to your knowledge?

Hon. Jake Epp: To my understanding, it was brand new when it came to the Niagara site.

Mr. Howard Hampton: And was custom-designed for this project?

Hon. Jake Epp: I believe so.

Mr. Howard Hampton: One of the things I find—

Hon. Jake Epp: Excuse me, Mr. Hampton. If you take a look at the diameter of the cutter head, you had to custom-build because we did not have those kinds of dimensions in any other project. I personally went to the tunnel that was being built between Switzerland and Italy. I went to see a sewer project in Vienna, with very different rock conditions—actually, mud conditions. We'd looked pretty heavily at who could do this kind of project, and this machine was provided specifically for Ontario.

Mr. Howard Hampton: I hear the argument about unexpected rock conditions, but this is the third tunnel that has been bored in essentially the same place. Had these rock conditions not been encountered in the other tunnels, historically?

Hon. Jake Epp: I'm not an expert in tunnels, sir. Just because I've been in one doesn't make me an expert. But the first two tunnels, if you go back to the historical record, were not bored; they were blasted.

Mr. Howard Hampton: I understand, yes.

Hon. Jake Epp: I believe this one is at a different depth, and I can ask Tom to verify that.

Mr. Tom Mitchell: I think what I would say is that it obviously depends on the path that's traversed. One of the things that I would offer is that I think before we conclude on the machine in its efficacy, we should complete the mining operation, because these conditions that we encountered were on the downslope. We've now come through underneath the St. David's gorge. We did readjust our path of traverse and we have been in some rock conditions where we have substantially increased our rate of progress. But I would also point out that I'm always cautious about this because the rock conditions do change. We're going in and out of layers; those things undulate.

I think what we need to do at the end of this, and we will certainly do this, is look back as we do on any project and evaluate the lessons learned. I'm particularly interested in the geotechnical issues, not because we're

planning on other tunnels, but we are planning on doing other hydroelectric work that does require a very good understanding of geotechnical conditions. This is of a great deal of interest to me going forward—as well as completing this project.

The Chair (Mrs. Julia Munro): Thank you very much. We have to move on. Mr. Moridi.

Mr. Reza Moridi: I want to begin by thanking the Honourable Jake Epp and Mr. Mitchell for their presentation.

My question is for Mr. Mitchell. As you know, health and safety in every workplace is of prime importance to executives, and also it is very important to the public. In view of the fact that some tragedies have happened this summer in Ontario's waterways, what is OPG's plan to improve health and safety in its properties?

Mr. Tom Mitchell: Thank you very much. As I did state in my opening remarks, public safety is of paramount importance to us. We factor it into every activity, every task, every day. It's really job one.

In terms of public water safety, what we have done is several things. One is that we are very mindful of the impact of our operations on water conditions. When I toured the control areas for our water systems this summer, I got into a specific dialogue with our operators. I found them to be knowledgeable of the issues and very, very keenly aware of the impact that changing water levels could have on public safety. The other thing that we've done is we have spent a lot of time and effort over the last few years to increase signage, put in water barriers and make sure that when people are entering areas that are of risk, it's visually apparent.

Another partnership, this time with the OPP, is a campaign to make people aware of the fact that you need to be careful around our hydroelectric facilities. What we find is that there's some excellent fishing very close to our facilities and it attracts people. You may have seen an advertisement that we co-produced with the OPP that attempted to capture the hearts and minds of our people who enjoy fishing, to make sure that they're aware.

Also, if we do find people who are trespassing or not meeting our rules, we do inform the authorities and they respond. It is a subject that is extremely important to us. As I mentioned in my opening remarks, we have a large number of hydroelectric dams. We also have a very large number of water control structures. I'm not sure that everyone has an appreciation for the fact that we're following guidance provided to us by the Ministry of Natural Resources. We control 24 very large river systems in Ontario and we do it very well.

Mr. Reza Moridi: Thank you very much. If I may ask another question, Madam Chair. Just on the point of health and safety in the workplace and also from the public point of view, Mr. Mitchell, I know that there are stringent rules and regulations in relation to worker safety and also public safety with the nuclear facilities. I wonder if you would elaborate a bit about the OPG's plan in relation to Emergency Measures Ontario with regard to your nuclear facilities.

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Mr. Tom Mitchell: In regard to our nuclear facilities, we do closely coordinate with Emergency Management Ontario. We are part of the provincial response plan. We train with them, we drill with them, we hone our skills, and I am quite impressed with the level of cooperation that we have with Emergency Measures Ontario. I believe that's done in a way that reflects positively on our staff and on their staff and the professionalism that they bring to their work.

Mr. Reza Moridi: Thank you.

The Chair (Mrs. Julia Munro): Further questions? Mr. Ramsay?

Mr. David Ramsay: Thank you very much for your presentation today. You mentioned Hound Chute. I want to thank you very much for the work that OPG has done over the last few years there. As you know, we made decisions in the past and we went into watersheds and dammed up rivers in the old days because we didn't know any better. We didn't have the due regard for the environment that we appreciate today. I very much appreciate the incredible investment that you've made there, not only economic but environmental. Because of the extremes in the water levels over the years, it was very difficult for fish habitat and very difficult for property owners to manage their property.

Really, what we've come out of this with is a triple win. It's a win for you because you're certainly going to increase the generation capacity there in a very sustainable way—I appreciate seeing the picture in the handout today that you gave us. It's certainly a win for the property owners there who are very happy now, because with the new control system, that is going to be really excellent. And it's certainly a win for the environment along the Montreal River too. I very much appreciate that.

The thing I'd like to just talk about a little bit and ask you about is—and I know you come from the nuclear side, but it's very refreshing to see a renewed emphasis on the hydraulic side. I was wondering if you could just comment on some of the opportunities you would see on the hydraulic side, both in southern and northern Ontario.

Mr. Tom Mitchell: Thank you very much for your question. I appreciate the recognition of our staff. I think you're referring to the weir that we installed as part of the Hound Chute project. It's an amazing piece of technology, actually, and the feedback that I've gotten is that it is providing a better control of the water levels in that area.

I think overall, in the hydroelectric area, I've already outlined that we're obviously very interested in the Mattagami projects and the Montreal project that you refer to. We're looking forward to 44 megawatts of clean, renewable energy on the system. Those projects are going well. I actually toured all of them and I have a good sense of where we stand and the progress that's being made.

Also, we're very interested in the rest of the Mattagami system. Obviously, a partnership activity of

that is to establish an arrangement with the First Nations, which is proceeding well. That project has the potential for a capacity of an additional 450 megawatts. I don't want to guarantee that number, but that's what I would say appears to be the ballpark. That's a very exciting project for us.

In the west, Little Jackfish is another opportunity, and we're interested in potentially more.

I think you're right. As I said in my opening remarks, we have been given a part of the legacy of the hydroelectric construction and acquisition that occurred earlier in the last century. They are amazing assets. I was standing on a dam that was 104 years old, and it had been, I think, refurbished two or three times in its life, and it's running like a top. That's the other thing that we always need to keep in mind, and it has really been a thread that has run through many of the questions today. We do have assets that have value. It's not measured in days or weeks or months; it's measured in years and decades.

So it is very important to make sure that we do keep the long term in mind, and that perhaps with cool weather and economic conditions being what they are, it obviously allows us to do certain things, but we also have to look forward and make sure that we have an electrical system that will be there to support economic growth. I would just say, as a personal comment, that we always want to make sure that our economy is not limited by electricity.

Mr. David Ramsay: You mentioned economic growth, and that would be something I would certainly like to bring up and ask you about. These projects are very exciting for northern Ontario, but they're also very important for our economy. I would hope that we could do everything we could to maximize economic opportunity, as my colleague Mike Brown has said, for First Nations people, which I'm sure is all part of your discussions, but also the general economy in northern Ontario, because those jobs are very important. I think they become training opportunities too for a lot of our people in developing new skills. So anything you can do to maximize those opportunities would be obviously greatly appreciated as a great spill-over benefit, if you will.

Mr. Tom Mitchell: We see the economic opportunities that you described, and as I say, we're very sensitive as well to First Nations issues. I would also offer that the biomass projects, both on the wood and agricultural side, again, offer an exciting opportunity—early stages; I would classify that as almost in the incubation stage of seeing what's possible—and all of those things can have significant positive economic impact as part of us doing our job day to day.

Mr. David Ramsay: Thank you.

The Chair (Mrs. Julia Munro): Mr. Johnson.

Mr. Rick Johnson: Earlier, the member opposite informed us about the economic slowdown, which I very much appreciate hearing about, and I'm sure the rest of the world will appreciate knowing about it too. In light of

the challenging economic times and lower demand for electricity, can you tell us what OPG has been doing to reduce costs?

Mr. Tom Mitchell: Yes, I'd be happy to. We realize that it's important for us to look very diligently at our cost structures, and we've been doing that for a number of years. Just briefly, in 2008, really I would say before the current situation became apparent, we looked at our operating expenses and found about \$80 million worth of expenses that we could prudently remove from our budgets in 2009 and 2010, and we implemented those.

At the end of last year, given the economic conditions and particularly with our understanding that our revenues might be impacted with lower market prices, we set a very challenging target for our team to find an additional \$85 million worth of expenses to reduce in 2010. I'm happy to report today that as part of a very difficult business planning process, we found that money. Part of it is a recognition that coal closure represented an opportunity to reduce some of our operating expenses, as well as positively impact the ratepayer, and that was part of a business decision that we made around closing the four units that were announced last week. So we're ready, willing and able to make those types of decisions when they're in the company's best interests and in the interests of Ontario ratepayers.

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The other thing that we did this year is we set a target of a 20% reduction in discretionary expenditures. We tightened the belt. Again, I'm happy to report that my management team stepped up to the plate and is meeting that objective.

We've also been looking at any of the things that we can do to control our costs and reduce our expenditures—however, always being mindful of the fact that we have to operate safely and reliably. I can assure you that it's not about cutting corners; it's about looking for real savings. The coal closure would be the largest portion of that \$85 million. The rest of it has been through a whole long laundry list of very specific things that we went through as part of our business planning, and we're still looking.

Mr. Rick Johnson: Thank you.

The Chair (Mrs. Julia Munro): Thank you very much. We'll move on. Mr. Yakabuski?

Mr. John Yakabuski: I'm going to start by maintaining the flow that Mr. Ramsay began. I may dig a little deeper into that tunnel a little later, and then fuse back to the nuclear issue.

Anyway, you talked about hydroelectric opportunities and the importance of them. I just want to put things into perspective, because we know we have to tap the resources that we have. I just want to put the numbers into perspective.

What do you see as the realistic—you know, because we are talking about First Nations opportunities; we're talking about generation in other areas of the province; but, in general, I think we're talking about smaller generation, and a couple of bigger projects maybe. Can

you give us a realistic number with respect to how much hydroelectric capacity you see as being available in the province?

Mr. Tom Mitchell: I will attempt to give you an estimate based on, I would say, the current portfolio of things that we're investigating. I've mentioned, in north-western Ontario, we're actively working on projects to bring online 45 megawatts. We think the rest of the Mattagami might offer around 450, so that's 500. The size of Little Jackfish is still under discussion. I would say it's approximately in the 70- to 80-megawatt range. There are, I would say, other possibilities that tend to fall into that size of category.

Obviously, from our point of view, there are a number of things that have to come into play. This is what requires very close coordination with other agencies or organizations. We have to, again, partner with our First Nations, but we also need to make sure that Hydro One has the ability to hook up those locations. My understanding is that those discussions are under way. Certainly, we're not going to build a project unless we can get a wire to it. Obviously, there's the water side and there's the wire side.

I think my answer would be, we're talking about, I think, realistically, a time frame that would be in the next decade. It would be 500 to 550 megawatts, which, again, to put it in perspective, is the size of a Pickering reactor.

Mr. John Yakabuski: One.

Mr. Tom Mitchell: One, yes.

Mr. John Yakabuski: Thank you very much. I appreciate that. I mean, it's certainly not the kind of number that would replace or take up the shortfalls from the coal shutdown or anything like that, which we're talking 6,500 megawatts.

Now, you did talk about biomass. Currently, and I don't have that off the top of my head, I think the FIT biomass rate is approximately 13.5%. You're talking about burning wood and non-food agricultural products in some of your currently coal-fired plants. Can you do that profitably at that rate?

Mr. Tom Mitchell: There are three questions on biomass that need to be addressed: (1) Can we do it safely? (2) Is there an adequate supply of fuel? (3) Can it be done in a way that makes economic sense? All of that is bounded by that it has to fulfill the need to have that capacity. We think the need is ramp support for the system. It's a very similar need that our current coal-fired stations provide sometimes multiple times in a day, so we know the units are certainly quite capable of that. The fuel supply issues: There are processes under way to determine the quantities of the products that would be available and what those costs would be.

I don't think it would be wise to comment on a process that's under way, but that is certainly an issue that we're looking at. Again, we see it as a potential partnership with the new industry. Then, all of that has to be brought together into a business case, that we can receive a way of being recompensed for that.

I would say all of those would be a prerequisite to me taking a project to my board of directors for approval, which I have not done yet, but I can assure you we are actively looking at all of those aspects to put together such a business case.

Mr. John Yakabuski: There was a time frame where you sent out a request for expressions of interest on biomass procurement, I guess, or raw material for biomass production of power. I believe that was January 13 or so of this year. Where are we now with respect to that, because there doesn't seem to have been much said since then? I know you got a further directive indicating that it had to be Ontario, which is good, but where are we with that program because, as we move closer, now you're being told—by the way, the announcement last week for the earlier shutdown, because of the economic decisions, of the unneeded coal plants, did that come as a ministerial directive? Did you receive a ministerial directive or is that part of the ongoing plan?

Mr. Tom Mitchell: There are a number of questions in there, so I will attempt to answer—

Mr. John Yakabuski: Yes. One is where are we on the biomass, and because it's connected to the coal shutdown—

Mr. Tom Mitchell: Right. So, where are we on the biomass? There is a process under way. We had a very large expression of interest, which was quite heartening to us. There is a process under way which is continuing to evaluate those options. Our current focus on biomass is to put together a proposal, a project for Atikokan using wood, with a time frame yet to be fully fleshed out in terms of laying out a project schedule that would look like 2012. We're actively working through all of those various bits and pieces that I explained to be able to take to our board this year.

On the coal, we did not receive a ministerial directive. Let me step back and explain this process. The government has certainly announced its intentions in terms of coal fuel generation. We understand that. The strategy for moving to 2014 and the removal of coal from the system was a set of emission limits that were set in a stepwise fashion. We have organized our business plan and our operations around that. Then, what I would say is, two things happened. One is that the conditions changed; the projections for the amount of energy needed were revised. The electrical system operator, in discussions with that organization, indicated that the units would not be required. So what we did is we made a business decision to save company operational funds and to reduce costs to the ratepayer consistent with government policy in that direction.

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The other thing that transpired in that: I think we began to more fully appreciate the opportunities of biomass—and not just wood biomass but agricultural biomass. And I'll tell you, with my nuclear background I never thought I'd become such an advocate of this, but I have really been challenging my staff because it is a fundamental value: How do we maximize the value of

these assets for the people of Ontario? So I have been really pushing—and it hasn't been hard to push, because I think we've all recognized that this is an opportunity we want to fully vet. Assuming that it meets the system's needs, that it's a safe fuel supply and economically feasible, we are going to pursue that until we have firm and solid answers.

Hon. Jake Epp: If I might, what's becoming interesting in northern Ontario is the supply. You asked about supply and how you get supply. There are now companies in northern Ontario that are using the seaway and sending wood pellets, for exactly this purpose, to Great Britain. So I can't explain to you an export market or what this is going to do competitively to supply, but the story often is a little more complicated than just what appears on the surface.

Mr. John Yakabuski: That's why I asked the number, which I don't think you were able to provide, as to whether or not you feel that is adequate.

So the decision was something that OPG made as a part of its operational reviews, that this was something they could proceed with? So for all intents and purposes it was, from the minister's point of view, nothing but a shameless photo op?

Hon. Jake Epp: Maybe I can answer that. I'm not going to get into the politics of it, because I don't have a great background there. But let me put it this way: There was a business case made from management to the board. The board made the decision to endorse the business plan, which included the four units. As to what any other benefits there might be, I can only be responsible and am responsible, and the board is, for the decisions that we made.

If you look at directives, we do have a mandate from the government of Ontario, apart from our obligations under the Ontario Business Corporations Act, which is that we have to function as a financial corporation. If you take a look, they're all publicized on the Web. I don't think you'll find a directive relative to this one.

Mr. John Yakabuski: Okay. Because it was so soon, I don't know. I wanted to clarify that. So it is clear then that it's probably not a bad idea for the minister who wants to be mayor of Toronto to make that kind of announcement in Toronto. It's probably not a bad idea from a political point of view. But I'm just trying to flesh out what his real motivation was, because obviously you people have made the operational decision that it was possible. We're just trying to figure out the minister sometimes, and it's not easy.

Anyway, I don't know how much—I'm going to run out of time here. Let's go down to the tunnel.

Mr. David Ramsay: Let's give him a few more minutes.

Mr. John Yakabuski: I did have the opportunity to visit the tunnel, and I must say I was fascinated with the project going on there. Having said that, being fascinated still does not remove the right to ask questions with regard to its accounting, and I have a couple of questions.

So the price went from \$985 million to \$1.6 billion?

