JP-13 JP-13

ISSN 1710-9442

Legislative Assembly of Ontario

Second Session, 40th Parliament

Assemblée législative de l'Ontario

Deuxième session, 40e législature

Official Report of Debates (Hansard)

Wednesday 17 April 2013

Journal des débats (Hansard)

Mercredi 17 avril 2013

Standing Committee on Justice Policy

Comité permanent de la justice

Members' privileges

Privilèges des députés

Chair: Shafiq Qaadri
Clerk: Tamara Pomanski

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Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario

Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON JUSTICE POLICY

COMITÉ PERMANENT DE LA JUSTICE

Wednesday 17 April 2013

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The committee met at 1516 in room 151.

MEMBERS' PRIVILEGES

OFFICE OF THE AUDITOR GENERAL

The Chair (Mr. Shafiq Qaadri): Ladies and gentlemen, colleagues, the committee is now officially in session: as you know, a justice policy hearing about energy infrastructure.

We have a special guest, by invitation only, who will be sworn in momentarily: Jim McCarter, Auditor General of Ontario.

The Clerk of the Committee (Ms. Tamara Pomanski): Do you solemnly swear that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. Jim McCarter: I do.

The Chair (Mr. Shafiq Qaadri): Thank you, Mr. McCarter. Just before I offer you the 10 minutes of introductory remarks, I would just like to notify the committee, and beyond that, all Ontarians, that this is your final two weeks in the service of the people of Ontario, and I think you deserve some applause for that.

Applause.

The Chair (Mr. Shafiq Qaadri): I'd invite you now, sir, to—yes, Mr. Fedeli?

Mr. Victor Fedeli: What's the order today?

The Chair (Mr. Shafiq Qaadri): The order will be that you will be first, Mr. Fedeli, and then it will follow from there—

Mr. Victor Fedeli: And the time? Is it 20—

The Chair (Mr. Shafiq Qaadri): Twenty-minute rotations, yes. Precisely the same.

Mr. Victor Fedeli: I didn't see any instructions.

The Chair (Mr. Shafiq Qaadri): They were implied.

Mr. McCarter, I would invite you to begin your 10-minute commentary. Again, to notify the committee, this is the last report that you're presenting to the province. Please go ahead.

Mr. Jim McCarter: Yes, it will be the last report.

I'd like to thank the committee for giving me the chance to appear here today. I understand it's a special meeting, so I do appreciate the interest shown in the work of my office.

I'm just wondering: Would it be possible for me to have one of my colleagues sit up beside me?

The Chair (Mr. Shafiq Qaadri): He's welcome. I presume the committee won't have any objection. He will need to be sworn in, though.

Mr. Jim McCarter: Okay. Mr. Chagani.

The Chair (Mr. Shafiq Qaadri): Is this succession planning, I take it, Mr. McCarter?

Mr. Jim McCarter: No, he'll be handling the tough questions.

The Chair (Mr. Shafiq Qaadri): All right, fair enough. We need his first name and last name and to be sworn in.

Mr. Gus Chagani: It's Gus Chagani.

The Chair (Mr. Shafiq Qaadri): Into the microphone.

Mr. Gus Chagani: Gus Chagani.

Mr. Jim McCarter: That's C-H-A-G-A-N-I, for Hansard.

The Clerk of the Committee (Ms. Tamara Pomanski): Do you solemnly swear that the evidence you shall give to this committee touching the subject of the present inquiry shall be the truth, the whole truth and nothing but the truth, so help you God?

Mr. Gus Chagani: I do.

The Chair (Mr. Shafiq Qaadri): Thank you. Only for you, Mr. McCarter, the clock is restarted.

Mr. Jim McCarter: Thank you, Chair.

With respect to opening remarks, I have to be honest: Because I didn't find out until just before 5 that I was going to have the pleasure of appearing before you today, and I've been in the Standing Committee on Public Accounts all day, I don't have any opening remarks that I prepared especially.

However, I guess I would give the committee an option. I could read the opening remarks that I had to the media a couple of days ago in my news conference—although I believe there are a couple of members who have already heard it—or I'm happy to go right into questions. I guess I would leave it to the committee members whether they'd like me to go right into questions, which I'm happy to do, or I could read the opening comments that I had to the media, which would—

The Chair (Mr. Shafiq Qaadri): Mr. McCarter, you're going to start too much of a debate. I'd invite you to decide yourself, please.

Mr. Jim McCarter: Okay. In that case, why don't I read the opening remarks that I had to the media?

In performing any value-for-money audit, we usually try to answer many questions. In the case of this audit, the public accounts committee of the Legislature basically asked my office to answer one question. They asked me, "What's the bottom line? How much will it really cost to cancel the Mississauga power plant and move it to Lambton county, near Sarnia?"

Our work suggests the bottom line is about $275 million, and that's our estimate of the total out-of-pocket cost to Ontario taxpayers and electricity users. Much of this has already been paid out, and the remainder will come out of hydro bills for the next two decades or so.

However, it is important to remember that our figure is an estimate, because we had to include assumptions about the future.

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In essence, given that the construction of the Mississauga plant was estimated to cost slightly less than $275 million, and we still have to pay for the Lambton plant, the people of Ontario will have essentially paid for two power plants but have gotten just one.

Although the Liberal Party announced two weeks before the October 6, 2011, election that it would relocate the plant, construction continued well past the election. This put the government in an untenable position, and it instructed the Ontario Power Authority to move urgently to get the builder to down tools and to permanently stop construction on a project that was already well under way. This put the builder in a strong bargaining position in the months of negotiations leading up to the signing of the relocation agreement in July 2012.

It's our sense that the OPA made the best of a difficult negotiating situation and tried hard to relocate the plant at the lowest possible cost to the people of Ontario. But it is also our sense that the outcome of that negotiation definitely favoured the builder and its US-based lender. In fairness, it's important to remember that the builder did have a legally binding contract to put up a power plant. Had the government arbitrarily refused to compensate the builder, or set compensation at an arbitrary, non-negotiable amount, it would have opened itself up to lawsuits and would have had trouble negotiating future construction contracts with suppliers.

So the question was never whether the builder should be compensated, only how much should it cost to "make the builder whole again," in the language of the lawyers. It seems like the answer was, "A lot." We were concerned, for example, with the payout of $150 million to the US-based lender that provided the builder with a line of credit to fund the construction of the Mississauga plant—a line of credit, I might add, that came with a steep 14% interest rate.

While $60 million of this $150 million was to repay funds already advanced to the builder, most of the $90-million balance related to penalty fees for cancelling the project. We were surprised at the magnitude of these penalties and were advised that, as part of the negotiations to halt construction, the OPA did agree to cover all the builder's financing costs, including any penalties for early termination on the line of credit.

The OPA did ask for a look at the agreement with the lender before it agreed to this, but the builder refused to allow it. Despite this, and undoubtedly due to the urgency to get construction stopped, the OPA agreed to cover the financing costs anyway, but they never expected them to be anywhere near this high.

In addition to covering financing costs, the province reimbursed the builder $43.8 million for sunk costs—basically, money the builder had already put into the project but couldn't otherwise recover. More than 80% of this refund was for labour costs the builder claimed to have incurred. Neither we nor the engineer engaged by the OPA to review all such costs were able to obtain complete supporting documentation for all of these costs. The engineer did certify them as reasonable, but only a number of months after they were paid.

We also noted that in order to settle an old lawsuit on an unrelated matter, the builder was able to get the government to pay them what we felt was about $8 million more than they otherwise would have been entitled to. Comparatively speaking, this is a relatively small amount, but it is indicative of the extra costs arising from the difficult negotiating position the OPA found itself in.

The OPA also repaid the builder's suppliers for amounts owed, including $3 million in equipment rental charges that the builder racked up by not returning rented construction equipment until more than a year after construction had stopped. This occurred even though the OPA was aware months earlier that this equipment should have been returned by the builder.

In total, there were about $350 million in costs associated with the cancellation and relocation. But there were also offsetting savings of about $76 million. The first savings related to the relocated plant being able to make use of some equipment and engineering work from the Mississauga site, paid for by the OPA. In recognition of this, a slightly lower rate was negotiated for electricity to be generated by the Lambton plant. This lower rate, however, was not low enough to fully recover the value of these items. Secondly, if the Mississauga plant had gone ahead as originally planned, the province would have started paying for its power as soon as it began production. Even though the OPA has said the province wouldn't have needed this electricity for the first three years, it still would have been obligated to pay for it, but now it won't. We estimated the combined value of these two savings to be about $76 million.

From Greenfield's perspective, regardless of what the demand for electricity is in future years, they will benefit. If the Lambton plant is built and starts generating electricity, Greenfield will save an estimated $65 million in natural gas transportation costs because the new plant is so much closer to the supplies of the gas. But if it turns out the Lambton plant is not built because the government determines that it doesn't need the power in the foreseeable future, Greenfield will, at a minimum, reap a $45-million windfall, as it will be allowed to keep this money that was loaned to it as part of the negotiated settlement.

Those are my opening remarks, Chair, and I now welcome any questions committee members might have.

The Chair (Mr. Shafiq Qaadri): Thank you, Mr. McCarter. As you know, it'll be by rotation: 20 minutes each, beginning with Mr. Fedeli.

Mr. Victor Fedeli: Thank you very much. Auditor, thank you very much for an illustrious career in the public service. We've always watched you from afar, and I must say it has been rather enjoyable to watch you here in person over the last 15 months.

Mr. Jim McCarter: I thank you. That's gratifying. The auditor doesn't get too many pats on the back, so it's good to hear.

Mr. Victor Fedeli: I'm quite certain that's a very, very true statement.

