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**Standing Committee on
Estimates**

**Comité permanent des
budgets des dépenses**

Ministry of Energy

Ministère de l'Énergie

2nd Session
41st Parliament

Wednesday 4 October 2017

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Mercredi 4 octobre 2017

Chair: Cheri DiNovo
Clerk: Eric Rennie

Présidente : Cheri DiNovo
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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON
ESTIMATESCOMITÉ PERMANENT DES
BUDGETS DES DÉPENSES

Wednesday 4 October 2017

Mercredi 4 octobre 2017

The committee met at 1605 in room 151.

MINISTRY OF ENERGY

The Chair (Ms. Cheri DiNovo): The committee is about to begin consideration of the estimates of the Ministry of Energy, for a total of seven hours and 30 minutes.

As there is a new ministry before us, I would like to take this opportunity to remind everyone that the purpose of the estimates committee is for members of the Legislature to determine if the government is spending money appropriately, wisely and effectively in the delivery of the services intended.

I would also like to remind everyone that the estimates process has always worked well with a give-and-take approach. On one hand, members of the committee take care to keep their questions relevant to the estimates of the ministry, and the ministry, for its part, demonstrates openness in providing information requested by the committee.

As Chair, I tend to allow members to ask a wide range of questions pertaining to the estimates before the committee, to ensure they are confident that the ministry will spend those dollars appropriately.

In the past, members have asked questions about the delivery of similar programs in previous fiscal years; about the policy framework that supports a ministry approach to a problem or to service delivery; or about the competence of a ministry to spend the money wisely and efficiently. However, it must be noted that the onus is on the member asking the question to make the questioning relevant to the estimates under consideration.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised, so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Are there any questions before we start?

I am now required to call vote 2901 of the estimates, which sets the review process in motion.

We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and 30 minutes by the third party. Then the minister will have 30 minutes

for a reply. The remaining time will be apportioned equally amongst the three parties.

Minister, the floor is yours.

Hon. Glenn Thibeault: Thank you, Madam Chair, and committee members. I'm pleased to be here today to discuss the Ministry of Energy's estimates.

But before I do that—Chair, I know it was about two weeks ago that you announced your retirement from this place. I wanted to acknowledge that you've been a fantastic politician for the 10 years that I've been around and knowing what you've been doing. I think the light will dim a little bit here when you leave, but it will be incumbent upon us to continue to work hard as politicians.

I do want to wish you well. I'm sure we'll see each other. You might even ask me questions in question period. But I do want to wish you well in your future endeavours. I'm sure we'll see you around here again with some of your parishioners, advocating for the people of Ontario.

Thank you for all of the work that you've done in your term of public service. I know that's going to continue.

The Chair (Ms. Cheri DiNovo): Thank you, Minister. Thank you.

Hon. Glenn Thibeault: I think I'd like to begin today by introducing the members of the ministry's senior management team who have accompanied me here today. They include Deputy Minister Serge Imbrogno, and a number of the assistant deputy ministers, who are behind me. Also here with us today are officials from the Independent Electricity System Operator and Ontario Power Generation.

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The ministry and agency senior management teams and their dedicated teams work hard each and every day, overseeing a \$20-billion Ontario electricity market. Today, I will provide the committee with an overview of the Ministry of Energy's many notable achievements. But before doing so, I believe that some of the members from the government side have some pressing questions, so I'll allot some of my time for them to ask those questions, and then after, I'll continue my remarks.

The Chair (Ms. Cheri DiNovo): Mr. Delaney?

Mr. Bob Delaney: Thank you very much, Chair. Minister, earlier this year, back in the spring, in March, the province introduced the fair hydro plan, whose aim was to cut bills by an estimated 25%, on average, for families and up to as many as 500,000 small businesses and

farms. This cut to people's hydro bills was possible because of a refinancing of the global adjustment.

To sort of recap, decades of underinvestment in our electricity system and the decision to eliminate the use of coal and build a renewable energy supply resulted in the need for some significant investment here in Ontario. This is not unique, by the way. This has been going on everywhere around the world.

Between 2005 and 2015, the province invested some \$50 billion into our electricity system, with the cost of these investments funded through the global adjustment. When the plan was announced, refinancing the global adjustment was explained with an analogy that it was like refinancing your home. The backgrounder on the refinancing from the Ministry of Energy stated that by extending the time period it would take to pay the mortgage, the province would pay somewhat more, but also that this would spread out the costs of the electricity investments over the expected life cycle of the infrastructure that we've been paying to build. Essentially, Ontario is making the payment of these investments fairer. While this analogy is somewhat useful in a short scrum, or perhaps during question period, I think in this committee we have an opportunity to have a greater focus on the specifics.

One of the agencies, the Independent Electricity System Operator, is helping out with the accounting and has recently adopted something called rate-regulated accounting. I have a couple of questions for you to start this off today, and those questions are around IESO's accounting policies. Perhaps we can start off by explaining the IESO's role in the sector, its business operations and the type of accounts it holds. So, over to you.

Hon. Glenn Thibeault: Thanks, MPP Delaney. I think it's important in this statement to get it right from the source, so, Chair, I'll call up Kim Marshall from the IESO. I know she'll have to introduce herself and all of those other things that go along with this.