Hon. Jake Epp: Correct.

Mr. John Yakabuski: You have explained about the fact that the old tunnels ran at a different level, so the geological surveys didn't indicate exactly what we might encounter. But I am curious about the relationship between the contractor, Strabag, and the payer, the people of Ontario. Again, all of this is coming back to the rate base. None of the increase, from the \$985 million to the \$1.6 billion, is being borne by the contractor; it's going back to the people.

I'm not in a position to evaluate one contractor over another, but if the price was \$1.6 billion, would other contractors have been considered for the job? If the bid was \$600 million for the drilling part, and then you've got all the periphery stuff, but if the bid reflected what the price was—and maybe somebody else's bid did; I don't know—would we be looking at a different contractor on that job than the current one? Because we're talking about over half a billion dollars and how much of that is actually being paid out to Strabag and how much is for other things. If you can explain that to me.

Hon. Jake Epp: I'm going to have Tom do that, Mr. Yakabuski, other than to say, first of all in terms of Strabag—and I'm not reflecting on other bidders in the RFP process; I'm just reflecting on, do we have the contractor who can do the job? That's the board's responsibility to evaluate. There's no question that Strabag as a company—I'm not comparing them to anybody else—has worldwide experience that allows them and enables them to do the project.

In terms of the realignment of the direction, as well as the agreement that we now have in place, I'll turn to Tom and Donn, but I also have to remind you that we had a GBR system where we took a third party again to take a look at where responsibility lay for the ongoing development of the tunnel. And it is that as well that I think has to be put into consideration.

Mr. Tom Mitchell: Again, I would just offer that I think it's difficult, halfway through a project, to take a fulsome look at the entire project and decide if perhaps different choices could have been made. What we faced was the following: We, as part of good project management and controls, obviously detected that there were issues. We evaluated options, including stopping the job, which we did not think was in the best interests. We could have retendered the contract, which would have caused a very long delay, we believe. It's not clear that, given the location of the equipment and all of the other things that had already been put in place, that that would have provided a lower-cost option, so the option was to proceed.

I would just suggest that at the end of this project, like at the end of every other project that we've done, we will fully evaluate what are the lessons to be learned and try to make sure that particularly as we evaluate geotechnical risk, which is something we're going to face in all of our hydroelectric projects going forward, we clearly understand what were the lessons in terms of all the different

facets, including subsurface sampling, technical reviews, structure of contracts, contingencies and all those different aspects so that we can make sure that future projects do not have these types of results.

What I again can commit to you is that this a very important project and that we are looking forward, at the completion of this project, to having an asset that will provide value to the people of Ontario for 90 to 100 years.

The Chair (Mrs. Julia Munro): Thank you very much.

Hon. Jake Epp: Madam Chair, excuse me for interrupting. Mr. Sheffield, as a board member, wants to make a comment on this topic. Is that acceptable?

The Chair (Mrs. Julia Munro): Certainly.

Mr. William Sheffield: I sit on one of the committees that's up on the board. It's called the major projects committee. Our job is to provide oversight for projects like the Niagara tunnel. There are just a couple of things I'd like to say. One is, recognize that everybody had the same geotechnical information when they bid to begin with. So no one had the opportunity to have a second look and try halfway through. Everybody knew as much as we knew at the time that they bid. The board was heavily involved to make sure the RFP process was done very properly, because it was a very big project, and we ended up picking a contractor who had a lot of experience in the Alps rather than somebody who was from North America.

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I would say that while this has all been very painful for all of us, and hopefully we will end up with a very low cost, as we expect, compared to other projects—I've got my fingers crossed about the rest of the rock—there are so many times we were absolutely very pleased that we had a contractor with that experience. One of the reasons that things were slowed down is, they just went to the nth degree to make sure the overbreak did not create a safety problem. To have that kind of experience was very, very important; I would think everybody would have to agree. They have handled this very well, and they won't come out winning in the end in terms of profit, if that's what you're concerned about. They're sharing in the burden.

Mr. John Yakabuski: I'm only concerned about the question I asked, but thank you.

The Chair (Mrs. Julia Munro): Thank you very much. Mr. Hampton.

Mr. Howard Hampton: I just want to go back to this again and confirm a couple of things. You're saying that no lessons were learned from the two Niagara tunnels that were constructed earlier in terms of loose rock or rock that would shale and cave in from the roof. No lessons were learned from that such that there might be an expectation that this might happen in the construction of this tunnel? These conditions weren't encountered before?

Mr. Tom Mitchell: I think, as Mr. Epp has pointed out, Mr. Hampton, those tunnels were constructed in a

completely different mining method. This is a tunnel-boring machine; it's a 47-foot-diameter tunnel. It is actually an engineered 10.2-kilometre pipe made out of pre-stressed concrete. It needs to be built to very exacting dimensions.

Mr. Howard Hampton: With respect, you're giving me process. I'm not interested in process. I want to know about rock conditions.

Mr. Tom Mitchell: The subsurface conditions were evaluated. My understanding is that all of that information was shared with the bidders. I also understand that the bidders were allowed to collect their own information. The rock has not behaved as expected.

Hon. Jake Epp: If you're asking me specifically, Mr. Hampton, "Did any information on rock conditions other than geotechnical come to my attention or the board's?" the answer is no.

Mr. Howard Hampton: Can you tell me this: Did any of the other bids take into account the possibility or the prospect of rock conditions that might be unfavourable?

Mr. Tom Mitchell: I don't have that information.

Mr. Howard Hampton: Okay. I just want to confirm something else again: What was called Big Becky, the boring machine, was custom-designed for this project and this project alone?

Hon. Jake Epp: That's correct.

Mr. Howard Hampton: Okay. I want to ask you a couple of questions about hydro generation. I notice that you have a northeast plant group and a northwest plant group. I don't expect you to have these numbers at hand, but you might. I'm interested: What is the total hydro generating capacity of OPG in the northwest? If you don't have those numbers today, tomorrow would suffice. The second question: What is your total generating capacity in the northwest, in other words, also taking into account the thermal? The third question in respect to the northwest is, what's your surplus? I'm always bumping into OPG employees who say to me, "Man, are we ever sending a lot of water down the river without generating electricity," and we have a huge surplus. So I'm interested: What is your current surplus in the northwest?

I'm equally interested: What is your total hydro generating capacity in the northeast? I don't think I have to ask for the total generating capacity in the northeast, because I think it's all hydro. And what is your current surplus in the northeast? The last time I was in the northeast, the same people told me the same thing: You're running water down the river at an unbelievable rate because you've got a huge surplus of electricity.

The other question I'd like to ask—again, if you could provide those to the researcher—

Mr. Tom Mitchell: We will provide that. I do not have those specifics at my fingertips, but we will provide those.

Mr. Howard Hampton: Great.

Mr. Tom Mitchell: The only comment I would make on the surplus question: As I think you're aware, ob-

viously things fluctuate with minute-by-minute and day-by-day demands, so that's not—

Mr. Howard Hampton: Unfortunately, the northwest to the northeast, the demand keeps declining.

Mr. Tom Mitchell: So we will attempt to provide some kind of an estimate or average—

Mr. Howard Hampton: Yes. Since we're on this, you must be able to tell us what your generation costs are in the northwest too. I'd like to know: What are your hydro generation costs in the northwest, what are your thermal generation costs in the northwest and what are your hydro generation costs in the northeast a kilowatt hour? Or put it in megawatts; whatever.

Mr. Tom Mitchell: I'll turn to my chief financial officer—

Mr. Donn Hanbidge: We might have those.

Mr. Tom Mitchell: —who might have those or certainly will be able to provide them.

Mr. Howard Hampton: Okay, that would be good.

Mr. Donn Hanbidge: Actually, I don't have those numbers at my fingertips but we can provide them.

Mr. Howard Hampton: That's good. I've got a few more questions on biomass, and I specifically want to focus on Atikokan. Your spokespersons have said that wood fuel must come from sustainable harvest practices. You have said in different places in the province that you don't want to affect food production or food supply. One of your spokesmen said that you want your biomass from wood to come from sawdust, shavings, possibly treetops, and you've made the announcement about Atikokan.

Here's the problem I see: The sawmill immediately adjacent to Atikokan is shut down—it's not producing; three of the four sawmills in Thunder Bay are shut down—they're not producing; the sawmill in Ignace is shut down—it's not producing; the sawmill in Sioux Lookout is shut down—it's not producing; the sawmill in Kenora is shut down—it's not producing; the sawmill in Ear Falls is shut down—it's not producing; two paper machines have been shut down in Dryden; in the last four years I think 10 paper machines have been shut down in Thunder Bay; one pulp mill has been shut down in Thunder Bay. Where do you get the sawdust? Where do you get the waste, the wood tops, if wood isn't being harvested because no mills are operating?

Hon. Jake Epp: Possibly, with not Tom answering that first, I'm going ask Bill Sheffield to answer it, for no other reason than that he's operated some of the mills that you've identified.

Mr. William Sheffield: It's kind of a chicken-and-egg question. I spent a lot of my life in the forestry industry. I put myself back in the position that this is the opportunity to have a new revenue-generating source, and what it would do, I hope, would be that some of the mills that are shut down would become more economical and more likely to start up. If everybody can't supply, clearly we can't do anything. We can't create the demand for paper or the demand for pulp. That would be very nice, but we can't do that. But it would improve the competitive

position of every one of those facilities that could have an extra revenue stream.

Mr. Howard Hampton: Now let me take this one step further. There are some other pulp mills that wanted to look at biomass generation. I spoke to one of them, who said to me, "You know what? We've been snookered. AbitibiBowater in Fort Frances has gone around and literally signed everybody up. There's no room for us." They've literally tied up almost all of the available biomass west of Thunder Bay to feed their biomass generator at their pulp and paper mill in Fort Frances. So, as one of them said, "We're screwed."

Mr. William Sheffield: Well, I can't tell you about those details, although I did work for Abitibi before it was AbitibiBowater, and I'm living with some of the pain that's going with the process they're going through, as have a lot of my friends and former colleagues. What happened at the board—I'll just give you what I can tell you and Tom can add more detail if he wants.

When we started in this conversation about biomass, management and the board were aligned. We can't be a competitor for that material. In other words, we're not going to go in competition with the forestry people, because that's what some people were nervous about right away, that we were going to show up and were going to be—in fact, we said, "No, we need you to be the supplier. You have the system for harvesting and collection. That's where it should be." So, as Tom talked about partnerships, the process was to reach out to the people who now manage the forests and have them find a way to bring us the product we need. How they end up competing to do that, I'm not sure that we have the ability, even if we wanted, to influence it. Tom, would you like to add anything?

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Mr. Tom Mitchell: Yes. The only thing I would add is that we certainly are not looking to get into the fuel supply business. We want to encourage others to get into the fuel supply business. So we view our role in that to do the analyses that I have referred to and attempt to outline what would be the fuel energy requirements, and then look for innovative ways to stimulate, both on the wood side and on the agricultural side, the development of those fuel supplies.

We view it as an opportunity. I cannot personally verify all the statements you've attributed to our spokespersons but I'll take that at face value. I can tell you that we are very conscious of the fact that we don't want to damage industry; we want to encourage it.

Mr. Howard Hampton: Which brings me to the next iteration of the question. There are other companies that are not involved in biomass. They're producing specialty lumber, using cedar, red pine, white pine, which fetches a very high price when you're making kitchen cabinets, log cabins or whatever, or they're producing oriented strand-board, which again doesn't compete with pulp and paper because it uses a different species of tree.

Those folks are very worried, because they're saying, "Look, it's tough enough for us to survive. If we're going

to get into a world where you start chipping birch logs or poplar logs to burn, then that negatively affects our business.” Again, I hear the announcements, but when I talk to people who are actually in the forest industry, they’re saying, “Man, this is fraught with all kinds of problems. If you want to chip logs to feed into a biomass boiler, that can put our operation out of business.” Is that part of OPG’s plan, that you would actually take raw logs, chip them and run them through a biomass boiler?

Mr. Tom Mitchell: Again, Mr. Hampton, I believe the process we’ve engaged in is a request for interest to supply material. We want to find out what is the availability of products that could meet our needs.

Mr. Howard Hampton: One of the products—

The Chair (Mrs. Julia Munro): I’m sorry, Mr. Hampton, we are running out of time.

Mr. Howard Hampton: One of the products could be—somebody could say, “Well, hey, I’ll chip whole logs and ship them.” I’m asking you very directly: Is OPG going to consider that option? Will you take whole logs, chip them in the bush and burn them?

Mr. Tom Mitchell: You refer to OPG as doing physical operations in the woods.

Mr. Howard Hampton: No. You might retain a contractor. I just want to know—

The Chair (Mrs. Julia Munro): Excuse me, Mr. Hampton.

Mr. Howard Hampton: —is that conceptually on the table?

The Chair (Mrs. Julia Munro): Mr. Hampton, you’ve asked the question. We’re waiting for the answer. We have to move on. Would you continue, please, Mr. Mitchell?

Mr. Tom Mitchell: To my knowledge, we have not gotten into the details of the specific methodologies that would be used to produce the fuel. What we’ve asked for is: What fuel is available, in what quantities, at what price?

The Chair (Mrs. Julia Munro): Thank you very much, Mr. Johnson.

Mr. Rick Johnson: Mr. Mitchell, could you update the committee on the actions that OPG is taking to comply with the government’s latest procurement guidelines?

Mr. Tom Mitchell: Thank you very much for that question. We’re doing a lot. We have received the direction on procurement and we have put that in place. Again I want to stress, as I said in my opening remarks, that we have always had procurement rules. We have always striven to operate in accordance with best commercial practice. That has come through our benchmark. We have received the new directives on procurement, including expenses, and we are putting them into place. Specifically on the expense side, what I can tell you is that for all contracts that occurred after June 16, which is the effective date, we’ve put that in place.

I went a step further. I wrote to 272 vendors and asked them to meet the new requirements. What I can tell you is, they got the message. I’m still getting calls, letters and

e-mails, so I think what we’ve tried to do, as we try to do all the time, is to be responsive and set a high standard in that area.

In the area of consulting services, we are using a process that is Internet-based. I believe it’s used by other government organizations, where tenders are actually—that process is a public process, and that system is up and running. We have received the direction. We believe that we are meeting the spirit and intent of that. In places where the actual practices that have been outlined have some degree of specifics that we need to upgrade our processes and systems to be in exact alignment with, that’s under way.

Mr. Rick Johnson: Do you anticipate any additional costs to OPG because of these new rules?

Mr. Tom Mitchell: It’s hard for me to give a clear answer on that. As I said, we’ve had procurement processes in place, and they’re robust. Is there the possibility that there will be additional costs associated with these requirements? That’s a possibility, and I think we would be in a situation, probably further down the line, to evaluate that.

What I would say is, I believe that what has been requested of us makes sense. It’s sound. We’ve been doing a lot of work, particularly in the commodities area, to try to aggregate and get the best possible price through a competitive process with the vendors. There’s nothing in the direction of these new requirements that in my view isn’t consistent with that sound approach.

I might ask our chief financial officer, who does watch the pennies in the company, to maybe add any additional thoughts he might have.

Mr. Donn Hanbidge: The comment I would add, and Tom mentioned it, is that in general our principles and policies are consistent with those utilized by the government. It does require us to change slightly, but not all that significantly.

To the extent there are some additional costs as a result of some additional requirements, we certainly will manage those within our existing budgets.

Mr. Rick Johnson: Thank you.

The Chair (Mrs. Julia Munro): Mr. Moridi?

Mr. Reza Moridi: Mr. Mitchell, my question is about Pickering A, units 2 and 3. I believe there is a plan for the decommissioning of these units in the future. There is no plan for refurbishing them. Am I right? If I am, could you please give us some information about OPG’s plan for the decommissioning of these two units in the future?

Mr. Tom Mitchell: Yes, the decision was made to not put units 2 and 3 at the Pickering A station through a return-to-service project. I think that’s a prime example of our company using a very sound business decision-making process to make a decision. It was technically feasible to put those units through a return-to-service, but considering all of the uncertainties, particularly with the state of the steam generator systems, it was decided not to.

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What I can tell you about that project is that it is proceeding very, very well. We had a bit of a delay at the

beginning as we came to a realization with our regulator that we actually had to do an environmental assessment to defuel and dewater the reactors. Once we worked through that process successfully, what I can report to you is that units 2 and 3 are fully defuelled. Unit 2 is vacuum-dried—there's no water left in that plant—and unit 3 is scheduled to be vacuum-dried in six days.

So the project is proceeding well, on schedule and on budget, and it gives us confidence that the processes that we have been always planning for in terms of eventual decommissioning of units—just to be clear, we are moving these units to a safe shutdown state. It's what we call a guaranteed defuelled state. They will remain in that configuration, safe and buttoned up, until eventual decommissioning of the station.

Mr. Reza Moridi: I'm sure you have been in contact with the CNSC with regard to the licensing for decommission of these facilities. Has the process been started for getting a licence from the CNSC to decommission the facilities?

Mr. Tom Mitchell: We have not actually, I believe, filed for a decommissioning licence. That's not a requirement at this time. When we approach the time of decommissioning the station, the requirement would be to then come forward with a complete and overall plan for decommissioning the station. So what we are doing is, we are putting the units in a safe shutdown state, a safe storage state. That is a condition that is anticipated in decommissioning the plant.