Auditor, I want to read two sentences from estimates committee, where then-Minister Dwight Duncan was being questioned by Gilles Bisson from the NDP. They've gone back and forth several times here, and they finally got down to the fact of $180 million and $10 million. The question from Mr. Gilles Bisson—this is July 19, by the way—"We're not expected to be on the hook for any more money than what has already been announced for the Mississauga gas plant relocation?"

Duncan: "That's correct. The relocation is $180 million. The $10 million is apart from the relocation." So we know that he's referring to the $190 million.

The next question is: "Is the government, beyond the $180 million, expecting to have to pay for anything else in order to settle this particular issue with the constructor?"

Dwight Duncan: "Not the relocation—"

Mr. Bisson: "What about any penalties?"

Dwight Duncan: "Not that we're aware of."

So this is July 19. When you first outlined your statements to the media on Monday, you said that in July—and I didn't write a day down—the OPA had already paid over $245 million. Do you know when the OPA would have either committed or had paid the $245 million?

Mr. Jim McCarter: Just by way of background, what I did say at the media conference—I was asked a similar question. I don't know how the minister came up with $190 million, but what I do know is what the OPA knew by early July, when the minister basically made that comment.

Another way of looking at the $275 million is you've got about $150 million that was paid to EIG, you've got about $110 million that was paid to the suppliers, and you've got about another $15 million that was a combination of the Keele Valley settlement and legal fees. So there's about $15 million there. That's about $275 million. On the other side of the ledger, there are a couple of offsetting items. There is $76 million in savings, and there is $76 million in extra costs going down the road, like line loss and that sort of stuff.

But if you look at the $275 million of hard costs, by early July, about 85% had actually been paid by the OPA, and I think that was the $240 million or $245 million.

They also knew at that time that they were going to have to pay upwards of I think it was about $268 million—that they were going to have to pay that. I think there were $6 million or $7 million that kind of came in sort of after the fact that they wouldn't have known about.

That's basically the comment that we know, but we can only speak to what the OPA knew in early July.

Mr. Victor Fedeli: How early in early July?

Mr. Jim McCarter: My sense would be that they had paid most of the $245 million in the months preceding, because in November, once they basically were able to get the builder to stop construction—and there was a series of 10 interim agreements. Again, payments would have been made throughout that time basically to pay suppliers, because the suppliers would be saying, "I don't want to wait for you guys to finish your negotiations. I want my money." Those payments would have been made over a period of time during that period.

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Mr. Victor Fedeli: A little later in your discussion, you talked about the changing of language from "total cost" to "cost to taxpayer" and "cost to ratepayer." Can you just outline—I wrote notes, but I was writing fast in the room.

Mr. Jim McCarter: We looked at that too. We took the perspective of total cost being that it didn't really matter whether it's coming out of your right-jeans-taxpayer pocket or whether it's coming out of your left-jeans-ratepayer pocket. We felt that the intent of the committee's motion was what are the total costs that we're going to pay, and we have future costs that are going to be incurred down the road. We took that perspective.

I did look back to the announcement that was made by the minister when he talked about the $180 million. He did talk about total cost, period. However, subsequent to that, in the Legislature, the reference is always to the total cost to the taxpayer.

Mr. Victor Fedeli: Yes, we checked those both as well. We concur with you that in the original discussion, the $180 million was deemed to be total, and it changed—I call it a subtle change—to "cost to taxpayers." Is that correct?

Mr. Jim McCarter: I think so, but perhaps—I was quite interested—when the Deputy Minister of Energy was here before you, that issue was raised, and it was in connection to the Oakville plant, but essentially what he was saying is the $40 million would be the cost coming out of the consolidated revenue fund, which would be the cost to taxpayers. We were aware that there could be other costs associated with this but they would be paid by the ratepayers. That could be part of it.

But I have to be honest: I don't know, basically, how the decision to come up with the $90 million was, although when Ms. Butler was before you—

Mr. Victor Fedeli: You mean the $190 million.

Mr. Jim McCarter: The $190 million. When Ms. Butler was before you, from the OPA, I think what she said was, in essence that was a rough estimate at that time of the sunk costs that we felt were non-repurposeable, in the sense that they couldn't be transferred to Lambton.

It could be, too, that the OPA felt there would be some extra costs, but they may have also felt there would be higher savings than what we felt, that would offset those. But on the other hand, things like the gas management cost, I think they underestimated that. I think the Deputy Minister of Energy kind of conveyed, perhaps, how they were looking at it, but I confess to that being somewhat speculation on my part.

Mr. Victor Fedeli: Okay. I don't want to put words in your mouth—not that I ever could. The $190 million, then, that has been used consistently by the government: Did you start with that number, or would that number have made no—I won't use the word "sense" to you.

Mr. Jim McCarter: I know where you're headed. We started with a clean whiteboard, and we basically said—we didn't say, "Let's look at the $190 million and let's try to verify that or disprove that." We basically started with a clean page of paper and tried to build up what all the costs were that we felt could go into it.

Mr. Victor Fedeli: So you don't concur with the $190 million in any way, shape or form, Auditor? Or is there—

Mr. Jim McCarter: My sense—I think that the total cost to taxpayers and ratepayers—I don't think it will be exactly $275 million; it could be $260 million or it could be $290 million, but I am pretty certain that it will exceed $190 million. Our best estimate was $275 million, but quite frankly, there are some future estimates built into that. It could be $260 million, it could be $290 million, but I think it will be higher than $190 million.

Mr. Victor Fedeli: That's actually funny you say that, because Dwight Duncan uses almost similar language. I don't have that one highlighted. He said, "If it's not $180 million, it's going to be $178 million or $182 million." It's just funny that you mention that. They were really hung up on the number of $190 million.

I want to talk to you about one other aspect that you said, and we'll probably stretch this one out. You said there were 10 side deals. Was I right to write the number 10 down?

Mr. Jim McCarter: I think the number was about 10—10 interim side agreements that were between the original agreement, to get them to down tools in November, and the time they finally finished the negotiations. Actually, it did end up that it wasn't the OPA that finished the negotiations. By the time they brought in Mr. Prichard to finish the negotiations, I think there were 10 side agreements.

Mr. Victor Fedeli: Okay. So can you run through them? We have 11 minutes, so can you take a minute on each one? I don't know how you could. Why don't you talk about the most salient ones, at least? Let's talk about a couple of them, if you don't mind.

Mr. Jim McCarter: Okay. I'm glad that Mr. Chagani is prepared here. Basically, the 10 side agreements—the first one talked about suspending work by November 25. Then one of them was just an extension to extend it to December 16. The next one talked about: Greenfield wanted some indemnity obligations. They were concerned that they were being sued, so basically there was a side agreement giving Greenfield a number of indemnities.

The fourth side agreement was that they would pay them an advance of about C$10 million for working capital in connection with the Keele Valley settlement. I talked about that in my report. Our understanding of the Keele Valley settlement is that, even though it was unrelated, Greenfield more or less said, "We're not even sitting down at the negotiating table unless we get this Keele Valley settlement resolved. Basically, we want $15 million."

Mr. Victor Fedeli: I want to talk about that one for a sec because that's one document we did have, Auditor. I have been in the Legislature and in estimates committee asking about this over and over, and everybody just rolled their eyes, like "there goes Vic with one of those wacky ideas." Let me just put it in my words, and you can tell me whether this is right or not.

It's one of my wacky ideas that there was a $7-million lawsuit that Greenfield had that was unrelated to the Mississauga gas plant. They insisted that the government pay them $15.4 million to settle it, plus forgive their $700,000 in costs. The government came up with $10 million in a cash payment, which was announced by Minister Duncan. That's the $180 million and the $10 million and the $5.4 million is this NUG contract that I have talked about that everybody rolls their eyes, that says here, "It's for a power contract that we don't need power for, and if we don't need power, then you keep the $5.4 million."

Auditor, am I somewhat accurate in that expression?

Mr. Jim McCarter: I think you're accurate with respect to the numbers that the judge initially—I mean this was an ongoing lawsuit, but at the end—

Mr. Victor Fedeli: Yes, it's an unrelated lawsuit to this—

Mr. Jim McCarter: It's unrelated; it's Keele Valley. The first case came down, and the judge said, "I'm not going to order any damages, and not only that, Greenfield has got to pay $700,000 in costs to OEFC." Greenfield said no. They went back and they said, "Either we want a new trial, or we want $8 million." The judge that ruled on that basically said, "You might be entitled to $7 million," but ordered a new trial, and that's sort of where it stood.

When the cancellation came up, Greenfield ended up saying, "We want $15 million." OEFC, Ontario Electricity Financial Corp., our understanding is what they said is, "We are only paying $10 million maximum." So the OPA stepped up to the plate and paid the balance, the $5-point-whatever it was million, and OEFC forgave the $700,000 in costs that they were supposed to be reimbursed. My understanding is that was really part of Greenfield sitting down and saying, "Okay. Let's work out something, or we'll down tools and stop construction."

Mr. Victor Fedeli: So the $15.4 million that was paid, $7 million for the lawsuit, $3 million on top of that for the $10 million, to satisfy that?

Mr. Jim McCarter: We really looked at what was the cost, and we had to come up with what's an—

Mr. Victor Fedeli: Let me ask, are you as incensed about the $5.4 million as I am? Let me ask you that, just flat out.

Mr. Jim McCarter: That would probably not be the language that I might want to use. We looked at it, and we just said we think that the judge—one judge said, "You're probably entitled to nothing, but I'll order a new trial. Not only that, the other party has to pick up costs." The second judge looked at and said, "You might be entitled to $7 million. I'm going to order a new trial."

