Afternoon Energy Media Summary - April 25, 2018

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Date: Wed, 25 Apr 2018 15:04:04 -0400

G ood afternoon,

Here is a roundup of the day's news:

- * In scathing pre-election report, Ontario auditor general says deficit is $11.7B, not $6.7B – *Toronto Star*
- * Ontario's books off the mark by billions: Auditor General – *iPolitics*
- * Well group wants more out of Ford – *The Chatham Voice*
- * Public Meeting: Status of Sale of Orillia Power Distribution Corporation – *Bayshore Broadcasting News Centre*
- * Bruce Power signs $712mn advanced manufacturing contracts – *Manufacturing Global*

Please see below **Today in Twitter** for news articles.

Apr. 25, 2018
Today in Twitter

@aradwanski - The dispute over energy accounting, while less easy for headlines, is actually much more interesting.

@justinCgio - At Queen's Park, Ontario's auditor general says in a pre-election report that the province's books are "not reasonable" and the deficit is higher due to a long-running conflict over pension assets and electricity rebates. The premier says its an accounting dispute. #onpoli

@cityoforillia - Do you have questions about the Ontario Energy Board's decision on Orillia Power Distribution Corporation, what's included in the sale & next steps? A Public Meeting of Council will be held May 17 from 7 to 9 p.m. at Orillia City Centre. Details: http://ow.ly/LnjD30jFFfM

In scathing pre-election report, Ontario auditor general says deficit is $11.7B, not $6.7B
Robert Benzie
Toronto Star
Apr. 25, 2018

Ontario's fiscal watchdog is again questioning the government's accounting, warning the province's deficit projections are far greater than outlined in last month's budget.

Auditor general Bonnie Lysyk, who has an ongoing accounting dispute with Premier Kathleen Wynne's Liberals, said Wednesday that this year's shortfall is $11.7 billion, not $6.7 billion, as Finance Minister Charles Sousa forecast March 28.

"When expenses are understated, the perception is created that government has more money available than it actually does," Lysyk wrote in a scathing 27-page pre-election report to the Legislature.

"Government decision-makers might, therefore, allocate money to initiatives and programs that is actually needed to pay for expenses the government has failed to record properly," she continued.

Lysyk calculated that the deficit forecast for next year is $12.2 billion, not the $6.6 billion Sousa predicted, and for 2020-21 it's $12.5 billion, not $6.5 billion.

"More money will need to be borrowed to pay for the unrecorded expenses even when the government reports an annual surplus or a balanced budget."

Her report is a political gift to Progressive Conservative Leader Doug Ford and NDP Leader Andrea Horwath as Ontarians head to the polls in six weeks.

The accounting disagreement stems from whether around $11 billion in the government co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan can be counted toward the bottom line.

While Lysyk and her predecessors had booked the pension holdings as an asset starting in 2002, she changed her mind two years ago.

"I had my staff review that asset much more than in past years," she told the Star at the time. She concluded that they should not be considered assets, because the government doesn't have ready access to the funds.

It is unclear whether the Progressive Conservatives or the New Democrats would adopt Lysyk's accounting practice and not count the pension funds if either party topples the Liberals in the June 7 election.

Wynne conceded Wednesday there is an "ongoing discussion" with the auditor general over the accounting "disagreement."

"I know one of the discussions is over the Fair Hydro Plan. We made a decision that we needed to reduce electricity bills by 25 per cent. We have done that," said the premier.

"We've kept that debt within the electricity system. That is the responsible step that we have taken," she said.

Lysyk has had a fractious relationship with the governing Liberals in recent years.

Aside from being at odds with the government over its Fair Hydro Plan scheme to borrow money to reduce electricity rates by 25 per cent, she has railed against the Liberals diminishing her authority when it comes to overseeing government advertising.

Ontario's books off the mark by billions: Auditor General
Marieke Walsh
iPolitics
Apr. 25, 2018

According to Ontario's auditor general, the province's finances are "not reasonable" and off the mark by billions of dollars.

In the latest shot across the bow at the government, Auditor General Bonnie Lysyk said the Liberals' deficit and expense estimates are severely understated.

The Financial Transparency and Accountability Act — brought in by the Liberal government in 2004 — requires Lysyk's office to review a pre-election report issued by the government in election years.