Mr. Reza Moridi: May I ask another question, Madam Chair?

The Chair (Mrs. Julia Munro): Yes.

Mr. Reza Moridi: The decommissioning of nuclear facilities, we know, is a very costly, expensive exercise. Has the OPG and the former Ontario Hydro put any funds aside for decommissioning of your facilities in the future, including Pickering B, units 2 and 3?

Mr. Tom Mitchell: Yes, and I would ask our chief financial officer to provide you with some details about this. What I would say, in context, is that I believe Ontario has been extremely prudent in setting aside funds in trust for this purpose, and it will serve us well, but let me ask Donn to give you the details.

Mr. Donn Hanbidge: That's right. We have set aside a considerable amount of funds for both decommissioning and also the management of used fuel. In total, at the end of June, we had set aside \$9.7 billion.

Mr. Reza Moridi: Okay, thank you. The other question that just came to my mind is about the insurance of the nuclear facilities. The amount of insurance, at one point, was not really a considerable amount. Has the coverage been increased in recent years, or is there a plan to review the feasibility of having that limit of the insurance for nuclear facilities?

Mr. Tom Mitchell: That is an item that is currently at the federal level. There is a bill which I believe is at third reading that would establish new financial limits. What I can tell you is that we, as OPG, are prepared to meet those guarantees.

The Chair (Mrs. Julia Munro): Thank you very much. We'll move on. Mr. Martiniuk?

Mr. Gerry Martiniuk: Thank you very much, Mr. Epp and Mr. Mitchell, for your excellent presentation.

My question is, some people are saying there's a revolution going on in energy in North America in natural gas, with the growth of liquefied natural gas imports and the great new pools of gas by the extraction in the shales in North America. This will reduce the price of natural gas substantially. I would ask you your opinion as to the effect of this revolution on the asset-production mix in Canada and, in particular, your organization.

Hon. Jake Epp: I'm going to have Tom answer, but for a guy who comes from the gas industry way back when, I think we have to be a little careful. Right now, the price of gas is around \$2.80 a thou, as we used to call it, and that is the present situation. The one thing about gas one has to always keep in mind is volatility of price. If you look at shale, a lot of us are happy that there is more, that we can now, with new technology, get at shale and tight gas, as we call it.

That being said, you're not going to find a lot of activity at \$2.80. If you look at frontier gas, you're not going to find a lot of activity at \$2.80. In fact, you're not going to find a lot of drilling in the western sedimentary basin at that price. If you look at drill capacity and drill utilization today, you'll see it's way down. On average in the west, we would produce about 20,000 wells a year. I understand it's in single-digit thousands now. So supply does not necessarily mean development. That being said, you now get into the issue of supply availability for OPG. I'll turn that one over to Tom.

Mr. Tom Mitchell: What I would say on the supply side—and I think you have correctly mentioned all of the various sources of gas: Shale gas does appear to be in quite plentiful supply now and appears to have reduced at least the anticipated needs for LNG. Gas supplies would overall affect the price of electricity production from gas-fired sources, some of which we participate in and directly have.

I think what we're seeing now is that because of the low price of gas, gas from an economic dispatch point of view would be dispatched sooner in the stack of available assets and resources by the Independent Electricity System Operator, which would really be the organization to comment more directly on that, and the OPA as well on the system plan. What I would say is that they are certainly developments that we're keeping an eye on.

One thing I will tell you is that as we explore the potential for repowering coal units, it may well be that biomass supplemented with some additional gas co-firing could raise the total capacity output of those plants in certain circumstances, if the load and demand warranted. We'll keep an eye on that, but I think it only probably directly affects us through whatever complex interactions it has on market price. As I said, market price really only affects one segment of our business right now, which is unregulated hydro.

Mr. Gerry Martiniuk: Thank you.

The Chair (Mrs. Julia Munro): Mr. Yakabuski?

Mr. John Yakabuski: This is probably the last question. Just picking up on Mr. Martiniuk's question on gas, you're talking about the low price of gas, which is an encouragement to produce power by that source, but would it not be correct that most of the providers of gas power have long-term agreements with the OPA and, regardless of what the price of gas is, they're being paid to produce per megawatt? So they're actually the big beneficiaries of low gas prices, and the Ontario taxpayer and consumer, the ratepayer, is the one who is getting hosed because, with the provincial benefit, they're still getting their contract. The provincial benefit is basically going to the ratepayer. The gas providers are still getting paid as if the gas was \$4 or whatever price they assumed. They're getting paid not based on the price of gas; they're getting paid based on the price of the electricity, the contract for electricity. Isn't that normally the case?

Mr. Tom Mitchell: We don't have any details about the contractual arrangements.

Mr. John Yakabuski: We understand that, but most are power purchase agreements. What's the situation at Brighton Beach or Portlands? Those are your assets.

Mr. Tom Mitchell: We co-manage those assets and, yes, those are power purchase agreements.

Mr. John Yakabuski: Power purchase agreements. So that would be the normal course of events.

Mr. Tom Mitchell: I would assume it would be, but I just can't speak for others.

Mr. Donn Hanbidge: I just might add that I believe that a number of the contracts are based on the flow-through of gas prices, so there actually is not a profit to be made on the gas itself.

Mr. John Yakabuski: That's the case with yours at Portlands and Brighton?

Mr. Donn Hanbidge: It is.

Mr. John Yakabuski: Thank you.

Hon. Jake Epp: I think the only exceptions are what we call the first movers. Ontario started, for example, a plant which is not ours in Sarnia.

Mr. John Yakabuski: Thank you very much.

Interjection.

Mr. John Yakabuski: It's 12 o'clock.

The Chair (Mrs. Julia Munro): I would have given you—

Mr. Gerry Martiniuk: Unanimous consent, 10 more minutes.

Mr. John Yakabuski: I actually have a House leaders' meeting at 12.

Mr. Howard Hampton: I'll take all his time.

Mr. John Yakabuski: If Gerry has any more questions—but I have a House leaders' meeting I'm supposed to be at. Thank you very much.

The Chair (Mrs. Julia Munro): Well, thank you very much. This concludes our session. We certainly appreciate you being here today to give us your information and answer questions from the committee. Thank you.

This committee stands recessed until 1 p.m.

The committee recessed from 1200 to 1300.

SOCIETY OF ENERGY PROFESSIONALS

The Chair (Mrs. Julia Munro): Good afternoon, and welcome to the Standing Committee on Government Agencies. I see we have Rod Sheppard, the president of the Society of Energy Professionals. We have 30 minutes in total. We will divide the time remaining from your remarks amongst the members of the committee. So if you are ready, you may begin.

Mr. Rod Sheppard: Thank you, Madam Chair, and thank you, committee, for giving us the time to come and speak to you today. We felt it was important to be here during this review.

I'd like to introduce the people I've brought with me today. To my right, I have the local vice-president, one of our senior officials at OPG for our union, Mr. Lanny Totton; to my immediate left, Mr. Joe Fierro, also a senior representative of OPG; and to his left, Mr. Tony Kokus, also a senior representative of our union at OPG.

For those of you who don't know much about us, we are kind of a war baby. We've been around about 70 years. We were first born in the days of Ontario Hydro as a union and have gone through several iterations along the way till here we are in 2009. We represent about 7,500 professionals in the electricity sector. As you'll see in our presentation, we represent professionals at the Ontario Energy Board, the IESO, OPG, Hydro One, to name a few.

We're focused in the province of Ontario mainly on electricity sector organizations. We also represent people at Toronto Hydro—and Bruce Power; I should bring that up. I am a Bruce Power employee myself, so I should mention that. I get a quarter for every time I bring that up, so it's a good thing to do.

We've put together a presentation for you today, and I would encourage you to read it when you have a moment. It discusses in greater detail, and probably in more technical terms, the role and potential of Ontario Power Generation. But for the next few minutes, I want to focus on some very simple but topical issues and respond to any questions you might have with regard to it. It comes from having to go second and hearing some of the things we were going to say said first thing this morning, so we have to try and be a little different to keep your interest up.

The timing of the discussion about OPG's mandate and its role in the electricity sector couldn't be better. Our members pay very close attention to what happens in the industry, and they are concerned. They're concerned because the future seems, quite suddenly, uncertain. Uncertainty's not new to this sector, but we have been through a period of relative stability over the past few years in which the direction of the industry and OPG's future in it seemed to be established. The direction was not perfect by any means, and I will talk to you about the unrealized potential of OPG, but a steady course seemed to have been mapped out in the not-too-distant past. In a nutshell, there was a commitment to a future build in

Ontario's ample hydroelectric and nuclear resources, the development of more renewable generation.

To us, OPG's role in such an industry seemed obvious. OPG owns over half of the province's nuclear capacity and virtually all of the hydroelectric resources. Coal would obviously have given way to the integration of more renewable generation if we were to take the issue of greenhouse gas emissions seriously, but with the advantage of its procurement potential and the proximity of its assets to both transmission infrastructure and shoreline and offshore wind energy potential, OPG seemed well positioned as the platform for green energy, a green energy supply chain and green energy jobs here in the province of Ontario. As a large, sophisticated publicly owned corporation, employing a dedicated and highly skilled workforce, OPG would surely be central to a greener industry.

It seems obvious to us that OPG is well positioned to meet multiple critical public policy objectives, reducing greenhouse gas emissions, spawning green industry and green jobs here in Ontario, and providing Ontario ratepayers and Ontario industry with affordable electricity rates.

Recent announcements, however, suggest that we may have changed course or at least lost our sense of direction. Just last week, the early closure of four of OPG's coal plants was announced. Louder was the silence on the future of these public assets. For a number of years, the environmental benefits of either firing or co-firing biomass at OPG's coal plants has been clear.

Much more can and should be done to expedite the use of these public assets for achieving climate change targets and, in the process, triggering the development of a significant biomass generation industry in Ontario, with tremendous benefits for Ontario's agricultural industry as well as our beleaguered forestry and manufacturing sectors.

While OPG has made a firmer commitment to wood biomass for the Atikokan generating station, it can and should take a leadership position on agricultural biomass to feed OPG's southern coal plant assets.

Also, recently it was announced that the effort to procure new-build nuclear generation was postponed. Louder still was the silence on refurbishment of existing nuclear assets. No serious plan to deal with mitigating global warming excludes a significant role for nuclear generation, and Ontario, which gets over half of its electricity and electrical energy from nuclear generation, cannot afford to exclude either. If we are serious about the issue of climate change here in Ontario, we need a nuclear plan and OPG needs to be central to that plan.

This is particularly the case if we ever hope to decarbonize ground transportation with the deployment of electric and plug-in hybrid technologies. It is also the case if we ever hope to recover a manufacturing base here in Ontario.

Increasingly, however, the future of nuclear power depends on government foresight and policy. Allowing the environmental attributes of nuclear power—i.e., its

emission-free status—to overcome its economic shortcomings, OPG is the ideal instrument for ensuring the affordability of nuclear power.

There is a backdrop to these announcements that is a further cause for concern and uncertainty. Firstly, these announcements are made against the backdrop of a very uncompromising commitment to new-build gas-fired generation. Thousands of megawatts of gas-fired capacity have been built in recent years, and there are literally thousands more megawatts of gas-fired generation planned.

Questions arise: Are we committed to emission-free nuclear power to provide most of our baseload energy, or are we not? Are committed to a future without fossil fuel generation, or are we not? Where does OPG sit in any of these scenarios?

Secondly, these announcements are made against the backdrop of a memorandum of understanding between the ministry and OPG that bars OPG from engaging in the development of renewable generation other than hydroelectric generation.

OPG is a publicly owned and government-controlled generator, and they can ensure that the right types of investment are made; that is, investments that advance the deployment of renewable generation.

In many respects, the timing couldn't be better for addressing this issue. Jurisdictions that rely largely on privatized generation are seeing large drops in investment in infrastructure. According to the international energy association, renewables and other capital-intensive projects, such as nuclear plants, are hit with the hardest of these economic circumstances. The IEA anticipates a drop of 38% in renewable energy investment worldwide this year. Similar studies out of the US illustrate the enormous challenge to investment in this industry rising out of financial crisis. If left to private sector investment strategies, only gas-fired generation would be built.

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Again, questions arise: Why doesn't the government use OPG as an instrument to develop a very significant wind industry here in Ontario? Would it not be perfectly consistent with climate change policy objectives? Would that not be perfectly consistent with the commitment to affordable energy for Ontario ratepayers? Would it also not be consistent with the commitment to build a green economy with green jobs?

In the midst of this uncertainty, we remain firm in our conviction that OPG plays a vital role in the economic and social well-being of Ontario. In fact, we want to leave you today not just with the appreciation of its value to Ontario as a government agency but with the understanding that it is an agency whose potential is still not fully realized.

We, as a union, do have some issues with regard to staffing at Ontario Power Generation. We are concerned about the demographic issue of 45% of the electricity sector staff expected to retire in the next decade. These numbers won't be new to anyone in this room. This is the world's demographics, as we know them. OPG, over the

past few years, has begun the process to hire young professionals to train for upcoming retirements, but progress is slow.

One area of staffing in which results are of concern is the training time to operationalize certified staff in categories such as nuclear authorized staff. That cycle is around a five-year cycle, and it concerns us that there aren't many already in the program to be able to pick up, as these retirees hit their early ages of retirement. OPG needs to staff for the future, not just for the present, to allow for timely transfer of knowledge. OPG must be given adequate funding so it can hire the necessary resources.

With regard to labour relations, we have good labour relations with OPG, and it continues to motivate our people. Our members, as professionals, have committed to high standards of quality and safety in doing their work. We noticed an awful lot of questions this morning around health and safety. We are part of the health and safety programs there, and we're quite proud of what we contribute to that, so we hope that will continue into the future, and we're going to make sure that it does.

The society is committed to helping OPG to be a successful company. Employee satisfaction surveys confirm some of the frustrations our members face. It's not always rosy; we do have issues around the amount of jurisdiction that we're losing to senior management people in the organization. We believe it's a concern and a violation of our collective agreement.

We do come here to reinforce that we support this organization. There were some questions this morning around their aboriginal programs. We cite that as our last example, that perhaps the most important example of the potential for OPG is the role that it can and does play in advancing public policy with respect to aboriginal participation in the industry.

The kinds of relationships that are currently being established by OPG with the aboriginal communities across Ontario are models for other industries and businesses. The practice of establishing equity partnerships with aboriginal communities on hydroelectric projects is a promising means of relieving the social and economic circumstances that constrain the promise and potential of aboriginal youth in Ontario.

You will see on the last page of our presentation that we've left some recommendations that we believe the committee should have a look at. We ask that:

- OPG's regulated assets should continue to be funded properly through the Ontario Energy Board rate hearings;

- enabler transmission for connection of OPG hydro projects treatment should be the same as wind enabler connections;

- OPG should be given a standard HESA to build new hydroelectric plants;

- OPG should be encouraged to build windmills and pumped storage stations to allow low-priced power at night, and generate at higher prices in the daytime;

- there be curtailment of wind at excess generation to avoid the spilling of water;

- OPG should be directed to continue with its biomass work;

- OPG should refurbish Pickering B and Darlington A;

- OPG should build a new nuclear plant at the Darlington site; and

- finally, OPG should deal with the demographic issues and try to better engage its employees.

With that, we'd be happy to answer any of your questions.

The Chair (Mrs. Julia Munro): Thank you very much. We have just about five minutes for each caucus. We'll begin with Mr. Brown.

Mr. Michael A. Brown: Thank you for coming. I appreciate that. I just have some questions that relate to—I don't understand some of the acronyms. Could you help me with "OPG should be given a standard HESA"? What is a HESA?

Mr. Rod Sheppard: I'll let Joe Fierro answer that.

Mr. Joe Fierro: A HESA is a hydroelectric energy supply agreement. It's terminology for that they get a contract with the OPA to do a project.

Mr. Michael A. Brown: Okay, so that's the contract with the OPA.

Mr. Joe Fierro: Yes. It's equivalent to a PPA. It's a power purchase agreement.

Mr. Michael A. Brown: Okay, that helps.

I represent a northern constituency with lots of opportunities, including wind power; I have the largest wind farm, I think, in Ontario at Prince township near Sault Ste. Marie. I also have, as you probably know, a great number of hydroelectric stations, some of which aren't operated by OPG but were at one time, and then sold to Brascan. I'm interested in the curtailment of wind generation electricity in favour of not spilling water—if you could explain that to me.

Mr. Joe Fierro: At the present time, wind gets paid about \$150 a megawatt and hydroelectric would get about \$37 a megawatt, if regulated. So the base economics would say you don't pay the wind guy \$150 when you could pay the hydroelectric guy \$37, because the difference is paid by the ratepayers of Ontario. It's an additional burden put on the taxpayers of Ontario when that energy isn't required.

Mr. Michael A. Brown: Couldn't that analogy be given for coal plants or any other kind of generation?

Mr. Joe Fierro: Coal—sure, you could, and so coal plants are normally running around \$47 a megawatt. Wind is about three times the price of coal. Gas is somewhere in the \$80 to \$90 a megawatt range. Coal is half the price, almost, of gas, and gas is twice the price of electricity. At some point you have to say how much extra you're willing for people to pay for that form of technology to generate electricity.

Mr. Michael A. Brown: But you're advocating that OPG gets into the wind farm business.