So we had to say, "What do we think would be the extra costs associated with this?" We said, "We think maybe you might have had to pay $7 million," but we said, "We think the extra costs associated with having to sit down at the bargaining table were $8 million."

Mr. Victor Fedeli: I'm referring to the $5.4 million, how that was paid off. That's the one I'm asking about in terms of the incense.

Mr. Jim McCarter: Basically, the OEFC said, "All we're willing to pay is $10 million." The OPA stepped up to the plate and said, "Okay, we're under marching orders to get this construction stopped, and if need be, we'll pay the $5 million," saying to us, "Rest assured, Auditor, we didn't forget about that." Part of negotiation is give and take. They were saying, "We wanted to get them to sit down at the negotiation table and get the deal done. We're going to try to get it back," but at the end of the day, to us, it was still an extra $8 million versus if it had gone to court. That's an estimate; it's our best estimate.

Mr. Victor Fedeli: Yep. So the OPA was under pressure to get this done. Under pressure from whom, in your opinion, Auditor?

1540

Mr. Jim McCarter: I think basically they were directed by the ministry—I think the Ministry of Energy—to get the construction stopped. I think it was—what was it?—October 11 or 6 was the election date, and you're probably well aware that after the election date, the cranes were still going, there were cement trucks coming in and out, and every day there was more and more media attention. Basically, they were urgently instructed, "We've got to stop construction," and they came up with "We have four ways of doing it." I think I laid that out in my report what the four ways were.

Mr. Victor Fedeli: So is it fair to say that a considerable portion of the costs associated with this Mississauga cancellation are due directly to the government's decision to publicly announce the intention to scrap the plant before reaching an agreement with Greenfield? Is that a fair or accurate statement?

Mr. Jim McCarter: My sense was that I think the OPA was put in a challenging negotiating position, and I think the people at Greenfield were well aware that, "As long as we keep the construction going, or threaten to start up construction, it's going to help us from a bargaining perspective."

Mr. Victor Fedeli: When did you give your report to the government, Auditor?

Mr. Jim McCarter: As in the case with all of our value-for-money audits, once we complete our audit fieldwork, we sit down and we have an oral discussion with the people that we're auditing, and then we give them a draft report. Basically, the purpose of providing them with a draft report—and we tell them it's under freedom of information; it's our working papers—but we do it for factual clearance. Have we got anything here where the facts are wrong? We would have given that report to them—I'm guessing, maybe a rough draft might have been six to eight weeks, maybe six weeks before we issued it. Then the OPA would look at it. Once we reviewed it with the OPA, we also provided a copy to the Ministry of Energy after we had discussed it with the OPA.

Mr. Victor Fedeli: About when would that have been? Five weeks ago? Four weeks ago?

Mr. Jim McCarter: Maybe three weeks before we issued the report.

Mr. Victor Fedeli: Okay. And when, in your opinion—I'm going back to that July date; you said in early July the OPA had already—actually they paid months before, maybe June, August or some of it—

Mr. Jim McCarter: Some of it. Some of it could have been paid the day before; some of it could have been paid six months before.

Mr. Victor Fedeli: So in your understanding or in your opinion, when did the government become aware of the true cost?

Mr. Jim McCarter: All I can do is speak to what the OPA knew.

Mr. Victor Fedeli: So the OPA, you knew that they knew in June or August—

Mr. Jim McCarter: The OPA was aware—too, when you say "the total cost," what the OPA was aware of was what they had paid out. Now, the OPA was also aware that there was more cost to come and the OPA was aware that there were savings. With respect to the taxpayer versus the ratepayer, I don't know how much the OPA was involved with respect to that decision.

Mr. Victor Fedeli: Okay. I asked you a question the other day, but not publicly, so I'll ask you publicly. You used certain criteria such as gas delivery management, transmission and the like in coming up with the Mississauga number. Will you be using those same criteria—or will the auditor be using the same criteria—on Oakville?

Mr. Jim McCarter: Yes. We have the same audit team. Mr. Chagani and Ms. Cho, who are here with me today, will also be on it. Basically, the same team will be on the Oakville plant. All of the issues that we've identified, we're pretty familiar with. But again, we will also be looking for, are there any other issues? I would say, on both sides of the ledger, are there any savings that could be different than the ones in Mississauga, and also, are there any costs associated with the TransCanada relocation that we should be picking up?

Mr. Victor Fedeli: So you were talking about the new plant being so much closer that the company is going to save $65 million. Would the opposite be correct in terms of the Oakville—

Interjection.

Mr. Victor Fedeli: I'm sorry? It could?

Mr. Jim McCarter: If you're talking about Oakville—

Mr. Victor Fedeli: No, I was talking about Mississauga.

Mr. Jim McCarter: On Mississauga—

Mr. Victor Fedeli: You said the plant is so much closer now because it's in Lambton—

Mr. Jim McCarter: Yes, the natural gas hub is right near Sarnia—

Mr. Victor Fedeli: Is the fact that the Oakville-to-Napanee one is so much farther, the converse is going to be correct?

Mr. Jim McCarter: It could be that your gas transportation costs—if you're located down near Sarnia, you just really have to pay Union Gas, and it's not a lot. If you have to bring the gas into Mississauga, you've got to go through Enbridge's pipelines, TransCanada's pipelines and Union Gas's pipelines, so the cost is significantly higher. If you have to go to the east of Toronto, you're going even further.

Mr. Victor Fedeli: Would it surprise you to know, Auditor, that the OPA told us the gas delivery and management for the Oakville cancellation to move to the Napanee site will be from a low of $313 million to a high of $476 million over the life of the contract?

Mr. Jim McCarter: Two things would impact that. The Oakville plant is three times bigger than the Mississauga plant, so you've got three times the volume of gas. The other thing I suspect you would have is an even further distance to go. We would certainly be looking into that, Mr. Fedeli, as part of the Oakville review.

Mr. Victor Fedeli: And would it surprise you that they said that the transmission costs will be $200 million—the transmission solution required for Oakville?

Mr. Jim McCarter: I'm just not familiar with that. By "transmission," they might mean: Do they have to build more towers? Do they have to upgrade transformers? Or do they mean line loss? Our staff will be getting into what exactly they mean by that.

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

Mr. Peter Tabuns: Thank you, Mr. McCarter. It's a pleasure having you here, and as Mr. Fedeli said, we really appreciate the work that you've done on this and other files.

Mr. Jim McCarter: Thank you.

Mr. Peter Tabuns: I'm sorry I won't get to question you extensively in the years to come. Anyway.

First of all, do you believe that Ontarians got value for money in this relocation? Did we get a good deal or a bad deal?

Mr. Jim McCarter: I think what I said is, I guess I'm of two minds on that. The policy decision—and the bureaucrats don't make that. The policy decision is made by the government of the day, and it's up to the bureaucracy to implement it in the most cost-effective way that they can. I'm going to answer it with that background, that perspective.

My sense is that I feel that the OPA did strive to get the best deal for taxpayers, but I also felt that because of the urgency to get the construction stopped—a good example would be on the financing agreement. Greenfield came to them, and they basically said, "We want you to pick up—you've got to pay back the money that was advanced. You've got to pay the interest. And by the way, if we have any penalties, you've got to pick that up, too." The OPA said, "I hear what you're saying, but we'd like to see the financing agreement just to see what we're in for." Greenfield basically said, "No, we're not showing you the financing agreement." I suspect that because of the urgency—that would be an example—to get the construction stopped and the deal done, the OPA went ahead and signed it. The cost to EIG: Of $150 million, $60 million was repaying the money that it had already been loaned; I think that's reasonable. But $90 million—most of that was a penalty fee. I think everybody—the OPA and even the external lawyers—was surprised at the amount of that and also surprised that they were paying a 14% interest rate.

Mr. Peter Tabuns: Do you believe that the minister or ministry staff did have the full costing of the Mississauga cancellation?

Mr. Jim McCarter: I guess it would be: at what time?

Mr. Peter Tabuns: In July 2012, would they have understood—

Mr. Jim McCarter: I don't know what the OPA communicated to the ministry or to the minister. When they arrived at the $180-million or $190-million calculation, I heard Minister Chiarelli—whom I met with—recently say, I think in the Legislature, that to a large extent they were guided by the information that was provided by the OPA. But I don't know exactly what the OPA provided, who they provided it to and when they provided it. I think that would be something you'd have to direct to the OPA.

Mr. Peter Tabuns: I'll go back, then. The OPA, in July 2012, last year, knew that it was looking at a lot more than $180 million or $190 million. They paid out almost $245 million, and they knew there were other costs coming. Is that a fair statement?

Mr. Jim McCarter: Yes. Yes, it is.

Mr. Peter Tabuns: Would you say that by—now it's April—January or February of this year, more of the costs that weren't known last summer would have been known and that the OPA would have had a fuller sense?

Mr. Jim McCarter: Yes.

Mr. Peter Tabuns: In your investigations, did you ever get a sense that the OPA was reluctant to brief the minister and the ministry on its findings?

Mr. Jim McCarter: I would have to say that we found the OPA quite co-operative in providing us with the information that we needed. But with respect to their relationship, if I can put it that way, with the ministry or the minister: It just wasn't part of our review. I can't say what the communications were between the minister and the ministry. I would be speculating on that question, Mr. Tabuns.

Mr. Peter Tabuns: Okay. We had the Deputy Minister of Energy here a few days ago. I asked him some questions about Mississauga. He said he'd had a discussion with you.

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Mr. Jim McCarter: Yes.

Mr. Peter Tabuns: I thought, "Fair enough. I'll wait to get the whole product from you."