She found the deficit forecasts should be close to double what the Liberals released in their March budget.

For this year, the deficit should be 75 per cent higher: from $6.7 billion to $11.7 billion. Next year she said the books should show a $12.2 billion deficit compared to the $6.6 billion the Liberals accounted for. And in 2020-21 Lysyk said the budget should be showing a $12.5 billion deficit projection instead of $6.5 billion.

In a press release Lysyk said the accounting created the "perception" that the government's finances are improving. But instead the "burden of net debt is actually increasing," according to Lysyk.

The discrepancy is attributed to a long-standing dispute between the auditor general's office and the

Liberal government over how cabinet is accounting for the debt from its pledge to cut hydro rates by 25 per cent and accounting from two pension plans.

Speaking to reporters before the report was released, Premier Kathleen Wynne said the issues raised by Lysyk are “old discussions and they are ongoing.”

Wynne defended her government’s decision to leave the debt from cutting hydro rates with Ontario Power Generation. She said it was “the responsible step” to leave the debt within the electricity system.

Lysyk has said that move cost taxpayers more in borrowing rates and hides the debt from the province’s books.

“There is a disagreement between accountants and it has been a disagreement for some time,” Wynne said.

Apart from the Fair Hydro Plan and pension plan accounting concerns, the auditor general found the rest of the government’s expense and revenue projections were based on “cautious assumptions, as required by the Act.”

Well group wants more out of Ford
The Chatham Voice
Apr. 25, 2018

Members of Water Wells First were the first to greet Ontario Progressive Conservative Leader Doug Ford as he stepped off his campaign bus during a stop in Wallaceburg last week.

The PC leader was in Chatham-Kent for the day, visiting Country Style Donuts in Wallaceburg, a farm in Blenheim and a rally in Chatham at the John Bradley Centre.

When confronted by members of Water Wells First holding poached eggs blackened by well water polluted with black shale sediments and asked what he would do to help local farm families, WWF spokesperson Kevin Jakubec said Doug Ford refused to commit.

Jakubec said water wells at several family farms in the former Chatham Township in Chatham-Kent in the summer of 2017 became black in colour and laden with sediments containing Black Shale when pile driving construction began for the North Kent Wind farm owned by Samsung. Any food made from, washed or prepared with this well water becomes contaminated by the black shale sediments.

“We came here to put the question straight to Mr. Ford – what are you going to do about this? It’s been going on since 2007. Why have both your MPPs failed in stopping this for so many years?” Jakubec said after speaking with Ford.

Several members of WWF have had their water tested, Jakubec said, at an accredited lab which shows the amount of black shale particles in one person’s well was well over 600,000 particles in one millilitre of water. He said they turned over those lab tests to the Ministry of the Environment.

Water Wells First has been seeking help from the two local Conservative MPPs to solve this serious pollution of drinking water that first began in 2007 with the construction of the Marsh Line wind farm and then continued with the construction of the East St. Clair Wind farm in 2012, Jakubec stated. Both wind farms are in the former Dover township of Chatham-Kent.

“Three wind farms have been constructed in this area and three times, each time, the well water was contaminated (with sediment),” Jakubec said.

When asked specifically if Ford will commit to undertake a health hazard investigation of the contaminated wells in the area – as the Ontario NDP has committed – Jakubec said Ford said he would “look into it.

“This is not a good enough answer for these families. The families in Chatham-Kent have been forced to deal with water they can’t drink, use for dishes, do laundry with, bathe in or even use for cooking. This has gone on since 2007 under the noses of two Progressive Conservative MPPs,” Jakubec said. “Premier Wynne and her Liberals have ignored us, our local representatives have ignored us, and now Mr. Ford is not offering us anything different. Our families need water and they need it now. We need someone to take immediate action to fix this mess.”

Jakubec said he isn't seeing the full engagement on the contamination issue from McNaughton and Nicholls, unlike Essex MPP Taras Natyshak who has repeatedly asked for a health hazard investigation in the legislature.

Both area MPPs Nicholls and McNaughton have written letters to the premier regarding the wind turbine issue and contamination of wells since the issue started but neither has committed to asking for a health hazard investigation to see how the long-term ingestion of black shale will affect the health of people with contaminated wells.

Ford said he heard the concerns of the people of WWF.