Mr. Joe Fierro: If you're going to have anyone do the wind, it would make sense to have hydroelectric and wind work together, because OPG can use that wind at nighttime to pump up its reservoirs and then use that water again, or generate it at less than the profit that some of the wind guys are making now.

Mr. Michael A. Brown: I'm aware of plants that do pump water back up behind the dams. Do you know how many there are, in OPG, I guess?

Mr. Joe Fierro: There's only one right now in the whole province, and that's at the Sir Adam Beck pump storage station, but there's capability of doing that at many more.

Mr. Michael A. Brown: Yes. I suspect in my constituency, actually, there would be the opportunity to do it at a great number of the relatively smaller ones, but still large-scale.

Your interest in biomass is also of interest to me. The pelletization of wood biomass, which could be an opportunity at Nanticoke or Lambton and could be provided for from the northern forests, as well as agriculture product—is your membership actively involved in providing some of the research or the background information we might need?

Mr. Rod Sheppard: I can certainly answer the first part of it, and I'll ask Tony Kokus to add some.

We've actually put some of our membership money, some of our hard-earned dues money, forward into testing and analysis of this, both from a wood side—the northern issue—and certainly on the agricultural side. We work very closely with the Ontario Federation of Agriculture at this point in time on that. But I'll let Tony answer the rest of the question.

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Mr. Tony Kokus: I really don't have anything to add.

Mr. Rod Sheppard: So yes, we have been engaged and we will continue to be.

Mr. Michael A. Brown: Okay. Rick.

The Chair (Mrs. Julia Munro): You have one minute.

Mr. Rick Johnson: Views on the nuclear—obviously in your recommendations you are supportive of that going forward. What kind of an impact will that have on your membership? And, just a comment on the impact of nuclear on the energy supply if the province chose to go forward with another plant.

Mr. Joe Fierro: A new nuclear plant would probably have about 1,000 people working at it. So that's 1,000 new people employed in the province in a hard-hit area once the plant's up and running, because the Oshawa area has been hit pretty hard. We'd be talking about between 2,000 and 4,000 construction jobs over an eight-to 10-year period, and the price of that electricity would still be half the price of wind, or still less than gas at its record-low prices before it comes back up, when gas demand goes back up. So it's still more economical than any of the options available right now. Obviously we'd have members who work at these plants, but these would

be people who work in the province, pay taxes to the province and live in the communities.

Mr. Rick Johnson: Thank you.

The Chair (Mrs. Julia Munro): Mr. Yakabuski.

Mr. John Yakabuski: So currently we're in a circumstance where the province, because it mandates so, takes every bit of wind that is available regardless of when or whether what demand is there. We take whatever wind is available of the 1,085 megawatts that is the capacity—averaging, let's say, 15 cents. We take it even if it means dumping and just letting water bypass our generating stations which is there for the taking, allowing that to bypass at something that costs less than four cents a kilowatt hour.

Mr. Joe Fierro: Yes.

Mr. John Yakabuski: That's currently what we do?

Mr. Joe Fierro: Yes.

Mr. John Yakabuski: Good economics.

Mr. Rod Sheppard: If I might add, Mr. Yakabuski: Two things have arisen in the last little while. One is the spilling of water and the other is the derating of nuclear units. Those are the two things that have happened.

Mr. John Yakabuski: The other thing I wanted to ask is about the new build. You people obviously would be significantly affected by the government's decision to suspend the procurement process. We couldn't get any firm answers because it's a crown corporation, and they're restricted in how they can answer us when OPG is asked the question. We're going ahead with the shut-down of fossil fuel; coal, anyway. That's the government's decision. Each one of these nuclear units has to be refurbished individually, and you can't shut them all down to refurbish them at once. So if we don't proceed with nuclear new build, where's the supply going to come from for baseload or dispatchable supplies within the next, let's say, eight years?

Mr. Joe Fierro: To maintain the same percentage of nuclear at 50%, you would have to at least refurbish the existing nuclear units and then, as the capacity of the province grows, you would have to potentially add new generation. So we would expect that the Pickering B and the Darlington A plants would be refurbished. Obviously, if it doesn't have to start until 2014, 2016 or 2018—it would happen in that cycle, but they would fix the first unit, then move to the second unit, they would sort of sequence the work, and you could end up with about a 10-year period where both plants are rehabbed over that period, and that would maintain the existing nuclear fleet. You'll find the same thing happening at Bruce, where they'll likely have to refurbish the Bruce B units because those are going to end up running out in the next 10 years or so anyway.

Mr. John Yakabuski: If we're unable to fire the coal plants with some other form that continues that capacity, we could have some significant shortages if demand goes back to where it's expected to be, correct?

Mr. Joe Fierro: It's unclear, because those units may not be knocked down and demolished. They'd still be there, and I'm assuming, hopefully, we can get some of

them to use biomass; maybe some of them have some gas support. I would hope that OPG would still have some use of those units to produce some electricity for the province.

Overall system planning: I can't tell what the growth is going to be like in five, 10, 15 years, but it could be a problem if we don't refurbish these units.

Mr. John Yakabuski: And build new.

Mr. Rod Sheppard: If I might be able to add, we sit around many evenings scratching our heads and trying to figure it out too. We've got as many unanswered questions as you just asked here on the same issue. So we're crystal-balling it. I think, if you looked at everybody up here, there's about 150 years of history in this organization and we're still struggling with what's happening here.

Mr. John Yakabuski: The government seems to be big on gas right now, but they're not talking too much about the CO₂ emissions from gas; they talk about green energy. But would you agree that as a rule we could say that, generally speaking, gas would have about 50% of the emissions that our current coal plants would have?

Mr. Joe Fierro: I believe the emissions are slightly less than 50% and the carbon base is about 50%. So it would produce about half the carbon/pollutants of cleaner coal that we use now, using some of our scrubbers and all that type of stuff, but at the same time it's twice the price.

Mr. John Yakabuski: But the emissions are not going away. We're actually producing about half the emissions. We're only cutting emissions in half by firing gas plants as opposed to some other form of cleaner energy, which is what new-build nuclear would provide.

Mr. Joe Fierro: There are some people who believe that the particulates emitted from gas could potentially be more dangerous than the larger particulates from coal because, when those get into people's lungs, those may cause more damage than larger particulates which the body gets rid of more easily.

The Chair (Mrs. Julia Munro): Thank you very much. Mr. Tabuns.

Mr. Peter Tabuns: Thank you for coming here today and thanks for the presentation. The thing I've always found extraordinarily strange is that the government has not used OPG to build renewable energy. My sense of the technical ability that exists at OPG—Hydro One, as a matter of fact—is that it's a very substantial asset for the province as a whole, and if it was given the opportunity to build more renewable power in this province, because in fact the hydroelectric facilities are one of the leading world examples of renewable technology, that you could really go to town. Do you, as an organization, have a sense as to why this government has not given OPG a mandate for developing new, non-hydro renewable power?

Mr. Joe Fierro: My sense is that I think during the last we'll say five years they were hoping to see OPG turn its act around and improve its performance. It's done that, and so I think it's only fair that its mandate now be expanded so that the new wind, if it has to be introduced

into the system, can be introduced at the lowest cost possible to allow the ratepayers of Ontario to not be saddled with even higher costs when you add profit on at these exorbitant rates that some of these individual private generators are going to get.

Mr. Peter Tabuns: Pump storage for use in peak period: Has your organization done an analysis of the potential in Ontario and the cost in Ontario?

Mr. Joe Fierro: Right now we have the one plant at Sir Adam Beck that has about a 200-megawatt capacity. Basically, at nighttime when the price is low, you use that to pump up the reservoir, and then in the daytime, when the price is higher, you feed it to the system, so you take advantage of the low price.

We think there are in the neighbourhood of at least 1,000 megawatts of pump storage available within the province within the next five to 15 years that could be taken advantage of. What that will do is increase demand at night, when there's available power, and then in the daytime produce clean hydroelectric power that wasn't available because the water wasn't there if you didn't do this.

Mr. Peter Tabuns: What do you think that power could be produced at per kilowatt hour?

Mr. Joe Fierro: The average price for hydroelectric is about \$37 a megawatt. Now, with the pump storage it would be more expensive because you need to take the power and pump it. My guess is that it would be \$60 to \$70 a megawatt, which is still cheaper than gas, and half the price of wind.

Mr. Peter Tabuns: Okay. One of my concerns about gas-fired power plants—I have a number—is that we live in a world of finite resources, and some who have huge concerns say that we will reach the peak of gas and oil production at some time in the next five to 10 years, and some say 20 to 30 years. But we're putting in hundreds of millions of dollars' worth of infrastructure for which the fuel may become increasingly scarce in the decades to come. Has the society done an analysis of that issue and its potential impact on electricity costs in this province?

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Mr. Rod Sheppard: I can answer the first part, and I'll turn it over to anybody else who wants it. Part of your question, Peter—the concern we have is that gas-fired stations are being put in places so that transmission doesn't have to be created. We have a concern about that because that doesn't allow for a lot of flexibility.

We're new to this. We don't represent anybody in the gas. It's become an impact in the last two years and we're starting to look at it. We're trying to figure it out. We know it's not a good backup to being baseload; we know that much about it. We probably know some more things, but at this point in time, we're still trying to figure out a way around its impact. We're more comfortable with wind and pump storage being partnered together than we are in anything around gas.

Does anybody else want to pick up the question?

Mr. Joe Fierro: I'll just add one more thing. The part that people have to realize is that the greater use of natural gas to generate electricity will mean additional pressures in the wintertime on natural gas when it's used for heating. That can only mean prices going up for the natural gas users who use that to heat their homes, because there's going to be more competition for that natural gas, and there's only a finite supply through the pipelines to get it here. So it not only would lead to higher gas prices generating electricity, but it would also lead to natural gas prices being higher to heat homes.

The Chair (Mrs. Julia Munro): Thank you very much. That concludes the time we have. We appreciate your being here today.

Mr. Rod Sheppard: Thank you very much.

DENNIS BROWN

The Chair (Mrs. Julia Munro): I'd now like to call on the mayor of Atikokan, Dennis Brown. Good afternoon, and welcome to the committee, Mr. Brown. You have 30 minutes. You may take time to make a statement of your own, and then we'll divide the time around the table. Please begin.

Mr. Dennis Brown: First of all, I want to thank the committee for inviting me to make this presentation today. It's a great honour for me to be able to do so. I have a handout that I think everyone has a copy of. I won't read it through it all, but I would like to make some important points about OPG and the asset in our community and how important it is.

As the beginning part indicates, I've been fortunate enough to have been a resident of Atikokan for the past 43 years, and I've been lucky enough to be mayor for the past 12 years. I thank you for the opportunity to speak before you and to share with you the great attributes of our community, how we got where we are and where we hope to go in the future. I'd also like to emphasize the importance of Ontario Power Generation to not only Atikokan, but all of northwestern Ontario. I want to especially refer to the OPG plant in Atikokan.

OPG is presently Atikokan's leading employer and our community's greatest economic generator. The company is responsible for \$1.7 million in annual local purchases and pays more than \$2 million in municipal taxes. OPG is responsible for about a third of the taxes our community collects each year. It is by far our largest taxpayer. At one time when the two mills were going we had larger employers, but right now OPG is right up there, being one of the larger employers as well.

We have to fight vigorously to preserve every job in our fragile economy in Atikokan, and it's important to keep the magnitude of each job loss in perspective. The jobs at OPG are skilled and generate an above-average income of \$77,778. The station's annual payroll is about \$7 million. Using the regional multiplier of 1.75, the Atikokan generating station's contribution to our local economy is over \$15 million a year. This is huge.

When we look at the proportionality of community economies, the loss of one job at the Atikokan generating station has an economic significance equal to the loss of well over \$104 million in the Toronto economy, and the closure of the plant has an impact equivalent to the loss of \$9.4 billion in the Toronto economy. What kind of reaction would you get if one decision of the provincial government extracted \$9.4 billion from the Toronto economy?

The Atikokan generating station is important to our community and an integral economic driver for our region as well as serving as a base generator of, as Mr. Yakabuski referred to, dispatchable power for northwestern Ontario. It's essential that the two plants, Atikokan and Thunder Bay, are the base generators of power in northwestern Ontario and, as such, they are very important. One other point I would like to make on that is that 70% of the demand for power in northwestern Ontario, under normal conditions, was for the industrial sector. So we have to have the power there when industry needs it.

On page 2, just a little bit about the assets: The existing infrastructure of the Atikokan generating station was originally built in the late 1970s and early 1980s at a cost of \$700 million and has been well maintained over the years. We feel that its value now is probably worth \$1 billion. With the existing transmission and transportation infrastructure, trained staff, fuel supply and a very supportive community, the recent biomass initiative is a catalyst for a bigger and better tomorrow in Atikokan and northwestern Ontario, and thus all of Ontario. Both the McGuinty government and Ontario Power Generation should be commended for their efforts to find another source of fuel power for the Atikokan station and other coal plants across the province in order to make use of these valuable assets. We look forward to this switch to wood pellets at the Atikokan OPG site in 2012.

The new fuel supply, based on wood pellets, could be the foundation for a new made-in-Ontario industry. It could transform the ailing forest industry, as you've heard earlier today, and see new uses of the forest for such initiatives as bio-refining. Biomass is a great green opportunity and a great stimulus for Ontario's future.

What about the OPG employees in Atikokan? According to the 2006 census, our Atikokan population was about 3,293 people. Over the years, many residents of Atikokan were able to remain in our community because they worked for OPG. As well, many people from outside our community have moved to Atikokan to work at the generating station. OPG's 90-plus employees are highly skilled engineers and technical experts, tradespeople, managers and administrators. They are not only economic generators in their own right; their impact on the community goes far beyond this. They are very important to the social fabric in our community. They serve the community well by coaching hockey, baseball and other sports. They're active on boards, they get involved as parent volunteers at school events and some are even volunteer firefighters. Our community would be

far less without these great people. They contribute substantially to the well-being of Atikokan and we thank them immensely for that.

Now a word about OPG as a good corporate citizen: OPG takes the lead when it comes to being an outstanding corporate citizenship. This is particularly important for a small community like ours. The company has for many years supported such organizations as our hospital, our cultural programs and our youth programs. In fact, over the past three years OPG has provided just under \$150,000 to grassroots and broader community initiatives. Our hospital alone has received about \$44,000 from OPG since 2001 for equipment that helps us serve OPG's emergency needs and also provides enhanced care to the people in our area. OPG has contributed to numerous community projects like the elevator and handicapped access to our library. Our regional college also gets OPG's support, as do other organizations—all extremely important to our community, particularly as we work to overcome our current economic challenges.

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Let me share a quick story: One of our former major companies, Atikokan Forest Products, used to sponsor our Canada Day celebrations. When they went out of business, OPG stepped up and helped us. This came at a time when many of the folks in our community were out of work because of forest industry closures. Pride in our country is something we all share, and I can tell you that the support provided by OPG on Canada Day made the kids feel like part of a great celebration. This is what good companies do when communities face difficult times.

The next section is just on the history of Atikokan. I don't think I want to go through it word by word, but we have Quetico park there that, this year, is celebrating its 100th anniversary. Atikokan itself is 110 years old, so they're kind of synonymous.

As you know, we rely on mining and forestry. On page 3, I talk about how Steep Rock Iron Mines and Caland mines were there from the late 1940s until 1980, when they closed. We lost 1,100 jobs. Right now, there's a revival in mining. We have a company, Brett Resources, that's very involved in gold mining around Atikokan, and we're hopeful that another mine will take the place of these two mines that closed. We note that Ontario Hydro came onboard at a time when those mines closed, and that certainly has helped. Atikokan Generating Station will be celebrating its 25th anniversary next year, in 2010.

A little bit about the economy: The people of Atikokan openly embrace the future. We're in no way a not-in-my-backyard community. We've seen many ups and downs, and we've endured a history of negative economic change, but we've always remained optimistic, rose to the challenge and worked toward a better future. Over the years, we have tried to work in a positive manner with all senior levels of government.

Our economy today is based on forestry, Ontario Power Generation's Atikokan Generating Station, gov-

ernment services, retail services, tourism and a mixture of light manufacturing businesses.

Two recent leading employers were Atikokan Forest Products, a lumber and woodchip mill, and FibraTech Manufacturing, a particle board plant. These two companies utilized the abundant natural resources in the area. Both are now closed, but I'm pleased to say the former FibraTech plant has been recently purchased by Mr. Ed Fukushima and a group from Thunder Bay and is being converted, as we speak, to make wood pellets.

The retail sector is the third-largest employer in Atikokan. We have a number of stores, shops and restaurants catering to the residents of Atikokan as well as visitors.

The outdoors and wildlife are a central theme for those who live there, and our unique wilderness setting has resulted in canoe and paddle manufacturers becoming established in Atikokan and selling their products internationally. We have Souris River Canoes, Fletcher Canoes and XY Company, to name three of these businesses.

Now, as we move forward to new opportunities, our municipal council and our energy committee for the community wholeheartedly stand behind the biomass program. Our community enthusiastically supports the work being done in this regard, and we are actively exploring new opportunities in renewable energy sources. Biomass is a new green technology for Ontario, and we see this as a bright future for our community and for all of northwestern Ontario.

We took great pride in the government's selection of Atikokan for its biomass research centre. We were strong proponents of the work of this organization and the individual research studies that are being conducted. This has extended to positioning northwestern Ontario as a growing bio-energy, academic and research community, with the strength of knowledge available at Lakehead University and Confederation College in Thunder Bay.