In your discussion with him at that time, was he surprised by the numbers that you were working on? Did you go through with him the scale of the expense to the people?

Mr. Jim McCarter: At the time we forwarded the report—and I think I met with him probably four or five days later, so I can't say whether he was initially surprised when he turned the page and saw what we had come up with. But when he met with me, my sense was, at that time—I'd say, for the most part, the OPA and probably even the Ministry of Energy, at that time, when they looked at our numbers—I can't say we got significant disagreement, except in perhaps one area, with respect to the savings on the Mississauga plant. That was the only area we might have been out, I think, $17 million. But with respect to the other costs, I think the feeling was, "Well, Auditor, we might argue a little bit that it might be a little bit this way or a little bit that way," but my sense would be that there wasn't vehement disagreement from the Ministry of Energy and the OPA.

I don't think it would be surprising to committee members that on every value-for-money audit that we do, whether it's a ministry or university coming and saying, "Well, Auditor, we think that maybe you need to put this in perspective or reflect that there was a lot of give and take"—I'll put it this way: We get some arm-twisting. To some extent, if it's a factual error, we look at it and we say, "Prove it," and we try to be reasonable, but at the end of the day, we call it the way we see it.

To answer your question, I think the Ministry of Energy was more along the lines of putting everything in the proper context as opposed to "Auditor, we think your number is way out."

Mr. Peter Tabuns: And the Ontario Power Authority had no substantial disagreement with your analysis?

Mr. Jim McCarter: With the exception of the savings with respect to when the savings associated with not having to pay for electricity for the Mississauga power plant—basically it was felt we just didn't need the electricity. Other than that one area, I think we had a $17-million—other than that, I think for the most part they felt that our numbers were in the ballpark, if I could put it that way.

Mr. Peter Tabuns: Okay. One thing that has come up, as we've been raising this question in the Legislature, is a characterization that your findings are sunk costs plus "future costs." My read of your document is that it's pretty standard to say what's the current value of a future cost, net present value. So if someone asks, "What did a particular course of action cost?", one would say, "Yes, this is what I've spent, and these are the expenses I'm going to have to meet in the next while."

I'm assuming that your assessment of cost is standard accounting approach, correct?

Mr. Jim McCarter: Yes. My sense would be—I think where some of that future cost will be is if you're paying out a dollar or you're saving a dollar, 10 years down the road—it's called base present-valuing it back, because a dollar down the road is not worth as much as a dollar today, and that's pretty standard, whether you're dealing with actuaries in valuing pension funds or anything. I think it's generally pretty accepted that you need to discount those costs back.

But if you are actually going to be paying cash out of your jeans, if I can put it that way, every year on my electricity bill, we felt that's something that should be taken into consideration. However, in fairness, you do have to discount that back to today's dollars.

Mr. Peter Tabuns: Do you believe the government is aware of the difference between total cost to the taxpayer and ratepayer and simple sunk costs?

Mr. Jim McCarter: I can't speak for what the minister or the government knows or does not know, but I made a reference to the deputy minister's comments before the committee, where the deputy minister made it very clear that with respect to Oakville, the $40 million was costs coming out of the Consolidated Revenue Fund, which would be the taxpayer, and we know that there are other associated costs, but basically these will be paid by the ratepayer.

Mr. Peter Tabuns: Was there any data you were unable to obtain from the OPA?

Mr. Jim McCarter: Not from the OPA, but there was information that we would like to have gotten that we did not get. An example would be, Greenfield basically claimed fairly substantial labour costs. When we looked at some of the labour costs—first, we looked at them for reasonableness. We thought some of the costs looked high. I think I had an example of an administrative assistant getting paid $110,000 a year over eight or nine years. So again, being skeptical auditors, we were concerned that Greenfield was inflating those costs.

We actually asked the OPA, and through them to Greenfield, "Could we have copies of the T4s, or could just one of our staff go into Greenfield's office for a day and have a look at the payroll records?" They also had an engineer who was engaged to review the costs as well, so we asked the engineer, "Were you able to get access to these costs?" That would be an example of something we were not able to get access to, but it was basically the right of Greenfield to either allow us or not allow us.

With respect to the OPA, I'd have to say that really, there was nothing that we wanted that we didn't eventually get.

Mr. Peter Tabuns: And if you could obtain this data from the OPA, would you see any reason why the ministry couldn't get that same data?

Mr. Jim McCarter: I suspect that legally—I don't know what the legalities are. It might be a legal question of whether they would have—

Mr. Peter Tabuns: I'm sorry, I was unclear in my question to you. Setting aside Greenfield for the moment, you were able to get data from the OPA which forms the bulk of what you have here. Would you see any obstacle to the ministry getting the same data from the OPA and drawing the same conclusions as you?

Mr. Jim McCarter: No. I think if the minister had said to the OPA, "I want something," the OPA would have provided it pretty quickly.

Mr. Peter Tabuns: JoAnne Butler, an Ontario Power Authority vice-president, testified, "The OPA eventually determined that the sunk costs for the Mississauga facility were $190 million. They are higher than the Oakville sunk costs because construction had started. As with the Oakville plant, there are other costs in addition to the sunk costs for relocating the plant."

Would you agree that the OPA is acknowledging that they were aware of the costs beyond the sunk costs in Mississauga?

Mr. Jim McCarter: I'm reluctant to speak for the OPA, but I think that the OPA would have been aware that there would be costs in addition to the sunk costs, but they could be future costs as opposed to currently sunk costs.

Mr. Peter Tabuns: You've worked with economists and auditors with the Ministry of Energy.

Mr. Jim McCarter: Sorry?

Mr. Peter Tabuns: You've worked in the past with auditors and economists who worked for the Ministry of Energy?

Mr. Jim McCarter: I've worked with economists who have worked for the Ministry of Finance; I'm not sure about economists with the Ministry of Energy.

Mr. Peter Tabuns: The people who do the review of costs and projections for costs at the Ministry of Energy: Have you worked with them previously?

Mr. Jim McCarter: I'm trying to think of a prior audit. Yes, we did some work going back to 2007. We looked at the Bruce nuclear refurbishment agreement. We had a special assignment and we did look at Bruce nuclear. In that case, even though we worked I think primarily with the investment bankers, we did work with the people in the Ministry of Energy. But I can't tell you whether they were economists. Some of them would have been engineers.

Mr. Peter Tabuns: Did they seem like a competent staff to you?

Mr. Jim McCarter: I would say for the most part, I think across the OPS we have a fairly competent staff.

Mr. Peter Tabuns: So they would have been able to do an assessment of costs and understand the business matters before them with this cancellation and relocation.

Mr. Jim McCarter: I would be speculating somewhat to say whether they—I guess your question wasn't whether they did or not, but would they have the competence.

Mr. Peter Tabuns: Yes.

Mr. Jim McCarter: Let me say they would probably have the competence, within the Ministry of Energy and the Ministry of Finance, to conduct such an analysis, were they directed to do that working with the OPA.

Mr. Peter Tabuns: As far as I can tell, the minister hasn't conducted any assessment of costs. Does that strike you as good business practice?

Mr. Jim McCarter: I can't really comment on that one with respect to the motivations and what the minister has or has not done.

Mr. Peter Tabuns: But the minister would have the ability to ask his staff—and he has quite a few to draw on and he has the resources to hire others—he would have the ability to find out what something cost if he wanted to.

Mr. Jim McCarter: Yes, the minister would have the ability to ask his staff those questions.

Mr. Peter Tabuns: When the cancellation was promised, there was apparently no calculation done on the range of costs. Is this seen as good business practice?

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Mr. Jim McCarter: I can't really comment on whether there was or whether there was not that calculation done. I'm not aware of what information was provided by whom with respect to what rationale regarding the initial $180 million.

Mr. Peter Tabuns: One of the savings that you identified that accrued to the owners of the now-Sarnia or Lambton plant was a savings on gas delivery. Did you find any evidence that the government tried to capture that savings in its negotiations?

Mr. Jim McCarter: We asked them that because when they renegotiated the rate from $12,900 down to $12,400, the basis for that—it didn't recover any, but there was about $80 million to $100 million of reusable equipment. What we found is the reduction from $12,900 down to $12,400 only recouped about $20 million of that. So we know they didn't recoup most of that. I think their answer was "We think the other plant is going to cost more." But on the gas management, we didn't see any evidence that they were successful in recouping or getting anything built in for that. I think the response that we had is, "Well, Auditor, we tried, but every negotiation is give and take."

What surprised them was that I think they were estimating that the gas management savings to Greenfield would be about $30 million. When we went back to the actual agreement, it was actually—we think it's closer to $65 million. Mr. Sharp was actually in contact with us a while ago, and I think he's going to be providing information to the committee. His number is not quite as high as ours, but I think it will be close.

Where the difference related to is on the gas management costs. You can negotiate two different ways of doing it: a rate plan 300 or a rate plan 125. Most people use the rate plan 125, which means you're going to pay for your hookup costs. It gives you a much lower transportation cost. Greenfield, on the other hand, said, "We don't"—I shouldn't say; I'm not sure if they had the capital for it. But they negotiated what's called a rate 300 plan. It's quite a costly way of negotiating, and I think the OPA just assumed they would have used the rate plan 125, and that's how they came up with the $30-million estimate as opposed to $65 million.

But they were unsuccessful, really, in getting that reflected when they renegotiated the rate. The comment that we had from the OPA is basically, "Everything, Auditor, is a give and take, and maybe we gave a bit here because we took on the other side of the coin." That was their response to us when we asked that question.

Mr. Peter Tabuns: So the best thing that ever happened to Eastern Power was to have this plant cancelled. I mean, this was like Christmas for them.