"This a serious issue here and I give you my word, we're going to address it. I can't stand wind turbines; I can't stand how they are destroying areas and communities and I'm going to do everything I can to halt any other wind turbine farms and I'm going to address the ones that are going in. You have a huge supporter here," Ford said to Jakubec after hearing his questions. "As for the local MPPs, when you aren't in power, your hands are certainly tied. When we are in power June 7, we're going to address it. It will be my number one issue. And what I say I'm going to do, I do. No one has been more vocal about these wind farms than Doug Ford – no one. I'm giving you my word."

Public Meeting: Status of Sale of Orillia Power Distribution Corporation
Ian MacLennan
Bayshore Broadcasting News Centre
Apr. 25, 2018

There will be a public meeting next month(May 17-Council Chambers 7-9 pm) to discuss the status of the sale of Orillia Power Distribution Corporation.

Earlier this month, the Ontario Energy Board rejected a deal that would have seen Hydro One gobble up the distribution arm of OPDC for $26 million.

The deal also includes plans for an advanced technological hub.

Mayor Steve Clarke says it was Hydro One that approached the city about the sell off.

Talks began in September 2015 and nearly a year later a deal was reached.

Clarke says one concern the OEB had in rejecting the deal was what happens in year 11 to local hydro bills.

The deal also includes a one per cent drop in distribution charges and frozen for five years, any increase in year six through ten must be kept to the rate of inflation.

The mayor notes that the distribution portion of a utility bill accounts for only about 20 per cent of the overall bill.

He says in those 10 years the people of Orillia would be paying less for electricity than the rest of the province.

If the deal ends up not going through, Clarke says Orillia Power is behind on a need to raise rates and has aging infrastructure, so the mayor believes they will be going for an increase as soon as possible.

In other words, if it stays the status quo in the hands of the present ownership, Clarke says Orillia rates are going to up and there will not be that 10 year protection.

Clarke says the OEB decision is going to be appealed because it is part of the process.

He estimates the city has spent about $3 million dollars on trying to land the Hydro One deal.

But Clarke points to the over $200 million in short term economic benefits to the economy in construction of buildings and related activities.

He say the advanced technological hub will create jobs now and for decades and decades to come.

The mayor says there is some misinformation out there about what the deal actually means for the City of Orillia

As for a suggestion by some, including Councillor Mason Aninsworth, that the deal be put to a referendum, Clarke says city council was elected to make decisions in the best interest of Orillia, and he wonders where the line would be drawn on going to the community to ask about such decisions.

Clarke says Orillia has the lowest average family income in Simcoe County, Muskoka and Dufferin and fifth lowest in Ontario, and he is confident this deal can help turn things around.

Bruce Power signs $712mn advanced manufacturing contracts
Sophie Chapman
Manufacturing Global
Apr. 25, 2018

The Canadian private nuclear generator located in Ontario, Bruce Power, has signed CAD$914mn (US$712mn) worth of advanced manufacturing contracts for its major component replacement (MCR).

The plant operator has created contracts with four manufacturers: BWXT Canada, Laker Energy Products, Cameco Fuel Manufacturing, and Nu-Tech Precision Metals.

The component replacement process is expected to begin in 2020, beginning with Unit 6. All units between Unit 3 and Unit 8 will be replaced.

Bruce Power has selected BWXT for a $642mn (US$499mn) contract, which will involve producing 32 steam generators at the Cambridge Facility.

Laker Energy Products are to manufacture end fittings, liners, and flow elements for $144mn US$112mn) in Oakville.

A $62mn (US$48mn) contract was awarded to Cameco Fuel Manufacturing in Cobourg for calandria tubes and annulus spacers, which will be used in all six MCRs.

Nu-Tech Precision, located in Arnprior, was chosen by Bruce Power to work on zirconium alloy pressure tubes for Units 3 and 6 for $66mn (US$51mn).

“By signing these contracts today, we have secured Made in Ontario solutions for the components we will need to successfully complete our MCR projects, extending the life of our site to 2064,” stated Mike Rencheck, CEO and President of Bruce Power.

“Today's announcements represent a $914 million investment in Ontario's highly skilled workforce, which will create untold economic opportunities for the communities in which they operate for many years to come.”

The works on the site will extend the plant’s life through to 2064, which in turn will create 22,000 jobs.