Conversion of the Atikokan Generating Station to biomass supports the government's drive toward renewable energy and its climate change benefits. It will not only ensure the stability of the economy of our community; it will open new opportunities for our forest industry to provide a sustainable supply of fuel. We're right in the heart of the best forests in the country and probably in the world. The made-in-Ontario opportunities that can and will flow from this conversion are huge.

I understand that the Ministry of Natural Resources had a great response to its request for expressions of interest for fuel supply and transportation services, and OPG's request for the supply and transportation of biomass fuel also received an excellent response. They generated a great deal of interest in northwestern Ontario and certainly raised the profile of biomass as a part of our province's future. As I said, the company that purchased the FibraTECH operation is now taking steps to convert the plant to a wood-pelletizing plant.

On the last page: We're just a short haul from the port of Thunder Bay—we're two hours away—and that opens

opportunities to market biomass pellets for distribution internationally through the Great Lakes ports and via the St. Lawrence Seaway. There is a business opportunity here in the north for biomass.

In conclusion, I have had the pleasure of discussing the biomass opportunity with Deputy Premier Smitherman, Minister Cansfield and Minister Gravelle, and our MPP, Bill Mauro, has certainly been involved. We most certainly appreciate their support for the biomass initiatives. Biomass is consistent with northern Ontario development objectives.

I encourage the government and Ontario Power Generation to keep proceeding with the necessary steps to move conversion of the Atikokan plant forward as Ontario's first biomass electricity producer. It will not only be protecting our community; it will help a struggling forest sector add more forestry jobs—harvesting wood, making pellets—and it will allow for a secure, reliable source of power in northwestern Ontario for new mines that are scheduled to begin in the days ahead.

OPG helps keep our community thriving and on the map. I encourage all members to support the development of this new renewable energy industry. It is good for Atikokan, good for the north, good for Ontario and good for the planet.

The Chair (Mrs. Julia Munro): Thank you very much, and we'll begin our questions. Mr. Yakabuski?

Mr. John Yakabuski: Thank you very much, Madam Chair. Dennis, good to see you again. I've had the pleasure of being in your community at least a couple of times, and also touring the generation plant up at Atikokan.

From what I understand, technically, they've done all the testing. There's no question that Atikokan has proven to be suitable to produce power from biomass. Is that correct?

Mr. Dennis Brown: That's the way I understand it. They've had 100% tests burning there, and it's been successful.

Mr. John Yakabuski: Very successful.

Mr. Dennis Brown: Yes.

Mr. John Yakabuski: And right now, on most days, quite frankly that plant is not operating.

Mr. Dennis Brown: With the way the economic conditions are right now, it's a challenge. But remember when we talked about it being necessary for base generation, for dispatchable power, for voltage line regulation and that type of thing?

Mr. John Yakabuski: Absolutely. So we understand when they're not burning coal for their stated reasons, but there is certainly great potential for it to be used to produce power from the burning of biomass. We've technically shown that that can happen. So the question is just whether or not there's the will, and also if there is the determination that they can supply the raw fibre.

The forestry industry, in order to produce the waste product—the sawdust, the tops, the branches, the chips, whatever—we've got to be able to produce the saw logs as well, because they're not going to operate sawmills to

produce waste product; they're going to operate sawmills to produce saw logs and high-grade product. I find it interesting that the current government can spend a quarter of a billion dollars buying a video game design business, but we're not making the investments in efficiencies into our current fleet of sawmills. If our sawmills were more efficient, both from a power usage point of view and a productivity point of view, we recognize we'd lose some employees but we'd actually at least maintain our sawmill industry. If we were investing that kind of money in our sawmills, we'd be in a much more competitive position. Why do you think they just seem to be allowing our sawmill business to just disappear?

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Mr. Dennis Brown: The way I understand the major problem, John, is that basically the market isn't there for the product that the sawmills produce. I know there can probably be more efficiencies, but if they can't sell the product, then that's the problem.

Mr. John Yakabuski: Because they can't compete.

Mr. Dennis Brown: The sawmill in Atikokan is dependent on the housing industry in the United States, and that's something else. As the forest industry changes and the market changes to value-added and so on, that takes time in the transition, but right now, the mill that's out there that has 225 jobs is dependent on the housing industry in the United States.

Mr. John Yakabuski: We recognize that demand is not where it was, but wouldn't it be a golden opportunity to try to improve the efficiencies and productivity of those mills at a time when the economy is not right? This would be a good time to be prepared when those housing starts do begin to grow again in the United States; we know we're dependent on that market. We'd be in a much better position to have our sawmill industries successful, which allow our sawmill industries, then, to be involved—

Mr. David Ramsay: Madam Chair, can I ask a question? This has nothing to do with OPG. We're not talking about forestry here—

Mr. John Yakabuski: It's got everything to do with it.

Mr. David Ramsay: The mayor's not an expert in forestry. This has gone way off course here.

Mr. John Yakabuski: We're talking about biomass.

The Chair (Mrs. Julia Munro): No. I think, though, that I'll allow the question. We have very little time. We'll just continue. We have very little time left.

Mr. John Yakabuski: Yes, thank you, Chair. I don't want to lose any time.

If we were investing in doing that, we'd be doing a service to our sawmill industry which will, in turn, allow us to produce the biomass needed to fuel Atikokan, should the government decide to go that way.

Mr. Dennis Brown: I suppose that there's always room for improvement, John, but I think it's a matter of priorities and where the government sees its priorities

are. There are challenges with a lot of the sawmills; I agree with you there. It's not an easy answer.

Mr. John Yakabuski: No. Thanks, Dennis.

The Chair (Mrs. Julia Munro): Mr. Tabuns.

Mr. Peter Tabuns: Mayor Brown, thanks very much for coming down and addressing the committee today. I'm interested in another potential generating asset in your community, and that's the Steep Rock Iron Mines open pit. I understand that there was an assessment done of that as a pump storage unit. From the nodding of your head, I think I read the right article. Can you tell me where things stand with that and what the capacity would be for pump storage at that former mine?

Mr. Dennis Brown: That has been talked about but it really hasn't gone anywhere, Peter. I think there's a huge capacity there if it were to come into fruition, bringing the water from the mine, pump it up and then come down and create the power—yes. The way I see it, it would probably take a private sector individual to come forward and look at it. There's nothing concrete on that yet. It's kind of out there. It's one of those projects that's out there. It's not moving forward very fast.

Mr. Peter Tabuns: Right. Okay. Is the town itself involved in the discussions with OPG or anyone else? Are there discussions going on at the moment?

Mr. Dennis Brown: Garry McKinnon, the economic development officer, serves on an energy committee. We've talked about it, but I haven't seen anything concrete on that. We have maybe thrown the idea out, but that's as far as it has gone.

Mr. Peter Tabuns: Following on an earlier commentary and your comments about saw logs, is there enough waste wood particle in your region to feed this power plant if it were to run on wood pellets alone?

Mr. Dennis Brown: If it was strictly on waste material, right now, if they were to start up tomorrow, that would be a challenge because, as Howard mentioned, the mills aren't functioning. But I think that in the province of Ontario, and this is something that I've heard Minister Cansfield and Minister Gravelle now talk about, the way the wood is utilized needs to change or probably is going to change in the days ahead. There are consultations going on on that.

We have, as I mentioned, two operations that have wood allocated, and they've been closed for two years, but if there are other groups out there that want to make use of that wood, there should be some mechanism or some way of them accessing that fibre so we wouldn't be in the situation we're in now. I think those discussions are taking place, and I see this consultation happening this fall up in the north and right across the province.

Mr. Peter Tabuns: Okay. I'm satisfied. Thank you.

The Chair (Mrs. Julia Munro): Mr. Ramsay.

Mr. David Ramsay: Mayor Brown, how are you doing?

Mr. Dennis Brown: Oh, pretty good, Dave.

Mr. David Ramsay: It's nice to see you, Dennis. I won't mention how many years we've known each other.

Mr. Dennis Brown: A long time, isn't it?

Mr. David Ramsay: I don't want to date ourselves, but I think your mandate's been longer than mine.

Mr. Dennis Brown: Twelve years.

Mr. David Ramsay: I think you've been very successful there, and I've always appreciated your hospitality in Atikokan. You've offered tremendous leadership through some very challenging times. Good for you for hanging in there and sticking in there. I was very pleased to be able to help the transition of the OPG plant there to get to the experimental stage and I'm so pleased that it's working. I think now with climate change, which we weren't thinking about three or four years ago, everything sort of comes together and we're looking at a nice carbon-neutral fuel source there.

I was going to ask basically the same question that Peter had asked: where the fuel source would come from for this, especially with right now the downturn of forestry. But one thing we're starting to develop too—and I first saw that about six years ago in flying over your area and seeing all the slash fires in the fall. I had asked officials at MNR at the time, first of all because I don't see these in the northeast like this, "What are all those plumes of smoke doing up there?" They were telling me how they burned the slash. They'd piled it up and had these huge slash fires and they looked like huge mushroom clouds going hundreds and hundreds of feet in the air. I was thinking about all the energy waste and everything and got officials starting to think about why we aren't harvesting the residual waste of a forestry operation, a cutting operation that we refer to in the north as slash.

There's a lot of opportunity there, again once the industry gets going again, which it will when Americans start to buy the houses. In fact, in places like Sweden they will use the slash exclusively, plus trunks, which I hadn't thought about—I mean the stumps of the trees left over. They extract the stumps to keep these community heating systems going, so wood fuel boilers that basically heat industry and whole towns in Sweden. So there is a lot of opportunity there. You sit in the middle of that wood basket there, and I think there will be a lot of opportunity.

To answer some of the questions that my colleague Mr. Yakabuski was asking you: Unfortunately many of the companies are in receivership situations across northern Ontario and aren't even in a position to come to government for some assistance right now. That's how bad it has gotten.

Mr. John Yakabuski: It's a shame you let it get that far.

Mr. David Ramsay: It was sad that the American housing market collapsed the way it did and that we are very dependent on that market, but the Americans will be building houses again and that's going to come back. It may be a partial source—the wood chips coming from sawmill operations, where some of it could be diverted into wood pellets, as we look at other opportunities too.

So in the medium and long term I'm very optimistic about forestry. We're going to have to grow more trees and harvest more trees—

Mr. John Yakabuski: What's that got to do with OPG?

Mr. David Ramsay: —and that's going to be good for the OPG plant in Atikokan, so I think it's great. As part of the government, we're there to help you and help with that restructuring, but we'll get through it. Thank you.

The Chair (Mrs. Julia Munro): Okay. Anyone else? Mr. Brown?

Mr. Michael A. Brown: Maybe Mr. Brown wants to answer.

The Chair (Mrs. Julia Munro): Oh, sorry.

Mr. Dennis Brown: I just wanted to thank Mr. Ramsay for his comments. I also want to thank him for the way he tried to help our community when he was Minister of Natural Resources and helped us through this transition, as you indicated. We appreciate that, David. Thank you.

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Mr. David Ramsay: Thanks, Dennis.

The Chair (Mrs. Julia Munro): A final comment?

Mr. Michael A. Brown: I just wanted to thank Mayor Brown for coming. I've enjoyed his hospitality in Atikokan and enjoyed the town over the years.

I just wanted to point out that there are 190,000 unemployed forest workers in the US, there are 72 pulp and paper mills down and there are innumerable sawmills down. So when the mayor correctly points out that most of the difficulty we are having these days is an issue of demand for product, he is absolutely correct. I share my colleague and the mayor's view that things will get brighter again in Atikokan and northwestern Ontario.

The Chair (Mrs. Julia Munro): Thank you very much for coming to the committee today.

ORGANIZATION OF CANDU INDUSTRIES

The Chair (Mrs. Julia Munro): I'd now like to ask Neil Alexander, the president of Organization of Candu Industries—

Mr. Neil Alexander: Good afternoon. Thank you very much for inviting me to speak to you.

The Chair (Mrs. Julia Munro): Welcome to the committee. As you know, you have 30 minutes in which to make a statement, if you wish, and then questions from the members.

Mr. Neil Alexander: Thank you very much. As was said, my name is Neil Alexander. I'm the president of the Organization of Candu Industries. We are an industry association that represents the manufacturers of goods and the providers of services to the Canadian nuclear industry. OPG is not a member of OCI because it is one of our major customers and is a buyer of our goods and services rather than a provider.

It says here at the top of my notes that I was going to restrict my comments to the nuclear parts of OPG, and that will be the bulk of my presentation, but having heard the discussion about gas, there is an observation that I'd like to make which is very dear to my heart and a major

point that I think people missed. Gas produces heat very effectively in our homes, at efficiencies of around 80%. It's also very effective for cooking. If we burn gas inefficiently to produce electricity as an alternative to our other mechanisms for producing electricity, it will run out sooner. As a result, we will not only see an increase in costs in running our houses and our buildings, but we will have to rip out our gas-fired heating equipment in order to replace it with electric heating equipment because we will have no other alternative. At that time, we will have run out of gas and we will have no mechanism for producing the electricity. It's a very short-term approach to dealing with a problem and, as a father of very young children, it grieves me when I hear people using it as their solution to dealing with our energy issues.

Now, having got my emotions in check, I'll proceed with my presentation.

Nuclear is a very important part of Ontario's energy mix. It accounts for 50%—I think we all know that—of the power we produce here in Ontario. The availability of constant, inexpensive electricity has formed the backbone of the development of the province of Ontario as a manufacturing province. The power produced is relatively emissions-free, allowing us to produce our electricity with relatively little impact on the environment. This investment in our nuclear capability will pay dividends as other regions of the world that are largely now dependent upon coal will struggle to meet modern environmental standards for CO₂ emissions and, more importantly, I think, in the short term, mercury emissions, which are now so great that we can't eat the fish from our seas.

Additionally, nuclear fuel is relatively plentiful, allowing Ontario to have a sustainable future with an uninterrupted electricity supply. This allows us the opportunity to use our grid to take on environmentally popular but often less reliable electricity production technologies such as wind and solar. Without that backbone, we would be unable to do that. Clearly, given the importance to the province of its nuclear fleet, it is important that it is run effectively and safely.

Nuclear power plants are by their very nature designed economically and technically to run at full power. Manoeuvring or load-following with nuclear plants will increase the overall cost of electricity to our consumers by delaying capital repayments. But more worryingly, it will also increase the wear and tear on the plants, something that they were not designed to do, that will further increase our costs and in the longer term will reduce their reliability.

So far we have not heard that OPG has been asked to manoeuvre its plants, but we are aware that this is happening at Bruce Power. We consider manoeuvring of the nuclear fleet largely, we think, in order to massage the economics of more politically popular power generation techniques to be inappropriate.

The supply of nuclear electricity within the province is already competitive, with the performance of OPG's plants being directly compared with the commercially

operated plants of Bruce Power. We believe it remains appropriate for the province to retain control of a significant part of such a strategic long-term power generation capacity. However, we also believe that it has been beneficial to also have a commercial competition that has created clear benchmarks by which we can test OPG's performance.

It is obviously difficult to make direct performance comparisons because the plants involved are of different designs and of different ages, but it appears that OPG has responded well to the commercial challenge.

Performance statistics for Darlington are particularly relevant. The Darlington station produces 17% of Ontario's electricity and is a world-leading performer. In 2008, three Darlington plants took the top three positions in the world on the key performance indicator of capacity factor. The fourth Darlington unit had a planned outage and therefore couldn't compete for that level. One of the Pickering units run by OPG came in fifth in the world, and that is a tremendous achievement for Canadian operators and for the Canadian designers of the Candu plants that regularly come in in first position in capacity factor in the world. Darlington, on top of that, also won the radiation protection award for the year for world-class "as low as reasonably achievable" performance for keeping their safety and the exposure to their workers at an absolute minimum. They also hold a number of awards for environmental protection in the region.

Darlington is such a good neighbour that the people of Clarington fought very hard for the right to build a new plant at the Darlington site, and the region has been very disappointed with the suspension of the decision that has taken place. We compare this situation in Clarington with the position in Oakville, where I live, where the region is fighting very hard not to have gas-fired plants constructed because of the damage that it will cause to the region.

Notwithstanding the tremendous performance in operating the plants, we know OPG has had problems with project-type work in the past. We'd like to draw attention to the fact that it appears that OPG has been learning from those lessons and has been improving its ability to manage such complex tasks. This year, we saw the vacuum building outage taking place at Darlington. The vacuum building outage is a very complex outage that only takes place every 12 years. The project started on April 15 and was completed on May 25, pretty much on schedule. The work involved over 4,000 workers, both OPG staff and local contractors from my member companies. In addition to those 4,000 workers who were working during the project, they acquired 9,500 new pieces of equipment or plant that were installed during the outage. Much of that comes from local companies.

I would like to take that opportunity to expand on that and talk a little about what OPG's nuclear plants do for the local business community. The great benefit in producing nuclear power is that it's mankind that does most of the work; uranium is not a natural fuel and it takes a lot of human intervention in order to create energy.

Gregory Smith, who used to be the VP at Darlington, used to say that the only more labour-intensive way of producing electricity would be to put people on treadmills and make them run to produce the power. It's a good point, because the great benefit of nuclear power is that rather than the work being done remotely and the benefits of the jobs being created remotely, the jobs are actually created in the community that runs the nuclear power plant. That's one of the reasons Clarington was so keen on seeing construction started on the new plants.