Mr. Jim McCarter: I guess that might have been the US hedge funds that got the $150 million. My sense in Greenfield, though, is they were very hard bargainers, and they definitely took advantage of their strong negotiating position.

But my sense is they want to build a gas plant. In fairness, I think they wanted to build the Mississauga gas plant, but when it didn't come to fruition, they were going to bloody well make sure that they got paid as much as they could. My sense is I think they still want to go ahead and build that Lambton gas plant and get it into operation.

Mr. Peter Tabuns: One of the things that came up in reviewing these documents is the risk that government assumes when it signs these private power deals. One is the potential of being held responsible for future profits. Do you see this is a substantial risk for these private power plants?

Mr. Jim McCarter: When you say that the government will be responsible for—oh, basically what you're saying is to make the builder whole—we've heard the language.

Mr. Peter Tabuns: Yes.

Mr. Jim McCarter: Make the builder whole again.

Mr. Peter Tabuns: Correct.

Mr. Jim McCarter: I think what the issue is, if you were going to make this much profit in this plant, we don't want to give you any more, but in fairness, we don't want to give you any less. I'm not sure that that's an unfair philosophy when the builder has gone ahead, they have a viable contract, they're trying to get the plant built, and the government comes along and basically says, "We're going to cancel it." I suspect a court of law might find the same thing, too, saying, "You've been injured, and we will try to make you whole again." Basically, you want to make your best efforts to not make them too whole, if I can put it that way.

Mr. Peter Tabuns: So inherent in these private power deals is the fact that we're on the hook for future profits if there's any change.

Mr. Jim McCarter: I guess it would depend on what the change is. If you basically cancel a plant and the company has—whatever—gone ahead and raised financing—or often what a company will say is, "I've got two investment proposals, and I'm going to go with this one." There is lost opportunity cost by a company saying, "Instead of doing this, now I don't have the capital to do this on the other side, and I've got to look after the interests of my shareholders." So I have some empathy for that sort of philosophy.

Mr. Peter Tabuns: I understand that, but it's a risk that we take on when we engage with them—

Mr. Jim McCarter: Yes.

Mr. Peter Tabuns: —that we may be stuck with 20 years of profits that we have to pay for.

Mr. Jim McCarter: As opposed to us filling—yes.

Mr. Peter Tabuns: Okay. The financing for this: That was an extraordinary deal that the American hedge fund was able to drive. How does this compare to public financing for other infrastructure?

Mr. Jim McCarter: I think we were—when we actually—

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

Mr. Peter Tabuns: I'll be back.

The Chair (Mr. Shafiq Qaadri): Mr. Delaney.

Mr. Bob Delaney: Why don't you go ahead and finish Mr. Tabuns' question, Jim.

Mr. Jim McCarter: Sure. I think that the gist of Mr. Tabuns' question was, was this a pretty lucrative financing arrangement?

Mr. Peter Tabuns: Well, public financing would be a lot less expensive, I would think.

Mr. Jim McCarter: Yes, and I think it has been reflected in testimony even from the committee members. There was an acknowledgement—and that would be our view—that Greenfield had, if I could put it this way, challenges in obtaining financing for the project, because we asked, "Why wouldn't you go to any financial institution? A pension fund that loves to fund infrastructure—why couldn't you go there?" But for whatever reason, they did not or were unable to obtain financing in Canada.

The other thing is, they got approval to build the plant a year—it took them a year after they got the building permits to build the plant to actually get the financing. And again, when we saw that they were paying a 14% interest rate and pretty onerous penalties—you can see pretty onerous penalty terms. They paid certainly a very high price to obtain that financing.

Mr. Peter Tabuns: Thank you.

Mr. Bob Delaney: Thank you. Well, Mr. McCarter, I think in the 10 years I've known you, this is my first opportunity to ever ask you questions in a committee. I guess just to ask you kind of a tongue-in-cheek one, if the auditor has sworn to tell the truth based on your estimates and your opinion in accordance with generally accepted accounting principles, I find it amusing that the committee then has to assume that your opinion is in fact completely the truth.

Mr. Jim McCarter: I think that's the case.

Mr. Bob Delaney: I think so, too. I was having a hard time figuring it out.

Thank you again for being here on short notice. You've been talking about the estimate, the $275 million, and you've said it could be as low as $260 million, as high as $290 million. So what you're saying is that your upper and lower bounds are about 5.5%?

Mr. Jim McCarter: If you're familiar with a normal distribution probability, is it possible that it could be $250 million? Is it possible that it could be $300 million? It's unlikely, but it's possible. As you get closer to $275 million, I'd say your probability gets higher.

Mr. Bob Delaney: And if you and I get technical, we can put the whole room to sleep.

I'd just like to expand on a line that you used in your news conference on Monday. With respect to your estimate, you said, "Much of this has already been paid out, and the remainder will come out of hydro bills"—and here are the operative parts—"for the next two decades or so." What caught my attention there was the "two decades." Based on that, I'm assuming it's fair to say that your office took a pretty long-term and forward-looking view of the costing?

Mr. Jim McCarter: Yes, I think we looked at something like—let me give you an example—line losses. When you have to transmit the power to the more populated areas of Ontario—the reason that it was built in the southwest GTA was that was where we have the biggest need for power is in basically that area of the GTA. When you transmit power from the Mississauga plant where it was, you have virtually no line loss, is our understanding. If you're going to transmit it from Sarnia, you're going to have, basically, line loss. You lose some of that power, so you have to make up some of that, and if you have a 20-year contract, what we are saying is that over those 20 years, you're going to have some line loss over the 20 years. The technical term, as we've talked about, is you present-value of that back in today's dollars.

So we did look out 20 years, and there is a bit of—I have to be honest: There's a bit of crystal ball gazing. And I mentioned that's why it's an estimate, because we are looking quite a ways down the road.

Mr. Bob Delaney: Well, with that, I'd just like to take the risk of going into some of the process rather than the outcome. Looking at the process, electricity is terrifically complex. So in order to perform this analysis, obviously it was a fairly complex process for your office to arrive at any form of number, let alone the one you did.

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Mr. Jim McCarter: Yes. Essentially, what we did is we went to the OPA, we talked to the IESO and OPG, and there had already been estimates done. So what we did was basically look at their estimates, we talked to the people who did the estimates, we would talk to someone at the OPG about what would be the ranges of this. It wasn't that we sat down and calculated the estimates; we looked at what had already been prepared and basically talked to other people at outside organizations to get some feedback on whether the estimates were essentially reasonable.

But again, say with respect to the line loss—the $40 million—it depends, for instance, on how much power is going through the line. If that line is at 95% capacity, you lose a lot more; if you've only got 25% capacity on that line, you lose a lot less. That will impact what that number is.

Mr. Bob Delaney: Were there any variables you chose to take into account that either the ministry or the OPA had not at that time?

Mr. Jim McCarter: I would have to say that I think they were not surprised when we came forward—maybe with the exception of a couple, like the gas management cost, the rate 300. I think they felt that everybody would be using the rate 125 to calculate that; the actual contract was at the rate 300. So I would say they were aware of the issue, but when we delved down into the some of the details, I think there were a few areas where we had a different approach with respect to how we calculated something. But at the end of the day, with the exception of the savings on the Mississauga plant, where they clearly said, "Auditor, we disagree with your number. We think there should be another"—whatever—"$17 million in savings." So I'd say that for the most part, when we were coming forward to the OPA with the Keele Valley and these different things, they were aware of it. They were aware of the issue.

Mr. Bob Delaney: Then with the efforts of the best people you had available to put on the audit and the combined skills they brought to the effort, it's fair to say that what you've tabled with the Legislature is an estimate and, as is the case with anything whose lifetime extends out a full generation, other things will happen in that 20 years that could make it either higher or lower.

Mr. Jim McCarter: Yes. One thing I can say with quite a bit of certainty is that it won't be exactly $275 million.

Mr. Bob Delaney: Okay. Was there an extra layer of difficulty, given that the estimate you made was looking forward rather than backward, as you normally do when you're looking at something that has already happened as opposed to something that you're projecting will happen over the span of 20 years?

Mr. Jim McCarter: There's no question. There's more judgment when you're looking at part of it that's future-based. A good example would be the pre-election report we do before every election. That is basically a three-year projection on what the surplus or deficit will be, and there's certainly more judgment required in doing something like that, as opposed to auditing a financial statement that summarizes events that have already happened.

Mr. Bob Delaney: Is it possible, then, that the OPA might have had a different interpretation of some of the same variables, even though you may agree on some of the parameters going into the algorithms you may have used to crunch the numbers through the spreadsheets and project forward? Would it be possible that the OPA would look at the same numbers and say, "Well, we'll calculate to a different result," whatever that may have been?

Mr. Jim McCarter: With the $350 million in costs before we get to the offsetting savings, my sense would be that those numbers are fairly hard numbers, and I think the OPA—you'd have to ask them; I don't want to put words in their mouth—would say, "With the $350 million in costs, we would agree that the auditor is pretty close to what it should be."

With respect to the $76 million in savings, that's where we had a disagreement. Maybe the one area in the $350 million would be that line loss. But the Manby transformer, the Milton upgrading, the fact that they were paying for the gas and hydro hookups and weren't paying it before: Those numbers are fairly hard numbers, Mr. Delaney.

Mr. Bob Delaney: How long did it take you to write the report from beginning to end, from the time people started to roll up their sleeves and started looking at pieces of paper until it was fundamentally complete and in the can?

Mr. Jim McCarter: I'm guessing it would be maybe four weeks, maybe six weeks, because we have an internal review process in the office that it would go through, and if you're then including the time—then we'd give it to the OPA to have factual clearance with them, and once we discuss it with them, we give it to the Ministry of Energy. So on top of all that, we could be looking at eight weeks, 10 weeks.

Mr. Bob Delaney: Okay, all right. During that time you worked very closely with the OPA and the Ministry of Energy?

Mr. Jim McCarter: Not so much with the Ministry of Energy; only, maybe, in the last couple of weeks would we have had significant discussions with the Ministry of Energy. I would have said 90% of our work would have been at the OPA, and we communicated somewhat with the people at the OPA, OPG and also the Ministry of Energy. But the Minister of Energy was really at the tail end.

Mr. Bob Delaney: The OPA, OPG—obviously not a lot with the OPG.

Mr. Jim McCarter: Not a lot with the OPG.

Mr. Bob Delaney: Okay.

Mr. Jim McCarter: But there were a couple of issues that we did discuss with them.

Mr. Bob Delaney: Were there any significant dealings with any of the other players that you mentioned in your report?

Mr. Jim McCarter: I think basically we felt that the OPA had the information that we needed to come up with the cost. And as I said, they were pretty—they basically were co-operative during the audit and I'd have to say, too, when we asked for something, I don't feel that we got stalled. I felt that they were pretty forthcoming in giving us the information.

Interjection.

Mr. Jim McCarter: My colleague had just mentioned, we also did talk to the IESO and with Hydro One, and that involved systems upgrades, and we did have the question that—you know, the big question was, would there be additional transmission lines needed to get the power from Sarnia to Toronto? But based on the information we had, I think we had reasonable assurance that we wouldn't need to be building more transmission lines, that the transmission lines were adequate. So we really had nothing in there for the cost of that because we felt they were adequate.

Mr. Bob Delaney: In reading the report, there's nothing in there that indicates any evidence of wrongdoing. Did you find any evidence of wrongdoing on the part of the OPA, the ministry or anybody else?

Mr. Jim McCarter: No, I don't think there was any evidence of what I would call wrongdoing. No.

Mr. Bob Delaney: Just to talk to you a little bit about the negotiation process: At your news conference and earlier here today, you talked about the difficult and possibly untenable position that the OPA and the government were in after the decision to cancel was made but construction had continued. This put, as you said, the builder in a very strong bargaining position. If the builder had become privy to confidential and privileged information held during those negotiations by the government and the OPA, information, for example, like the government's negotiation mandate, in your opinion, would the OPA's position have been even further weakened?

Mr. Jim McCarter:, Yes, and I think I actually—that issue came up at public accounts when we were actually debating the motion—there was a motion on the floor that we would do Oakville and Mississauga, and I was asked a question similar to that because the Oakville negotiations were under way. I think I did say that I would be reluctant to do anything that would put that sort of information into the hands of the other party, anything that would be prejudicial to the taxpayers' interests.

Mr. Bob Delaney: The former secretary of cabinet was here earlier to testify. When asked what would happen if the company had had access to confidential information from the government and the OPA, she said, "It would have harmed the negotiations for sure. Nobody likes to … have all their paper about" while "they're talking about … the conclusion of the deal. It's just not good practice in terms of negotiating a deal. Sometimes in our bid to publicly disclose things, we actually hurt ourselves. I would have been concerned about that in any negotiation."

Would you agree with that, and was there anything in what you did that you could comment on in that vein?

Mr. Jim McCarter: Yes. I mean, to put it in layman's language, it's like playing poker: You don't show the people around the table your cards.

Mr. Bob Delaney: Yes, I think that's a good way of putting it.

On Monday, you also spoke about the risks associated with the government simply refusing to compensate the builder. Taking such an approach would certainly have opened the government up to litigation and possibly significant costs. Your comments?

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Mr. Jim McCarter: There were four options—and I reflected that in the report—that the government was considering to stop construction.

One of them would have been to immediately pass legislation and set an arbitrary compensation amount. The challenge with that is, I suspect, you would open yourself up to lawsuits, and probably one of the longer-term detriments of that strategy is that your other suppliers may have said, "In future deals, if we run the risk of that"—as soon as you increase risk in a contract, the people that you deal with want a higher return. So you could have run the risk that people said, "If you're willing to 'play ball' like that, then we want a higher rate of return on the rate we're going to charge you for electricity, because we have more risk in the contract than we thought we otherwise would have."

Again, that was reflected in the discussions and some of the documentation we looked at between the lawyers and the OPA, that that would have been one of the risks of taking that strategy. But that strategy was seriously considered as to, "how do we get this plant to stop construction now?"

Mr. Bob Delaney: Okay, thank you. Former Secretary Jamieson testified about the importance of speed when negotiating a relocation deal with the company. She told the committee: "As long as construction was continuing and decisions were continuing to be made that cost money on a site where the government did not have any intent to have a gas plant, that also was a risk. So speed to me was important."

So my question here is, as timing was an important factor, how might cancellation costs have increased if construction had continued as the parties wrangled about the issue?

Mr. Jim McCarter: Well, basically, you'd be putting money into the ground for no reason. Then you'd have to reimburse the suppliers for money being put into the ground. That was certainly one of the issues.

The other issue, in providing the context in the report—in fairness, with the construction going on every day, given the announcement by the government that construction would stop, there was some pressure—I think realistically—on the government to get the construction stopped, and that's why they indicated to the OPA that this was urgent.

Mr. Bob Delaney: So the longer the delay, the higher the sunk costs?

Mr. Jim McCarter: Yes.

Mr. Bob Delaney: Okay. This then put the OPA in a difficult position, because there was no option but to negotiate and get the best deal available as expediently as possible. So, although you've, I think, been critical of some of the aspects of the deal, my question was, do you think that the OPA acted in good faith to get the best deal possible, given that time was one of the largest variables?

Mr. Jim McCarter: As I said, in the context, our sense was that the OPA was very cognizant of getting the best deal that they could for the taxpayers, but they were put in a very—they did not have the upper hand during the negotiations. My sense was that Greenfield took full advantage of that in arriving at the ultimate negotiated settlement.

Mr. Bob Delaney: Okay. Was there anything else you wanted to add on that?

Mr. Jim McCarter: Maybe the only other thing I would throw in—my colleague has reminded me. At the tail end, the Ministry of Energy essentially—I don't want to say "took over" the negotiations—appointed an independent negotiator, and basically OPA sort of stepped aside for the last six weeks and the independent negotiator more or less negotiated the deal.

Mr. Bob Delaney: Okay, thank you. In your report you mentioned a government news release that announced an election promise to cancel the power plant. Were you aware of the other parties' commitments to cancel the same plant, during the election?

Mr. Jim McCarter: That was not part of our review.

Mr. Bob Delaney: Okay. Well, let me try that a different way, then. In the event that either the PCs or the NDP had formed the government and they had followed through on the same clear commitments to cancel that power plant, in your opinion, would the cost of cancelling or relocating the plant, or the parameters under which the negotiation took place, have been fundamentally different?

Mr. Jim McCarter: They might have been.

Mr. Bob Delaney: Okay.

Mr. John Yakabuski: Chair? Point of order, Chair.

Mr. Bob Delaney: When you answer that, can you expand on that a bit?

Mr. Jim McCarter: Yes—

Mr. John Yakabuski: You're asking the witness to answer hypothetical questions—

The Chair (Mr. Shafiq Qaadri): This witness is particularly capable of—

Mr. Bob Delaney: I will await the Chair's ruling.

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

Mr. Bob Delaney: Well, the auditor is about nothing but opinion, John.

Sorry, you had started to say—

Mr. Jim McCarter: Basically, I had read in the media, but I didn't verify it with respect to the comments made by the other parties. Your question to me was: If the other parties were put in that situation, would the outcome have been the same? As Mr. Yakabuski mentioned, that might be conjecture on the part of the other parties, but I suspect they would have come up with the same four options that the OPA came up with, saying, "If the plant is going to be cancelled, here are four different ways we can do it." But as to what each party would have done, it would be conjecture on my part to try to decide, you know, which party would have taken what route.

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

Mr. Fedeli, 10 minutes.

Mr. Victor Fedeli: Mr. Yakabuski has one question before I jump in.

The Chair (Mr. Shafiq Qaadri): As long as it's—

Mr. Victor Fedeli: Oh, no. It's a great one, I'm sure.

Mr. John Yakabuski: Chair, I think it's well in order.

Thank you again for joining us, Mr. McCarter, for what may be your last time in front of a committee, unless you're in public accounts in the next couple of weeks.

I have a question for you. If both other parties, other than the government, had never contracted to build the power plant, how much would that have cost?

Mr. Victor Fedeli: Thank you very much. I'll take over from here.

The Chair (Mr. Shafiq Qaadri): Thank you for your rescue, Mr. Fedeli. The floor is yours.

Mr. Victor Fedeli: I'll spare you having to answer that question in the same tone that you had to answer the last one.

I want to talk quickly about confidentiality. If I recall, at the last Ornge scandal hearings I was at, to get around confidentiality, did we not agree at the meeting I was at that the confidential documents—only those documents—would be pulled from the public meetings and available for review in the Clerk's office? Is that not a way that we got around the members of the committee viewing confidential documents without ever having them disclosed to the competitors?

Mr. Jim McCarter: There are two types of confidential documents. The first would be client-solicitor privilege protected documents, and my understanding is that the committee has the right to require the production of those documents. However, the advice to the committee was, "Don't take that lightly," because it's probably one of the most important legal principles.

So the committee really has three options for client-solicitor: They can still require production of documents; or they can go in camera, basically clear the room and ask the witness to divulge what's in the client-solicitor document; or they can do the other option, where they can view them in the Clerk's office with the Clerk there.