That leads, actually, to nuclear power being a \$6.6-billion business in Ontario, creating something more than 30,000 jobs. Many of those are in the engineering, fabrication, SMEs, equipment providers and service providers that make up my membership.

The nuclear industry demands relatively small quantities of high-quality- and very-high-quality-assured components. Price is, of course, always an issue, but quality and reliability are more so, and so work tends to go to companies in which the nuclear operator has confidence. Typically, these companies are nearby, as this allows an understanding to develop between the purchaser and the seller. It also allows relatively inexpensive inspection and auditing to take place during the manufacture. All this means is that OPG does tend to buy locally, and given that Ontario is home to many Candu component manufacturers, it's easy for OPG to satisfy most of its requirements and outages with the existing suppliers.

1410

One concern that we have about the potential to import foreign technology into the mix is that this ability for OPG to buy locally would be reduced, and it would be more dependent upon longer supply chains with companies in which they don't have confidence and don't have a relationship.

The benefit to local industry is much, much greater than the direct sales that the companies produce and the direct work they do. The real benefit lies in the creation of intellectual capabilities in the region and the creation of investments in our factories that allow our companies to compete worldwide.

We have examples of where the nuclear capability has allowed companies to raise the standards in which they supply equipment so that a previous automotive supplier actually started producing automation equipment that was exported to Germany for inclusion in German car factories.

More conventionally, companies like Babcock and Wilcox, because they are in the business of supplying to people like OPG, locally, have the capabilities to produce steam generators for the world steam generator market. Last year, they signed a \$150-million contract to supply steam generators to the Davis-Besse power plant in Ohio, making a huge contribution to the Cambridge region.

Even when Canada is not building Candu plants abroad, the value of our exports as a result of that intellectual capability is still in the order of hundreds of millions of dollars. When we do sell Candu plants abroad, the potential is that it will go up into the billions

of dollars. It is a particularly appropriate time for us to be seeking that leadership position, because there is a renaissance taking place in the world, and our capabilities will be greatly in demand if we can retain our leadership position.

OPG's role in developing the capabilities in Ontario has been absolutely essential throughout the history of our industry. Their historic role in demonstrating and promoting Canadian technology has also been very helpful to our success. Continuation of the role through the demonstration of an advanced Candu reactor would put Canada into the lead in the world renaissance and create a platform for manufacturing jobs here in the province for decades to come.

The major points that we wanted to get across are that we believe that OPG's nuclear stations are making a valuable and sustainable contribution to the health of the Ontario economy. We believe that OPG are managing their plants effectively, as can be seen by the world-leading performance of the Darlington facility. We believe that OPG makes a valuable contribution to the health of Ontario's nuclear industries, and their contribution could be further enhanced by the construction of a Canadian plant at Darlington.

As a result, we don't believe there are any fundamental changes needed to the way OPG operates in its day-to-day management, but we do have a couple of suggestions if you are seeking improvements on day-to-day operations that might make incremental improvements.

We do believe that long-term, strategic plants like nuclear should appropriately be run by provincial government organizations. However, we're concerned that there is too much interference in mid-term decision-making at OPG. That has two consequences: one, it creates problems for them in implementing plans, because there is always uncertainty; but of greater concern, we worry about their morale when their ability to plan is removed and plans are overturned.

We believe that government organizations such as OPG should focus on the strategic needs, and that those aspects that can be managed by commercial companies should be managed by commercial companies. We believe there is still opportunity within OPG to look at parts of their operations that might more appropriately be provided by the private sector.

The procurement processes at OPG are kept confidential. This apparent secrecy can lead to a view that inappropriate actions might be being taken. We would suggest that it may be appropriate to increase the openness of the procurement capacity at OPG. If it doesn't change in any way their actual decisions, it would demonstrate to everyone that they are the correct decisions.

To retain a world leadership position Canada has to harness the full capability of all its organizations. We are concerned that there do appear to be challenges between OPG and AECL, possibly created at their stakeholder levels. This is unhelpful to the performance of Canada,

and, while being careful not to attribute responsibility to any one of the parties, we would respectfully suggest that improving the relationships between the parties would be beneficial to the industry, to Ontario and to the nation as a whole.

I'd like to thank you very much for allowing me to speak to this committee. My members are a very important part of Ontario's industry. We often feel that our voice is ignored in amongst the clamour created by more outspoken and politically active organizations. So we really have appreciated the opportunity to be heard.

Thank you very much.

The Chair (Mrs. Julia Munro): We'll begin our questions with Mr. Tabuns.

Mr. Peter Tabuns: Thanks, Neil, for coming down today. I appreciate your presentation.

As you're aware, the Minister of Energy and Infrastructure earlier this year announced a hold on proceeding with the RFP process for the new build at Darlington. It has been reported in the Star that the bid from Candu, or AECL, was in the range of \$26 billion. Can you confirm the size of the bid?

Mr. Neil Alexander: No. If I had any indication whatsoever as to what any of the parties bid, then I wouldn't be able to come and talk to you anyway. So I can't. But I think in the industry, there's a very clear understanding that the cost of construction of the reactors was not \$26 billion. If that figure came anywhere from the assessments, it is some aggregated figure that includes a number of years of operation, and possibly infrastructure projects that might take place at the same time to support it.

If you follow the Internet, we've actually stimulated interest all around the world as to what that \$26 billion figure might mean, but the only firm statement we can make is the one Infrastructure Ontario made, which is that it has no bearing whatsoever on the actual situation.

Mr. Peter Tabuns: How many new Candu orders have there been in the last decade?

Mr. Neil Alexander: There haven't been many orders of nuclear plants at all around the world over the last 20 years. In fact, Canada has been one of the nations that has been successfully building one plant after another, albeit in small numbers, up until we completed Qinshan about five years ago. As Qinshan was completed, the refurbishment work at Bruce started. So our companies are in a very good state. They are up to modern standards.

If we compare that with what's happening in the United States, they built over 100 plants but they haven't built anything for the last 30 years. So their manufacturers are in a really bad state. They haven't kept their nuclear standards up to mark and will probably struggle to be able to supply.

So if we can retain our leadership position in the world, we have every opportunity to supply not just to our own plants but to the new ones that will be built in the US, where their own manufacturers will struggle.

Mr. Peter Tabuns: Have you had any orders in the last 10 years?

Mr. Neil Alexander: No.

Mr. Peter Tabuns: Thank you. The question of nuclear liability: The Nuclear Liability Act in Canada, as I understand it, and I would be happy to be corrected, limits the liability of nuclear plant operators and owners to, I think, \$75 million for each incident. Does your industry have concern about the lifting of such a limit on liability? I understand, and I asked the Premier and the Minister of Energy about this, that the plants are so safe that contemplating an accident is just a fantasy. So one would think, then, that insurance would be very cheap and that you wouldn't have to have any shielding from liability. Why does your industry want shielding from liability?

Mr. Neil Alexander: Basically, all industries like to understand the potential liabilities that they may take, so they're always looking to seek a cap on the liabilities so that they can be understood and then taken into their assessments of risk when they go into a contract. But the details of the Nuclear Liability Act are not something that we have given our attention to so far this year, as we've been struggling with other issues.

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Mr. Peter Tabuns: Well, my understanding is that in the States the cap on liability is \$13 billion per incident, and that the only credible study that's been done so far was done by the Seaborn commission, estimating a potential risk of \$1 trillion per incident. Does the Organization of Candu Industries have anything to say about those potential liabilities, the scale of them? Do you disagree with those scales?

Mr. Neil Alexander: It depends what accident you can imagine and the very finite and very often small risks that might be involved. Our members believe it does have to be capped. The magnitude of the potential risk is very high and it is the sort of thing that only governments can deal with, so there has to be some kind of cap to make it possible. Where that is is something that is obviously open to discussion.

Mr. Peter Tabuns: But if Candu installations aren't paying the full cost of insuring against that liability, then that, in fact, is a substantial subsidy to your operation, is it not?

Mr. Neil Alexander: You may look at it the other way around and say that they haven't called on any of those insurance policies, so therefore someone's making a lot of money out of it.

The Chair (Mrs. Julia Munro): Thank you. We'll move on. Mr. Moridi?

Mr. Reza Moridi: Thank you, Mr. Alexander, for this great presentation about the Candu organization and nuclear energy in Ontario.

As we all know, our technology, the Candu reactor, is one of the two major technologies around the world, and I think as Ontarians and as Canadians we should be proud that we have this technology developed in Canada. As you rightly mentioned, Candu reactors in Ontario, and also in Canada, are one of the top four or five performers around the world. There are maybe 400 nuclear power

reactors in operation around the world today, and these Canadian reactors have been amongst the four or five top operators and performers in the world, which we should be very proud of as Canadians.

When we talk about performance of reactors—and of course the Candus are among the four or five top performers in the world—is this mainly related to the fact that Candu reactors are fuelled online, that they don't shut down the reactor for refuelling? Is it mainly related to this fact or partly related to this fact, or is there no relationship with the online refuelling of reactors?

Mr. Neil Alexander: Yes, it is partly related to the online refuelling. It means that you can bring the reactors up to power and run them without having to worry about fuel changes, which the pressurized water reactors do have to worry about, but it's not the whole issue. The reliability and the constancy of operation makes a large contribution to the ability to take a Candu up to power and retain it at power for long periods of time.

Mr. Reza Moridi: On the safety issue of Candu reactors and the other types of reactors, maybe you would be kind enough to elaborate on two points. One is, with Candu reactors, there will inherently be no melt-down in Candu technology. That's what I hear people talking about. The second point is on the health and safety of workers. Workers in Candu reactors receive less exposure to radiation than workers in other types of reactors. Could you elaborate on these two points?

Mr. Neil Alexander: I'd like to try and make out that Candu is better in all those categories than other plants, but in fact everybody is operating to international standards, both in terms of radiation exposure and in terms of operational safety. Everybody is competing at the same level, so they're pretty much level-pegging.

Mr. Reza Moridi: The other question I have: Maybe you would be kind enough again to elaborate on the fact that Candu reactors use natural uranium in relation to other reactors, where the fuel goes into another processing cycle which has its own environmental impact. In this case, we don't use enriched uranium; the Candu reactors use natural uranium, so that basically cuts one stage of fuel processing and fuel preparation for the reactor. That might be another advantage for Candu reactors.

Mr. Neil Alexander: Yes, the Candu reactors that we operate here in the province are all run on natural uranium. There was a new fuel design that Bruce was interested in using but has now dropped that would have used slightly enriched uranium, but natural uranium does mean that you don't have to enhance the uranium. Once you have that capability, you then have the capability to use the uranium for other purposes. From a proliferation point of view, the use of natural uranium is very beneficial.

To be absolutely clear, though, the new Candu plant, the Advanced Candu Reactor, would use a slightly enriched fuel, so you would need to buy uranium from outside of Canada to do that.

Mr. Reza Moridi: Is our nuclear industry planning to set up a plant to slightly enrich uranium in Canada, or is it still the plan to purchase it from foreigners?

Mr. Neil Alexander: That situation has been changing. There were licences being applied for to handle slightly enriched uranium, but I don't believe there has been any move towards enriching uranium here in Canada.

Mr. Reza Moridi: Thank you.

The Chair (Mrs. Julia Munro): We'll go to Mr. Yakabuski.

Mr. John Yakabuski: I'm glad you mentioned in your address, Mr. Alexander, the renaissance of nuclear worldwide. There are several plants either in the planning stages or under construction worldwide, and I think people in Ontario need to take note of that because those are the jurisdictions that are going to have power, and those that don't proceed may not.

Anyway, on the nuclear new build, the suspension of the process, and I know because you're not involved directly—I know if it was AECL, they couldn't comment. The government chooses not to comment or just likes to put out the snippets that they want people to hear. Anyway, they've taken a position that the price wasn't right. AECL, Atomic Energy of Canada Ltd., their bid met the requirements in all facets except the price.

What I'd like to know is, where in the Sam Hill, as they say, would the government ever have gotten the price to compare that bid with? My understanding is that a nuclear power plant bid process is a single contract. It's site-specific. It's plan-specific. It's reactor-specific. You can't go on the Internet or go into Walmart and say, "What's the suggested retail price of nuclear power plants this week?" You have to go through the process. Plus, if the proponent wants to place all of the risks on the bidder, then the price is going to be affected by that.

I'm wondering if it's just political, because where would they have ever gotten the idea that they knew what the price was going to be? They're saying the price is too high; what are they basing that on?

Mr. Neil Alexander: Pricing nuclear reactors, as you say, is not like going into the local car showroom and they have a price on the device. It depends very much upon the circumstances; it depends very much upon the contract that you're expected to sign. This is where issues such as risk and financing and a whole bunch of other non-technology-related issues come in.

Our understanding, and I haven't been involved in the process, is that the province was looking for an absolute guarantee on what was offered, and absolute guarantees become very, very expensive because they expose the commercial providers to risks that they have no control over. For example, if you want an absolute guarantee, you're going to have to understand labour costs in the province of Ontario in 2016, which, as a company, you have no control over, but which the province of Ontario does have some control over. Issues like that you go into a discussion about and move the risks around in order to minimize the overall costs. That's typically how people have bought reactors in the past. Typically they will go through a selection process for the technology and then they will go into negotiation with the winner of that

technology selection in order to get the price that works for all of the parties.

We seem to, in Ontario, have gone halfway through that process and said, "Oh, that's where we're going to end." Again, trying to get back from putting blame in any one place, or "responsibility" may be a bit of a better word, our feeling is that this is an issue of such significance that it requires both the provincial government and the federal government to work together to come to the right solution. Our desire is that they should realize the significance to the manufacturers in the province of Ontario and work together to come to the correct resolution. If they continue to bat balls across from two sides of a court, we will not get the result that we want.

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Mr. John Yakabuski: It would seem that the provincial government wants to play a little game of cat and mouse with the feds because the feds, of course, have control there; it's a federal crown corporation, but it's the province that needs the power. Maybe the province wants to buy AECL; I don't know. You never know what could come out of that side of the House at any given time. But they're the ones who will require the power going forward, and to hold up this process—do you not think that the right thing for them to be doing would be to be sitting down, as we've suggested, with the federal government and AECL and hammering out a suitable contract on this procurement, because the longer we delay it, the closer we get to the time where our current fleet of in-service reactors comes time to either refurbish or decommission?

Mr. Neil Alexander: I think it's very key that the parties come together and that some mechanism is found to come together in order to resolve the issue. Clearly, to tell you the province's side, they have to buy a reactor at the right price. They shouldn't be in the business of overpaying for them, but it does seem to me that a sensible way to get to that conclusion is to proactively respond to the other parties—the federal government and AECL—in order to initiate a discussion that comes to a conclusion.

Mr. John Yakabuski: A lot of jobs are at stake here in this province.

Mr. Neil Alexander: I think that's the other issue that perhaps the province is missing, and that is that, likely, in order to make this happen, and it's quite normal in early reactor constructions, there will need to be some investment that the buyer would not typically pick up, but the investment is to benefit the province of Ontario because 90% of the manufacturing is also done here in the province of Ontario. So there shouldn't be an expectation that the nation pick up all of that cost; there should be some expectation that it come from Ontario as well.

The Chair (Mrs. Julia Munro): Thank you very much. We appreciate you being here today.

CANADIAN GAS ASSOCIATION

The Chair (Mrs. Julia Munro): I'd like now to invite Carol Cameron and Edith Chin from the Canadian Gas

Association to come forward. Good afternoon, ladies, and welcome to the committee. As you would know, we have 30 minutes set aside, during which, if you wish to make comments, we'll have questions from the members afterwards. So, for the purposes of Hansard, I'd ask that you introduce yourselves.

Ms. Carol Cameron: Certainly. My name is Carol Cameron, and I work for Union Gas. With me today is Edith Chin, who works for Enbridge Gas Distribution. We are representing the Canadian Gas Association. We have copies of the presentation that we're going to give today that will be handed out to you.

Good afternoon, Chair and committee members. Mr. Cleland was actually supposed to give this presentation today, but unfortunately he's a little under the weather so we will be giving it on his behalf.

Mr. Cleland is the CEO of the Canadian Gas Association, and that is whom we are speaking on behalf of today. The Canadian Gas Association is the voice of Canada's natural gas delivery industry. Members include major utilities, of which Union and Enbridge are both members. It also includes major Canadian gas transmission companies like TransCanada and equipment manufacturers and service providers, and there are over 50 of those that are members of the Canadian Gas Association.

We are here today because natural gas is an important and necessary contributor to OPG fulfilling its mandate. On slide 3, you will see that we have included the OPG mandate. I'm not going to read it to you today but some of the key words to note in there are the words "safe," "clean," "sustainable" and "environmentally responsible." Those are each key components of OPG filling its mandate, and those are each key attributes of natural gas as a supply source.

Some of the natural gas attributes are: It's safe and it's reliable. Natural gas has an excellent history of safety standards in all aspects of this industry, including exploration, production, transportation and delivery. Natural gas is transportable, it's storable and it can be delivered on demand. Natural gas is clean and it's efficient. It's a low-emission energy form that is over 90% efficient in many applications. Natural gas is abundant and affordable. It's a growing domestic resource base—and I'm going to speak about that in a few moments—that meets over 25% of our energy needs. It's also a low-cost energy form that makes a positive contribution.