Mr. Victor Fedeli: So, asking for those documents while the negotiations were on and having them delivered in camera or in the Clerk's office would not, in your opinion, have jeopardized the ongoing negotiations then? There is a way to do that?

Mr. Jim McCarter: The more people who see those documents increases the risk that some of that can get out into the public forum, but taking those measures would reduce the likelihood of that happening.

Mr. Victor Fedeli: And did we indeed not do that in the public accounts committee for Ornge?

Mr. Jim McCarter: In the public accounts committee, yes, there were a number—I think maybe a skid—of documents that that might have been done for.

Mr. Victor Fedeli: I remember it. "Skid" is a good word.

Number two: Mr. Delaney was questioning your judgment about 20 years—using a 20-year number—and you said that more judgment is indeed future-based. Is that not also true for the savings, then? Are the savings as hypothetical as—

Mr. Jim McCarter: Yes, on both sides of the coin. Whether it's future savings or future costs, there is an increased degree of uncertainty.

Mr. Victor Fedeli: I'm sorry he wasn't here to hear that.

So it's not just on the expenses that you have made some estimates; the $76 million of it happen to be savings?

Mr. Jim McCarter: It's also the savings, such as how much are we going to save on the Mississauga power plant not being built?

Mr. Victor Fedeli: Okay. I appreciate that—clearing that up.

My third point: You were philosophizing about why they couldn't get financing, and you said, "They were not able to obtain financing in Canada." Would it surprise you to know that back in 2004 when Greenfield bid on the gas plant project they submitted letters of financing commitment from Canadian lenders? Do you know about that?

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Mr. Jim McCarter: Yes.

Mr. Victor Fedeli: I've never seen you look like that before. Did I step on something here?

Mr. Jim McCarter: It's unusual for the auditor to smile.

Mr. Victor Fedeli: Now am I stepping on something here?

Mr. Jim McCarter: We were aware of that and, again, they did get letters of commitment initially. When you submit an RFP, in your winning bid you have to submit, basically, letters of credit showing that you have the security, and they did get letters of credit from one of the banks.

Mr. Victor Fedeli: A Canadian bank.

Mr. Jim McCarter: A Canadian bank. Again, we were a little surprised that they weren't ultimately able to get the financing from that bank and ended up having to go down and borrow from a US hedge fund at 14%.

Mr. Victor Fedeli: Hang on a second. They bid for the contract. They submit a letter of financing commitment from a Canadian lender, and that's in the documents they submit. They win the bid—partially, obviously—based on that as one of the criteria. That doesn't materialize. They're forced to go to the States and get a 14% loan from a hedge fund, and we're stuck paying for that loan. But that's not what they agreed to in their original filing when they submitted letters of financing commitment.

Mr. Jim McCarter: I think that the way it would work is that once they won the bid—and part of that would be you've got to submit a number of things with your bid, one of them being a letter of financing—I think the OPA's position would be: "We don't really care where you get your money. We just want the plant built for the cost that you agreed to build it for and it has to be completed by this date. Really, it's up to you where you get your financing." I think the way they do it, it's also up to you where you site the plant. It's up to you to get the environmental—

Mr. Victor Fedeli: There's no breach of a contract when the letter they submitted of their financing commitment was one and where they actually got the money was different?

Mr. Jim McCarter: I don't think that's a breach of contract, because if I was in their shoes, what I would do is actually go out to another lender and try to get a better deal.

Mr. Victor Fedeli: But we're stuck paying for more because of that deal.

Mr. Jim McCarter: Well, basically, because they're paying a 14% interest rate and we agreed to pay the penalties, yes, we ended up having to pay that penalty.

Mr. Victor Fedeli: Do you know what CCAA protection is?

Mr. Jim McCarter: No.

Mr. Victor Fedeli: We have a letter from the Ministry of Energy to the Ministry of Finance. The Ontario Power Authority is currently developing a proposal around forcing Greenfield into CCAA protection. Were you aware that they were doing that?

Mr. Jim McCarter: I'd have to say no.

Mr. Victor Fedeli: You weren't aware of that?

Mr. Jim McCarter: Unless that's the—

Mr. Victor Fedeli: This would have been December 23, 2011—a little Christmas gift here.

Mr. Jim McCarter: Does that have to do with bankruptcy?

Mr. Victor Fedeli: I'm not an auditor.

Mr. Jim McCarter: I'd have to say I can't recall that.

Mr. Victor Fedeli: Okay. Thank you.

In the documents, when the government announced the $190-million figure—let me give you a breakdown of what their press release said, and then we'll try to jibe that to what you've got on page 15. They said $85 million is for the building, $88 million is to EIG in an early termination settlement and $7 million are site-specific costs. That totals the $180 million, and then the $10 million was that side deal. How do those numbers jibe with what you learned to be accurate: $85 million, building; $88 million, early termination; and $7 million, site-specific?

Mr. Jim McCarter: I think some of those costs sound accurate, but there are additional costs on top of that.

Mr. Victor Fedeli: So the $85 million, building, we figure, is a good number?

Mr. Jim McCarter: I think what they're saying is that they paid EIG $150 million and we had to pay them back $59 million or $60 million to repay the loan. The penalty—we're paying them $150 million. We get nothing for the money that we paid back, so I think they're picking up the $88 million there possibly. Basically, they paid EIG $150 million—$60 million was to repay the money already advanced; $90 million was a penalty. That's close to the $88 million.

Mr. Victor Fedeli: In the penalty?

Mr. Jim McCarter: Yes. I think the $88 million is probably close to the $90 million that we had for the—

Mr. Victor Fedeli: I agree with you, incidentally. The $60 million to repay the fund, that then came from the OPA.

Mr. Jim McCarter: Yes.

Mr. Victor Fedeli: So that's why the $150 million to repay the US-based lender—$90 million comes from the taxpayer and $60 million comes from the ratepayer. Is that the differentiation?

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

Mr. Jim McCarter: I have to be honest; I don't know. I really have no information on the split, on how they arrived at the $190 million. But my sense was later in the Legislature, they made it very clear that the $190 million is the cost to the taxpayer.

Mr. Victor Fedeli: When they continually claim that the Oakville cancellation will only cost, total, $40 million, do you think that's an accurate assessment, Auditor?

Mr. Jim McCarter: Again, we haven't done our report on the Oakville plant, but having said that—I don't want to speculate, but I'll try to be helpful to the committee where I can, and I think the Deputy Minister of Energy was asked a similar question. His response was that the $40 million will be paid by the Consolidated Revenue Fund, which is the taxpayers. We knew that there would be other costs and benefits of relocating to the new site. Those would be the obligation of the ratepayer.

Mr. Victor Fedeli: So again, it's that subtle nuance between total cost is not true; it's ratepayer cost—

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

Mr. Victor Fedeli: Thank you again, Auditor, for being here.

Mr. Peter Tabuns: Thank you, Chair, Mr. McCarter.

September 29, 2011: Immediately after the announcement of the promise to cancel the plant, Andrea Horwath wrote you a letter asking you to do an audit of the contracts and the risks that we faced, "we" being the people of Ontario. I'm assuming that you had to decline, as you've declined requests that I have made on this.

Mr. Jim McCarter: Yes. Actually, I think I had another request from you just recently, Mr. Tabuns.

Mr. Peter Tabuns: I know, and I cried when I got your response, Mr. McCarter.

Laughter.

Mr. Jim McCarter: Yes. I think I would have had a similar response to the leader of your party that while it doesn't fall under section 17 of the Audit Act, if the public accounts committee were to pass a motion, we would do the work.

Mr. Peter Tabuns: When was the next time a party leader contacted you to ask for an audit of this situation?

Mr. Jim McCarter: The next time—I can't recall.

Mr. Peter Tabuns: And I don't have information to prompt your memory with, so I will leave it at that.

Yesterday, Shelly Jamieson, the former secretary of cabinet, indicated that she was asked about options for cancelling the Mississauga plant in the spring of 2011. Do you think significant money would have been saved had the plant been cancelled in the spring or summer of 2011?

Mr. Jim McCarter: If the plant was going to be cancelled, the earlier you go through with the cancellation—it would have been higher savings, although I'm not sure about the EIG payment. If you had the luxury of time, perhaps you take a bit of a more hardball approach and say, "Let's go to court."

Mr. Peter Tabuns: The OPA renegotiated the Greenfield contract in 2009. You note that they raised the NRR or the monthly payment per megawatt of capacity.

Mr. Jim McCarter: Yes.

Mr. Peter Tabuns: Do you know why they raised the payment?

Mr. Jim McCarter: We asked the question because it was a fairly substantial raise. I think it was a 50%, 55% increase. The explanation that we got was that a number of the events that prohibited the plant from being built were beyond their control in the sense that even though they were responsible for getting environmental approval, Mississauga was very much—I mean, you had the mayor, Hazel McCallion, here before you. Mississauga was very much against the plant. They made it as difficult as possible to get the plant started. I think the province had to go to the OMB to finally get the necessary approvals, and I think Greenfield went back and basically said, "Well, this is not our fault. We can't build the plant three and a half years later for the same cost." I think the OPA indicated to us at that time—not now, but at that time—that they still felt that the plant was needed. It was a good location, it was where they needed the power, and they felt that what they paid them was a reasonable rate, given the economic environment, notwithstanding it was a 54% increase from the prior rate.

I think it was an issue that, perhaps, under the contract, legally they didn't have to renegotiate. I suspect they felt that if we didn't renegotiate, they were going to walk away from the deal under force majeure provisions, and therefore we still want the plant. We think it's a reasonable price—the jury's probably out on what's reasonable—but that's what we were advised by the OPA, and they indicated to us, "This is why we went ahead and did it."

Mr. Peter Tabuns: If I want answers to those questions, I'm going to have to go to them. But as I understand it, at that point, they didn't have financing for building either.

Mr. Jim McCarter: That would be my view, but we didn't go into that detail back in 2009, what they had and what they didn't have. But I know that when they eventually got approval and the building permit in 2010, it took them a year—our understanding was—to get the financing and get the shovel in the ground.

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Mr. Peter Tabuns: Can you discuss a bit about the force majeure provisions in their contract?

Mr. Jim McCarter: My colleague is providing me a bit more detail on the force majeure. The force majeure is basically things beyond your control, and it basically meant that they could extend the date of the contract. But I think there was a term in the contract that after 36 months, it may well have been that either party could have walked away at that time because, after 36 months—often that's in there because after 36 months, each party has the chance to sit back and say, "Do we still want to go ahead with this?" It's unusual for force—that's a long time for force majeure events: three years.

Mr. Peter Tabuns: I guess the thing that I keep coming back to is that you didn't have to perform any real acts of magic to get this report together. Bruce Sharp, who is an energy consultant, came up with numbers that seemed to buttress everything you've said. Certainly, he identified the savings on gas transmission, and he gave a lower figure than you, but—

Mr. Jim McCarter: Yes.

Mr. Peter Tabuns: There's no reason that the government of Ontario—the present government—could not know the cost of the Oakville and Mississauga cancellations and relocations. There's no reason it should be a mystery to them.

Mr. Jim McCarter: I don't really know what the government, in the sense of the Ministry of Energy or the Ministry of Finance, knew and didn't know. But if you were to put that in the perspective of the OPA, the OPA certainly had the data to come up with a lot of the numbers that we came up with.

Mr. Peter Tabuns: I think, in fact, that's correct, but I would suggest that you did a thorough job, and we're pleased that you did, but you didn't find hidden documents and sunken treasure. You looked at the business situation, you looked at the cost of gas transmission, you looked at electricity provision, and you were able to find out these numbers on a fairly straightforward basis.

Mr. Jim McCarter: Yes, straightforward in the sense that it did take some time—

Mr. Peter Tabuns: I'm sure.

Mr. Jim McCarter: —to delve into some of this and to go back and find out—for instance, a lot of times you spend time. Like with respect to "Do we need more transmission lines?" we spent a fair bit of time actually looking at that. At the end of the day, it turned out that maybe we wasted our time because there's no cost there; there was no saving. But I'd have to say that the issues that we identified—we were pretty much aware, once we went in, of what the issues would be: "Here are all the different things that you have to look at." The OPA was aware of much of that. But again, part of it is the time. They were certainly much more aware, when we were doing our work in, say, January, February, on some of the stuff than they would have been nine months earlier.

Some of the things, like the hard costs, like I said, they had already paid the bills or knew they had to pay the bills, so they had a pretty good understanding of what those hard costs were in early July.

Mr. Peter Tabuns: From what you've put forward, there weren't a lot of mysteries, in fact, and if I were the Minister of Energy last July, I could have put a phone call in to Colin Andersen, and I could have gotten most of the numbers that you have. And if I was the Minister of Energy this February, I could have made a similar call to Colin Andersen and gotten updated numbers and a pretty good picture of what was going on here.

Mr. Jim McCarter: Yes, as time goes on, your number gets harder.

Mr. Peter Tabuns: That's clear. You know, you've been very thorough, and I'm very appreciative for what you've done. Thank you.

Mr. Jim McCarter: Thank you, Mr. Tabuns.

The Chair (Mr. Shafiq Qaadri): Thank you, Mr. Tabuns. To Mr. Delaney, 10 minutes.

Mr. Bob Delaney: Thank you very much, Chair. Mr. McCarter, this is going to be kind of interesting because you won't be the auditor at the time the Oakville numbers come out and your successor isn't here to pose questions to. Please forgive me if I walk close to the grey line in asking you to speculate, which is not my intent, but what I want to talk about is some of the thinking and the methodology going into the examination of the process as regards Oakville. What led you to begin your investigation into the Oakville plant?

Mr. Jim McCarter: Within a week after Premier Wynne was elected as the leader of the Liberal Party, I got a formal letter from the Premier asking me to conduct a review of the Oakville plant because the negotiations had concluded, and to issue a public report to the Legislature on what our estimates of the costs associated with the cancellation and relocation of the Oakville plant were.

Within a day or two later, because that does fall under section 17 of the Audit Act, I responded that we would conduct that review. However, I did say that we would not delay the Mississauga review and issue one combined report. I did say that I wanted to finish the Mississauga report, report that publicly and then start up the Oakville plant.

Mr. Bob Delaney: Okay.

Mr. Victor Fedeli: Point of order, Chair.

The Chair (Mr. Shafiq Qaadri): Point of order, Mr. Fedeli.

Mr. Victor Fedeli: I wanted to remind the committee that in public accounts we asked for this Oakville to be done—

The Chair (Mr. Shafiq Qaadri): Though we always appreciate your reminders, Mr. Fedeli, that is not a point of order.

Mr. Victor Fedeli: How can I reword it? I'm so new here, Chair. I don't understand—

The Chair (Mr. Shafiq Qaadri): I'd invite you to review with your team tomorrow.

Mr. Bob Delaney: Mr. McCarter, do you anticipate the process for the Oakville report to take a similar length of time to that of Mississauga?

Mr. Jim McCarter: What I've indicated was that, on one hand, the numbers are a lot bigger, but on the other hand, the audit team does have more familiarity with the issues, so that should expedite things. I have stated publicly that my best estimate would be that the office would be able to complete that work probably in mid-to-late August or early September, and it would be the decision of the incoming Auditor General whether to report that at that time or perhaps hold off until mid-September when the Legislature is back, because if possible we do try to report directly to the Legislature.

Mr. Bob Delaney: Is it reasonable to expect that the process would be similar and the type of complexities that you would encounter, allowing for the learning curve in Mississauga, would also be comparable?

Mr. Jim McCarter: Yes. Although, again, it's a different plant, a different contract. There could be other things that aren't in the Mississauga report that we might look into and we're just not far enough along in the review that I can say what impact that might or might not have. Generally, the process will be similar.

Mr. Bob Delaney: I quite understand that. Looking at both reviews, did you have access to information that would not have been available at the time that either the ministry or the OPA made their initial assessments to go forward with the plant or to make some of the decisions that they did?

Mr. Jim McCarter: I think because we did the review in early 2013, maybe the best way I could put it is hindsight is always 20-20. I think, depending at what time period the OPA was looking at it, we were looking at it down the road and there could be some areas where we had more fulsome information, if I can put it that way. But as I said, a lot of the hard costs with respect to payments were largely known in July 2012.

Mr. Bob Delaney: In looking at Oakville, will the team consider the additional savings negotiated by OPA for a lower price of power? For example, I understand it's going from 17,277 megawatts per month at the Oakville site to 15,200 megawatts per month at the Lennox site?

Mr. Jim McCarter: Yes, that would definitely be part of the calculation, and we would then present-value that, but certainly we would be looking at that.

Mr. Bob Delaney: Okay. As was the case with Mississauga, the Oakville negotiations of course were very complex. We know it takes your office, and it took then and will probably continue to take—a fair amount of time and hard work to calculate the costs, both what you did in Mississauga and what you probably will in Oakville.

We also know that some of the costs and savings for the Oakville agreement haven't been finalized at this point by the OPA due to some of the complexities and variables that you talked about earlier.

We also have to acknowledge that this is a politically charged issue and the opposition's job is to oppose the government at every turn, even though they also agreed to cancel both plants. Given this political environment and the fact that your office is an independent office that all of us here respect, is it important to wait on your findings for Oakville rather than to second-guess the process or the outcome?

Mr. Jim McCarter: My sense would be, if we have the information that we think we can come up with a reasonable estimate—I mean, I won't be making that decision, but I would think if we have enough information to make a reasonable estimate, we should do that and we should report. I might as well say that I have been asked the question would we report—should there happen to be an election, we would not report in the writ period, but otherwise, we generally try to report directly to the Legislature as quickly as possible.

Again, as you're saying, if the OPA can't come up with the estimate or is unable to come up with the estimate, what impact would that have on our review? It would have some impact on our review, but I can't speculate on how much of an impact.

Mr. Bob Delaney: Was there anything else that you wanted to say to us here today?

Mr. Jim McCarter: No.

The Chair (Mr. Shafiq Qaadri): Very famous last words. I take it you're done, Mr. Delaney?

Mr. Bob Delaney: Mr. McCarter, it's been my pleasure and privilege to read just about every report that you've written, which certainly could allow you to say, "Man, you need to get a life." I guess, on behalf of everyone here, it's been a pleasure to know you. You will leave here with the respect of everybody on all sides, and Ontarians have been honoured and privileged to have had you as our Auditor General for the past 10 years.

Good luck to you in the balance of your illustrious career. We look forward to keeping in touch with you and hearing about your next accomplishments.

Mr. Jim McCarter: Perhaps I could just say, Chair, that I'd have to say, on behalf of the office, certainly in my 10 years, the office has been accorded the respect of all the MPPs, I felt generally, as much as possible in a non-partisan manner. We really have enjoyed working with the members, especially through my association with the public accounts committee. So I do thank you for the support of the office.

Le Président (M. Shafiq Qaadri): Merci, monsieur McCarter. Je voudrais vous remercier pour vos services comme le vérificateur général pour la province de l'Ontario.

Thank you. The committee is adjourned.

The committee adjourned at 1652.

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