Natural gas is also versatile and capable. Natural gas is used in a variety of technologies, including transportation, manufacturing and, most specifically to today, power generation. It's available today using existing technology and the comprehensive transportation infrastructure across North America.

Specifically with respect to the natural gas-fired generation assets, we continue to invest in the natural gas-fired power generation in the province of Ontario. It's highly efficient and cost-effective power generation, and it has excellent, enabling infrastructure for the inclusion of more intermittent renewable and alternative energy forms into the power supply mix.

With respect specifically to Ontario Power Generation, the Portlands facility is a joint venture between OPG and TransCanada Pipelines. It's a 550-megawatt facility built here in downtown Toronto. That facility went into service in April 2009, which was two months ahead of its predicted schedule.

Not included on this map but also very important, OPG has the Lennox facility, which is located in eastern Ontario. This is a dual-fuel facility which can burn natural gas and oil and is a peak facility meant to balance out the Ontario energy needs.

On this particular graph, the locations that are in purple are the locations that are currently under construction or yet to be awarded. The locations that are blue are facilities that are currently in service today, and these are each part of the Ontario government's mandate to close the coal-fired generation facilities. So these have all been awarded since 2006.

These new plants are all in strategic locations and close to the power demands. In some cases, natural gas generators can be constructed and in service in as short as 18 months.

There have been significant investments in Ontario to serve natural-gas-fired power generation. For Enbridge, there has been over \$90 million in capital invested in their distribution infrastructure to support natural-gas-fired generation. They invested over \$45 million to develop new natural-gas storage capacity at their Tecumseh facility.

Union Gas has invested over \$450 million in new transmission and storage projects to support the overall natural gas needs, including Ontario Power Generation. We have also invested over \$40-million capital for power generation projects within our franchise area. In aggregate, we have added over 300,000 gigajoules a day of transportation capacity from our market centre at Dawn to here in the Toronto area, and over 750,000 a day in incremental storage to support natural gas generation needs.

Supply has been much talked about here this afternoon, so I want to give you a little information on that. Ontario and North America have an abundant and growing supply of natural gas available for use for both power generation and other natural-gas-based energy services. North America has an estimated reserve of over 100 years of annual production available within our continent. Specifically in Canada, there are enough reserves to support another 60 years of consumption at the projected levels. In 2008, natural gas producers added 27 trillion cubic feet of reserves, the largest annual addition in history.

Where are these new supplies coming from? Traditionally, we have relied on conventional sources of natural gas supply, so the western Canadian sedimentary basin, the Gulf of Mexico and Sable Island have all been the sources of conventional supplies for natural gas.

Where we're getting the biggest growth right now is in the unconventional supplies. Specifically, shale gas is the production that's getting all the attention most recently. It is natural gas found in coal seams and trapped within the

shale rock. The pressure from the rock and the water keep the methane trapped in that formation, and through fracturing those formations, the natural gas is released.

Technological improvements, particularly in the horizontal drilling, have added these resources to the natural gas supply capability. The biggest supply source that's closest to us is called the Marcellus shale. It's located primarily within the state of Pennsylvania. Key Canadian sources of shale supplies include the Horn River and the Montney plays, which are located in eastern BC.

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There are also very plentiful shale supplies in the mid-continent, southern US. Haynesville, Fayetteville and the Barnett are all producing abundant natural gas supplies today, and there is adequate and increasing infrastructure in pipelines to bring all those supplies to Ontario. So because Ontario is well connected to these sources of supply, whether they be from the Gulf of Mexico, from eastern BC, we will receive the benefit of these increasing supplies as well as the existing supplies in the natural gas market.

When we look at the supplies and where they're coming from, we also want to look at demands. I have attached here a slide of where we see Ontario demands for natural gas coming.

The power sector is expected to account for about two thirds of demand growth in the Ontario market. We forecast that by 2015 there will be 60 billion cubic feet a day of annual power generation consumption, which will grow to about 110 billion cubic feet a day by 2030. You will see that this is definitely leading the growth in natural gas demands, where all the other industries—industrial, commercial and residential are staying a little more constant.

This demand growth in natural gas is not limited to Ontario. We would see similar graphs in other areas. New England and most of North America would see a similar demand driver in natural gas in power generation.

We've talked about supplies and we've talked about the demands. The next logical place would be price and what the price is going to do. The price has significantly changed since 2008 and most of that price difference has been driven by supply additions. The addition of incremental shale to our resources has put a significant downward pressure on natural gas prices. The recent declines in oil and the weakening economy have also contributed to that downward pressure. We are currently at a seven-year low for natural gas pricing. It has been one of the most affordable forms of energy over the past 20 years. The natural gas line that you're looking at in that chart is the blue line, and you will see that it's falling below all the other sources of energy supply, including residual, which tends to be its bouncing point.

Natural gas plays an important part in the integrated energy portfolio. One of the best ways to improve the environmental footprint of our energy use is to adopt a more integrated approach that improves efficiency and reduces wasted energy. In an integrated system, natural

gas provides a low-emission backup system for renewable sources like solar and wind.

In addition, natural gas plays a key role in the uses of combined heat and power applications, landfill gas and renewable resources. In each of these, natural gas can play an important role, whether it's helping to transport the biogas through our transmission lines or providing a source of fuel supply for the combined heat and power.

Lastly, there are other technologies that support power generation. The most notable, and the two I will speak about here briefly, will be the natural gas hybrid fuel cells and mainline compressor recovery.

In the applications of natural gas, we try to use energy very efficiently and we do our best to reduce waste energy. So whether it is capturing energy created from the decrease in pressure and applying that to hybrid fuel cells while the gas is transporting through our lines, or capturing the waste heat from the compressor plants that are used to increase the pressure of natural gas, both of these have a way to contribute to the energy industry.

In summary, natural gas for power generation growth is expected to be one of the strongest areas of demand. Natural gas makes a valuable addition to the generation capacities of OPG. Both Portlands and the Lennox facility are strong contributors to OPG.

OPG should continue to expand their gas fleet with confidence. There are abundant gas supply resources available to support the growing use of natural gas in the province and across this continent. Significant supplies in both Canada and the US are all well connected to Ontario and will be available for power generation.

Enbridge and Union have made significant capital expenditures to support natural gas power generation and will continue to support power generation in the future.

Thank you very much for your time. Thank you, Madam Chair.

The Chair (Mrs. Julia Munro): Thank you very much. I believe it's the Liberals starting, the government. Questions?

Mr. Michael A. Brown: Hi. Welcome to Queen's Park.

Ms. Edith Chin: Thank you.

Mr. Michael A. Brown: You've listened to some of the presentations—I've seen you out there listening to the presentations—and we get various pieces of advice, as you may note, about what the exact cost of gas energy is. I think we had one just shortly ago where a number was suggested. What would be your number per kilowatt hour for the production of electricity using natural gas, at present prices?

Ms. Edith Chin: Of course, that depends on the price of gas, and it fluctuates every day. When I was reading the information from the IESO today, I know that almost all the gas-fired generators were running, which means that it must be the lowest-cost generation at 20-some-odd dollars per megawatt hour. That's what I saw today before I came here.

Mr. Michael A. Brown: That's interesting. One of the advantages, of course, of natural gas is that, as you

say, you can sometimes get a plant up and going in as little as 18 months, which in a dynamic economy is an important thing. The other issue around electricity production is the need to get it to where you need the electricity. It seems obvious to me that natural gas can be placed closer to where the energy need is with maybe smaller or fewer transmission lines to do that. Would that be the case?

Ms. Edith Chin: We would think so. The other flexibility is that it also comes in different sizes, so it could be larger or smaller. It could also help in maintaining the grid voltage control. There are a lot of advantages that different forms of natural gas generation can offer. It also comes in a combined cycle or a simple cycle, depending on whether it would act as a peaker or an intermediate load plant. So it's very versatile in nature.

Mr. Reza Moridi: Ms. Cameron, thank you for your presentation. You mentioned the natural gas resources around the world, and Canada, of course, is quite abundant and there is lots of it. I think you give a number of 60 years. I was wondering if this number of 60 years is based on proven resources or on estimated resources that we have.

Ms. Carol Cameron: Both proven and estimated. The current level of—

Mr. Reza Moridi: Are the two the same—proven and estimated?

Ms. Carol Cameron: Not according to the geologists. The proven reserves are believed to be approximately 12 years and that's what that graph illustrates. But the estimated resources or the yet-undiscovered are estimated to take us well beyond 60 years.

Mr. Reza Moridi: So for 60 years we have resources in Canada if we use our gas consumption at the same rate as we have?

Ms. Carol Cameron: Just in Canada alone, but we don't have to rely on just the reserves here in Canada. We can also import from the US and we can also import natural gas supplies from other parts of the world. Canada is very unique in that we can store natural gas here. We have the rare rock formations and geological formations to allow us to store natural gas. That is not true across most of the rest of the world. So we have the capability of importing natural gas through LNG, bringing that from Australia or Russia, and storing that here over the summertime. So it gives us added attraction to attract natural gas through the summer, so that at times when we need more gas supplies we will be able to import them as well.

Mr. Reza Moridi: But it's very expensive to transport natural gas, given its density and—

Ms. Carol Cameron: Natural gas will seek a home that will give it its highest clearing price. We have not imported natural gas this summer based on the low price that we are seeing here today, but we have imported natural gas and certainly we do have enough facilities to allow us to do so.

Mr. Reza Moridi: Thank you.

The Chair (Mrs. Julia Munro): Thank you. Mr. Yakabuski?

Mr. John Yakabuski: Thanks for joining us today. I just want to comment on the price. That's the market price for power; it's not necessarily what the cost of producing power is, which you see on the IESO website. That's the market cost for power. We also have to build in that provincial benefit that we have there, which we're paying. I'm sure that all our nuclear plants are running today, all that are available, and that doesn't mean that it's \$20 a megawatt either to produce it there.

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I have a couple of questions on the supply of gas, because we do see the demand or the amount of gas—the growth in power supply is expected to be much faster than the growth in residential. At one time, the focus of the gas industry seemed to be that we needed to get all of those electric water heaters out of the system and all of the electric appliances and get gas—the most efficient form of energy in a home, which is gas, far more efficient than electricity—into as many applications and uses as possible. That seems to be, maybe, a change in the focus.

But in the gas situation itself, the storage facilities at Dawn—I've gotten different answers on this kind of thing, and maybe you could answer this for me, and I'll believe what you tell me, because you're from the industry. Let's just take, for the sake of argument, that the supply was stopped, blocked or whatever. The storage facilities at Dawn, where, primarily, we get our gas from here: What's the capacity like, the number of days of normal demand? What is the capacity of that storage facility?

Ms. Carol Cameron: It's unlikely, actually, that we would not be able to import any natural gas into Ontario, because we have redundant infrastructure. There are five natural gas pipelines that bring gas supplies to Ontario, whether they come from the Gulf of Mexico or from the Rockies or from western Canada. So the likelihood that we could not receive any natural gas supplies is very remote.

Mr. John Yakabuski: We know it's low, just like that nuclear accident scenario.

Ms. Carol Cameron: I can't imagine a scenario in which that would occur, that we're having no natural gas imports.

Mr. John Yakabuski: Well, let's just say that the terrorists eliminated all five pipelines in a very coordinated attack. It's crazy, but what would the storage capabilities—number of days—be for that facility at Dawn?

Ms. Carol Cameron: Union Gas can store 250 billion cubic feet of gas. I believe Enbridge can store about 100 billion cubic feet of gas. Union Gas can transport to Toronto about 6 billion cubic feet a day. That's enough to heat 8,000 homes for a winter. So we transport enough gas to heat all of eastern Canada every day. The storage facility—so 250 billion cubic feet, 6 billion cubic feet of gas a day. Gas supplies are—

Mr. John Yakabuski: Forty days.

Ms. Carol Cameron:—very robust.

Mr. John Yakabuski: Thank you very much. That's a different answer than I received from someone else, which I questioned. They told me there was only eight days of storage there, and I said, "That can't be right." So we're—

Ms. Carol Cameron: Very robust.

Mr. John Yakabuski:—talking about 40 days of supply.

Ms. Carol Cameron: At least.

Mr. John Yakabuski: Now, one thing that we did talk about—and it's got nothing to do with the price of natural gas and it's got nothing to do really with the industry; it's about the people who have built and signed contracts for gas generation. OPG conceded that they have a power purchase agreement with the Ontario government to provide power from those stations at a fixed cost. So when we're providing—even though the market price of electricity is low and the market price of gas is low, which lowered their cost, unless we know the details of those contracts, we could actually be paying a significant premium to those people. I mean, as the people of Ontario, the rate base, we could be paying a significant premium to those generators because of the fact that they have fixed-price contracts with the OPA. Is that not correct?

Ms. Edith Chin: From what we know, and I think that the contracts are public—maybe the details are not, but the template of the contracts are public—they're not fixed-price contracts; they are kind of deemed dispatch contracts. So I don't think—

Mr. John Yakabuski: They are not public. We cannot get access to the contracts.

Ms. Edith Chin: I know that the details are not public, but the template of the contracts are public. How they would be compensated—the methodology—is public, so from at least what we know, it is not a fixed-price contract. But I'm sure that the Ontario Power Authority would be able to give you more details.

Mr. John Yakabuski: They'd be able to give it to us, but they won't. But thank you very much. That's proprietary information. They do not release that information.

Ms. Edith Chin: But the methodology of how they are compensated is public.

Mr. John Yakabuski: And each contract is individual?

Ms. Edith Chin: Yes.

Mr. John Yakabuski: Thank you.

The Chair (Mrs. Julia Munro): Thank you. Mr. Tabuns?

Mr. Peter Tabuns: Carol, Edith, thank you very much for coming today and making the presentation. Looking at the "Ontario Gas Demand" chart, how many megawatts—it's your page 9. That portion of gas consumption for power generation: How many megawatts of generation capacity should that reflect when built out at 2030? If you don't know offhand, if you could agree to

send a note to the committee so that we would know what you're projecting, I would appreciate that.

Ms. Carol Cameron: I would much appreciate that opportunity, actually. I would say that currently there are over 2,000 megawatts of natural gas power generation in Ontario. I am not sure what the projected number is off the top of my head; I was going back into some previous conversations and I can't bring that up, but I will definitely bring that forward to you and to the committee.

Ms. Edith Chin: May I add something?

Mr. Peter Tabuns: Yes.

Ms. Edith Chin: I think it's important to know that the gas consumption is based on the energy generated; kind of megawatt hours.

Mr. Peter Tabuns: Yes, and that's the second question I had for you.

Ms. Edith Chin: Exactly. So you can build a 1,000-megawatt plant, but if you don't run it, it still consumes zero gigajoules. So I think we have to make sure that we know the assumption behind what is the load factor from which they run.

Mr. Peter Tabuns: Right, which was going to be my second question. I thank you for anticipating it. I'd like to know the total projected buildout of megawatt capacity, but also the number of megawatt hours or terawatt hours per year that you expect to generate using that much gas, because my assumption is, you're not talking about large-scale gas consumption for baseload. Is that assumption correct?

Ms. Carol Cameron: That is correct.

Mr. Peter Tabuns: All right. Again looking at these figures, you show a number of different ways of generating electricity using gas. On the record, I'm going to ask—and you may not have the answer offhand—what proportion of the consumption of gas for power generation at 2030 is expected to be conventional monogeneration and what percentage is expected to be cogeneration. When I talk about cogeneration, just to be precise, cogeneration in which the heat production dominates the production priority, so that the electricity is a by-product.

Ms. Carol Cameron: We will certainly appreciate taking that and following up with you at a later date.

Mr. Peter Tabuns: Okay. The second question I had was about the other natural gas power-gen technologies, because clearly you can recover energy from the pipeline, from depressurizing the gas when you take it out. Can you tell us what the potential megawatt capacity is? And if you can't at the moment, if you could commit to telling us later.

Ms. Edith Chin: We'll get back to you. I think it's in the order of a couple of hundred megawatts.

Mr. Peter Tabuns: How many?

Ms. Edith Chin: A few hundred megawatts.

Mr. Peter Tabuns: Ah, okay.

Ms. Edith Chin: But I think that the best thing—

Mr. Peter Tabuns: Useful, but not really huge.

Ms. Edith Chin: I think that it's best for us to get back to you.

Mr. Peter Tabuns: Okay. Natural gas hybrid fuel cells: My understanding is that the use of fuel cells is still very limited. How much of this is online now, if you can tell me, and where do you see the use of fuel cell technology going in this province in the next 10 to 20 years?

Ms. Edith Chin: Very little is online. I think one of the attractions of the fuel cell is that it can be located in urban areas and areas where environmental concerns are of real concern to people. But in terms of how much can be employed, it depends on a lot of factors.

The Chair (Mrs. Julia Munro): Thank you very much. That completes our time. We appreciate you coming today.

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LAC SEUL FIRST NATION

The Chair (Mrs. Julia Munro): I'd like to ask Chief Clifford Bull from Lac Seul to come forward. Good afternoon and welcome to the committee. As you would know, you have 30 minutes in which to make a presentation. Any time left over, we'll use for questions and comments from the members. So if you're ready, Chief Bull, please go ahead.

Chief Clifford Bull: Meegwetch. First of all, I'd like to acknowledge the Creator for allowing us to be here today. Thank you to the committee and its distinguished members for the opportunity to appear before the committee. As you may be aware, the Lac Seul First Nation was invited to testify before this committee in its review of Ontario Power Generation Inc. Given the recently concluded partnership between the two parties with respect to the Lac Seul generating station, also known as Obishikokaang Waasiganikewigamig, there are four key messages from today's presentation. I have handouts that everybody can follow along, and after I do my presentation I'll answer some of the questions from the committee.

Here goes. Today's presentation will talk about the historic relationship between the Lac Seul First Nation and hydro development, among others. OPG or its predecessor has not been very good. We've had a sad history of hydro development in our watershed. We've been left out of the picture. It's comforting to know that we are being put back in the rightful place, where we should be, as partners in the resource of our community. For a long time, the members themselves paid the burden of the injustice that has been done. I'm very thankful to the governments that things are changing for the positive.

The other thing that we want to talk about—OPG was initially a reluctant partner, and it took a court injunction to force them to come to the table. I'm going to go into negotiations, a little bit about that. They were very long and very difficult, but an agreement was finally reached that sets out a long-term, mutually beneficial relationship for both parties. Lac Seul First Nation is actively pursuing the development of new hydroelectric sites and is very keen to be a leader in this regard, and future partnerships with OPG are quite possible. It is an exciting

time for our First Nation and we look forward to a positive long-term relationship with OPG and its shareholders.

I'm going to talk a little bit about the history. I'm on page 3 now. In 1929, a dam was constructed at Ear Falls, outside of Lac Seul, for the purposes of hydroelectric generation. There were significant impacts on Lac Seul First Nation reserve lands and traditional territory: The water was raised three metres; roughly 11,000 acres of reserve were flooded and permanently lost to the First Nation; 82 homes, the council house and the First Nation school were lost to the flooding; and the flooding caused the settlement of Kejick Bay to become an island, making access difficult. While the communities of Sioux Lookout, Ear Falls, Red Lake and Hudson benefited from the electricity, the First Nation did not get connected to the grid until the mid-1980s, more than 50 years after the dam was constructed.

A little bit about economic opportunity and the settlement agreement itself: More recently, OPG determined that there was a lot of water being wasted going over the existing dam, so the idea was to build a structure adjacent to the existing one to capture the spillage. That was the basis of the expansion. Construction began on the generating station, a new one, and then what happened was we weren't told of this new development and consulted, and so we had to seek a court injunction. At that point, we were able to get all the parties together and begin discussions. Negotiations were initiated to address past impacts from OPG facilities' operations on Lac Seul First Nation territories, river route diversion and other sites downstream. A settlement agreement was reached which provided monetary compensation. Some of the things that were in the settlement agreement—studies were done; a scholarship fund; an apology was forwarded to the First Nation on site in the community; and the opportunity to acquire a 25% equity interest in the new generating facility.

While this potential equity interest was a first for OPG with a First Nation, Manitoba Hydro and private developers have often partnered with First Nations on hydroelectric development projects in other provinces.

The partnership—introduction. Some of the key aspects were established. Terms and funding were established; external legal and financial support; information on the facility. For us, as First Nation members, we did not have any idea of how electricity was produced. We don't have any internal capacity in terms of professionals working with us, so a lot of this information we had to get from external sources and support from consultants and things of that nature.

Lac Seul had meetings in Toronto. We established some principles of the partnership. After many meetings—many, many meetings—in Lac Seul and Toronto and other areas, we were able to negotiate a successful agreement for a good working relationship with all parties.

On page 6 it talks about some of the challenges that we faced, and there are six areas that we sort of spent

time trying to come to an agreement on. Restrictions imposed by the settlement agreement including a limit on the participation level: I wanted to make it a true partnership, where it would be 50-50. To me, that would be a true partnership, but we were limited to 25% and they would not go any further than 25%. So we settled for that. OPG was reluctant to consider a limited partnership structure, a well-understood, commonly used legal structure in the industry. They were in favour of a royalty-type structure.

The other challenge we had was the reluctance of Lac Seul First Nation to be an observer in contract negotiations with the Ontario Power Authority with respect to HESA, even though this was a contract which would ultimately affect Lac Seul First Nation as a partner. The other one was the reluctance of OPG to consider simplifying some of the future legal issues by creating a distinction between the existing Ear Falls generating station, a heritage asset, from the Lac Seul generating station, though they operate as a single station and use the same water.

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The overall complexity of the agreement is somewhat staggering. There are 11 separate agreements and side letters, 12 including HESA, accounting for hundreds of pages. Of course, there were a number of legal issues that arose, though this could be expected in any negotiation of this type.

Finally, because the Lac Seul First Nation-OPG partnership would be the first of its kind with OPG, there were restrictions, given a desire not to set a precedent for other negotiations with First Nations.

While these challenges existed, it should be noted that these were a product of decisions made at the corporate level, perhaps with government direction, not by the negotiating team. The negotiating team, while tough and skilful negotiators, genuinely considered our viewpoints, and our team has developed a good working relationship with them. Despite all the challenges, were able to conclude a series of agreements which we believe will be mutually beneficial to all parties.

If you look on page 8, there's a structural overview of what the partnership looks like and the objectives: to create a long-term co-operative arrangement between OPG and LSFN; maximize revenue and profits; share in the risks and rewards; limit liabilities to the parties as much as possible; and ensure risks are appropriately managed, structured and arranged to facilitate financing.

In terms of the financing, what happened there was that we were able to negotiate with OPG for offers on impacts within the traditional territory, and roughly \$11 million was asked to be considered. We took it to the people and, through consultations, we accepted the \$11 million. But with the \$11 million they withheld \$4 million, and that \$4 million was to be used to buy into the 25% equity share. That's what happened there. So we did receive \$8 million in cash.

The key terms: Lac Seul brings equity to the table; capital reinvestments funded by each partner; OPG is the

operator and maintainer of the facility until the parties agree otherwise; economic returns are shared by partners; and the structure exit mechanisms are all there.

The partnership returns are tied to the HESA with the OPA, and this HESA agreement is in effect for 50 years. The HESA applies to both the Ear Falls and Lac Seul plants. After the HESA partnership, we will share in the new revenue source.

OPG operates and maintains the plant using best practices through a service agreement with the partnership. The partnership oversight committee reviews the results.

A little bit about the future: There are other sites, and if you look on the map, that's the watershed, that's our lake, and we're sort of in the middle of that. The heart of Lac Seul there is where the community is, and to the west is the generating station.

Lac Seul First Nation is keen to leverage the experience it has gained through the OPG negotiations to become a leader in hydroelectric generation project development within its traditional territories. So there are others. Big Falls is mentioned there. We have started negotiations with a number of private developers and started the process of investigating the hydroelectric potential of a number of additional sites.

The other site that we were looking at was Maynard Falls, which is downstream from Lac Seul. Right now, we're in negotiations with some of the chiefs of those four communities that will be impacted downstream, mainly Wabauskang, Grassy Narrows and Wabaseemoong. So there are four. We have come together and we're trying to establish an overlapping traditional territorial protocol agreement with our First Nations so we can, collectively, together approach governments to acquire the site. As recently as last week, I talked in person with Minister Cansfield regarding that Maynard Falls site. It's on a private park, I believe, and she will do everything to help us and move this project forward, trying to establish a consortium, if you will, of First Nations to develop the site. So things are moving positively in that regard.

As an aside: While there have been a number of positive developments to support First Nations' participation in producing green renewable energy, there continue to be a number of challenges in terms of hydroelectric power. Good economic sites are scarce and have been generally secured by private developers. In these situations, First Nations are in the same position as OPG, playing catch-up through negotiations. A number of economic sites are available but are not accessible due to their status as part of a provincial park, and that's what I spoke about earlier. There continues to be the potential for Lac Seul First Nation to be a partner with OPG in future hydro developments; though, as noted, sites are scarce, we have established within the settlement agreement the monies to jointly evaluate the Big Falls site. This was subsequently granted by MNR to a private developer. If you look on page 10, Maynard Falls is shown to the west of Lac Seul, and there are some other potential sites in the MacKenzie Lake area. There are at least three that are being pursued by private developers.

Long-term benefits: Lac Seul First Nation is seeking the ways in which the people can benefit directly from the partnership with OPG and from other similar resource developments. Given our history with hydroelectric developments, our goal is to offset the cost of electricity to the people. High costs of electricity on reserves make hydro billing impossible for some families to keep the lights on. These include social assistance recipients such as a single mother or the elderly, those hit by the economic recession, such as our forestry workers, and those people who want to work but cannot because of our current limited opportunities, something that council is working hard to change. Our youth are being provided with opportunities to enter the workforce in areas such as hydro operations and opportunities including training, education and life skills development.

The process that we undertook with OPG is part of the closure that the people of Lac Seul First Nation have wanted for years. Our bridge construction projects at Whitefish Bay and Kejick Bay are high-profile examples of putting the past behind us: the Whitefish Bay bridge causeway completed in 2008, at a cost of \$2.5 million, funded with the assistance of MNDM heritage fund dollars of \$1 million; then we also have a big project: Kejick Bay causeway bridge just completed this September—the official opening is on September 25—at a cost of \$4.5 million, funded with assistance from the federal government and hopefully with \$1.5 million in provincial funding which we applied for with MNDM.

Lac Seul First Nation aims to continue the path of self-sufficiency through access to the sensible development of the resources in the Lac Seul First Nation territory. Some of the areas include forestry, minerals and all phases of the mining cycle, and, where appropriate, wildlife, including tourism, and water in the form of hydroelectric generation.

In conclusion, while the process was long and not without its challenges, the Lac Seul First Nation is proud to be a partner with OPG with respect to the Lac Seul Generating Station. We are very excited to see this facility in operation and the economic benefits finally beginning to flow to the First Nation. This is the first time in Lac Seul First Nation's history that its relationship with the hydroelectric development has shown real promise. Lac Seul First Nation looks forward to a positive long-term relationship with OPG and its shareholder.

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If you look at the photograph on the bottom, there's a photograph of myself—we bused a bunch of youth up to the hydro opening—Minister Smitherman was there and dignitaries and the federal government. We took some of the elders. The elders are to your left. We had about 20 elders, and about 20 youth showed up.

These youth that you see in the picture represent the future entrepreneurs and the hope of our nation to free us from the bondage of welfare and the sad legacy of the past.

That is my report. Thank you for having me.

The Chair (Mrs. Julia Munro): Thank you very much. We appreciate your coming. We have about three minutes per caucus, so we'll begin with Mr. Yakabuski.

Mr. John Yakabuski: Thank you very much for making the trip and joining us today. Three minutes doesn't give us a whole lot of time, so I don't think I'm going to ask anything too specific. I do congratulate you on being able to work out this agreement with OPG. You've indicated and you've articulated that it was a long process that in fact goes back before either of our times, probably, with respect to your First Nations community. We do congratulate that, and perhaps it will stand as a benchmark to future co-operative agreements between OPG and other arms of the people of the province of Ontario as well as the First Nations. Again, thank you for coming.

I did want to ask one thing, though. The station went into operation this year?

Chief Clifford Bull: Yes.

Mr. John Yakabuski: I don't know if I heard OPG talk about it today. It's operating well and successfully?

Chief Clifford Bull: Yes. We're going through the motions of getting the kinks out. There's an adjustment period. They're going to be putting our first payment in this month. This is for July, I believe. We're expecting some monies to go into our account. So the money is flowing.

Mr. John Yakabuski: Thank you, Chief.

Chief Clifford Bull: Thank, John.

The Chair (Mrs. Julia Munro): Mr. Tabuns.

Mr. Peter Tabuns: Chief Bull, thank you very much for coming here today and making this presentation. You've gone through a long and difficult process. Are there any things that you could recommend to us as legislators that we might do to facilitate the path for others who follow you?

Chief Clifford Bull: I've also brought my assistant. Chris is my lands and resources technician. He's been very instrumental in going through all the hoops we had to jump through. It wasn't entirely myself; I had a good team on my side. I think the main thing is that we have a common interest. Give First Nations people a chance. We want to share the resources and the fruits that this great country, Canada, has to offer. We don't want to be left behind. We want to catch up. We have a rich country and we should all benefit.

Mr. Peter Tabuns: Okay. Thank you.

Chief Clifford Bull: Chris, did you want to add something else?

Mr. Chris Angecone: The only thing that I would add—

The Chair (Mrs. Julia Munro): Sorry to interrupt, but could you come forward and sit there and then you'll be in Hansard. We don't want to miss this opportunity. Thank you. First of all, could you give your name?

Mr. Chris Angecone: Okay. My name is Christopher Angecone. I'm a member of the Lac Seul First Nation, one of the 2,000 band members who were born off-reserve in the post-flooding days. I was born in

Sault Ste. Marie and spent the first 18 years of my life there. Now, for the past four years, I've been working for the First Nation in a variety of capacities.

I was one of the main negotiating team members representing our First Nation. It was an interesting experience. We anticipated it would probably be six months, eight months, to conclude these negotiations. As it turned out, it was just over two years.

The largest hurdle that we faced was from the First Nations people themselves, in that we were bound to a 25% equity share; as Clifford had mentioned, we were hoping for 50%. For a great many months, we danced around the issue of ways that we could increase that participation level so that it would be fair and equal.

If I could make one piece of advice for the legislation, open it up to 50% or more for the First Nations, especially when it comes to the legacy assets such as Ear Falls. Our partnership is only for the Lac Seul Generating Station, Obishikokaang Waasiganikewigamig. It has nothing to do with the Ear Falls Generating Station. The Ear Falls Generating Station is a significant concern to all of the band members, and yet we have no recourse or tie to gaining any kind of benefit to the impacts that we've suffered over the years because of it.

Other than that, possibly itemizing funding through aboriginal affairs or some other government agency to permit equal playing fields. One of the slides mentions that we have very little in terms of in-house capacity—in-house lawyers, in-house engineers. Any First Nations person with that kind of skill set quite normally finds themselves in major centres and not able to contribute to the First Nations, so we had to hire out at significant expense. Any kind of assistance with respect to that would smooth the process for all other First Nations that are going to be following us.

Mr. Peter Tabuns: Thank you. That's useful.

The Chair (Mrs. Julia Munro): Mr. Brown?

Mr. Michael A. Brown: Good to see you. This is a remarkable achievement for a First Nation. It seems to me that, as you point out, the negotiations with a huge enterprise like the crown corporation Ontario Power Generation, given their resources and your resources, are decidedly unbalanced. To come to an amicable and profitable conclusion for both sides is a major achievement, so I want to congratulate you on that.

I have just some small questions of fact. What size is the generating station? How many megawatts capacity?

Mr. Chris Angeconeb: It depends on how much water is flowing.

Mr. Michael A. Brown: At capacity?

Mr. Chris Angeconeb: At capacity, I believe it was 18.

Mr. John Yakabuski: In the book it's 12 megawatts.

Mr. Michael A. Brown: Oh, is it?

Mr. Chris Angeconeb: At the negotiating table, we never really broke it down into that; we broke it down into responsibilities, so that was more of an engineering question. That also is dealt specifically through the terms of the partnership agreement that are contained and relate

to the HESA. It's an additional, I think, 30% over what was there.

Mr. Michael A. Brown: Would the community members be customers of Hydro One? Who supplies the electricity to your people?

Mr. Chris Angeconeb: Hydro One.

Mr. Michael A. Brown: Hydro One is the distributor?

Mr. Chris Angeconeb: Yes.

Mr. Michael A. Brown: One of the things you're looking at is being able to subsidize or at least help folks on First Nations or businesses on First Nations to deal with the cost of electricity?

Chief Clifford Bull: Yes, very much so. One of the criticisms and concerns I get is, "We own this company here. How come we're still paying these exorbitant prices for hydro? Shouldn't you give us a break?" So we're looking at ingenious ways of maybe subsidizing especially the welfare people and people who are not working.

Mr. Chris Angeconeb: One of our main concerns that we have to internally reach a solution for is, we don't want to create another system of welfare that we've been surviving in for 100 years now. What we would like to be able to do is come up with, like Clifford said, an ingenious mechanism by which we can reduce the rates that are being charged to the people, but we don't want to be giving them another handout, especially one that, depending on the internal healthiness of the people, they might misuse or misspend.

So if we're creating a subsidy, then we'd like—I fear to call it a subsidy. But we would like it to be some kind of mechanism that can meaningfully direct the funds that we're drawing in from this partnership to help offset some of the costs of living on the reserve without creating a situation where—our First Nation is the same as just about every other in Ontario and Canada. There's substance abuse, there's violence, there's lateral violence—all the intergenerational effects of the residential schooling and the Indian Act itself. We don't want to reinforce those by whatever methods that we're coming up with to help the people.

The Chair (Mrs. Julia Munro): Thank you very much for coming, and we particularly appreciate your comments. Obviously, you've opened a new chapter for us. Thank you very much.

Chief Clifford Bull: I just have a request: a little news. I mentioned our bridge. We're having a big grand opening on September 25, so if anybody's in that area, by all means; we're going to have a minister, our MPP and Hydro officials there at the grand opening of the bridge. It brings partial closure to ourselves as First Nations people and it's a good news story.

Meegwetch for having us. Thank you.

The Chair (Mrs. Julia Munro): Thank you very much.

I would just like to ask members to stay for a couple of minutes, just to provide research with some themes and ideas. Otherwise, we are adjourned until tomorrow morning at 9 a.m.

The committee continued in closed session at 1530.

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