Kim, please.

Ms. Kim Marshall: Good afternoon. Thank you for the opportunity to be here. I'm Kim Marshall. I'm the chief financial officer and VP of corporate services at the IESO.

Mr. Delaney, you'd like to understand a bit about our role to start with. Is that what you're—

Mr. Bob Delaney: A few details on the proposed accounting change.

Ms. Kim Marshall: Okay. I'll start a little bit with the role of the IESO because I think it lends itself in terms of the accounting changes that we made and the rationale and the discussion we went through.

The IESO plays a critical role within the electricity sector. The current IESO was created on January 1, 2015, from a merger of the former IESO and the former Ontario Power Authority. That's relevant because one of the aspects under consideration here was how each entity did their accounting previously.

At the time of the merger, there was an analysis done with respect to the accounting of both entities, and it was

decided that the new IESO would follow the practices of the former IESO. Yet the mandates of both organizations came together to encompass one mandate. I'm just going to refer to a couple of notes so that I do it justice.

One of the fundamental premises of the IESO is that it's responsible for planning for the electricity sector, both in the near term, something as short as every five minutes, and the long term, 20 years and longer. It's also responsible for grid reliability, so the operation of the grid and the movement of the electricity back and forth.

It is the administrator of the electricity market, which means that it actually settles the electricity market on an annual basis. That's important because last year, in 2016, the IESO actually settled \$17 billion of transactions back and forth, both collections from the local distribution companies and from their consumers and then payments to generators such as OPG or private entities.

We also have a responsibility for fostering a culture of conservation, for which we deal with both the local distribution companies and private entities, as well as some direct to consumers within the sector.

Finally, a significant part of our mandate is engaging with stakeholders and communities across the province.

It is part of our role as the settlement of the market that led to one of the changes that we made—and I'll talk about that. But another aspect of our role is that the IESO has been designated as the smart meter entity for Ontario, and we got that designation from the Ontario Energy Board. What that means is that the IESO is the repository, and management, for all the smart meter data that is collected from consumers through the local distribution companies. Part of that smart meter relationship with the OEB means that the IESO collects a fee from consumers, by virtue of a designation from the OEB in terms of getting that rate, separate from the funding through the rates for our actual expenses internally for the IESO.

For the 2016 financial statements, the IESO made two changes to our accounting practices. I think Mr. Delaney referenced both of them, but I'll mention that the first was the recording of market assets and liabilities on our balance sheet, and the second was to record certain assets as regulated assets on our balance sheet.

On an ongoing basis, the IESO takes a look at its accounting policies and practices quite frequently. We'll make tweaks where required in terms of changes that we think are better reflective of economic activities or present better information to the users of our financial statements.

With respect to the market accounts, we engaged our external auditors, KPMG, to do research on our behalf in terms of what other entities that are like the IESO—basically, entities across North America—how they treat market assets and liabilities. This was because in the predecessor, Ontario Power Authority, a subset of these accounts had been presented on our balance sheet related to the relationship with the generators and receipts from the IESO, and that was included in our financial statements from the beginning of the creation of the Ontario Power Authority. We also had some deferred

assets on the balance sheet of the Ontario Power Authority which were amortized or realized back over time. The IESO, because of the way it was created in terms of not having any liabilities or risks with respect to the market, determined that it did not want those types of assets and liabilities on its balance sheet.

As part of a discussion earlier this year with a new provincial controller, they questioned some of the activities that we were doing and what was the right way to approach it, which is then when we engaged KPMG to do that research. What we discovered is that most of the eight other entities that are like us in North America, I think virtually all were showing some form of market accounts on their balance sheet. At the same time, they all took some form of regulated assets related to investments up front for which they collected over time on their balance sheet.

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Taking that into consideration and the fact that we had this activity for the IESO, which was \$17 billion of flows which was not represented and represented a significant amount of the activity within the IESO, the IESO management took to our board the premise that it would create more transparency around the economic activities and actually better reflect the economic flows to make those two changes in our financial statements and to restate the previous year.

We spent several months in discussions with our board. They would ask for some different information. We also took some further steps to look at other entities that are like us, for example, the Toronto Stock Exchange, which plays a clearing role in their market. In the end, we made the recommendation and the board approved the two changes for the financial statements.

Is that enough?

Mr. Bob Delaney: Okay, thank you. In your response about the changes made by the Independent Electricity System Operator, you've used the expression "market accounts." Perhaps you could expand on what market accounts are and why you decided to begin reporting on them as part of your accounting policy.

Ms. Kim Marshall: Well, market accounts for the IESO represent the flows back and forth between the market participants within the sector. The most significant would be flows from the local distribution companies and their consumers for payments for electricity, and we pay the generators from those funds. There might also be other amounts that are collected and back and forth.

I would use some of the examples of the rural plan. We do some administration around that. The support program that's administered by the OEB, some of those accounts we administer back and forth, so we would receive payments and we might hold them for a period of time before they were sent on to whomever they should be sent on to. That's what we call market accounts. They're accounts back and forth between market participants.

In terms of why we thought they should be in our financial statements, I think more and more over the last

two to three years, we've been talking about the activities of the IESO and frankly, where we have significant aspects of what we actually do in terms of the people within our staff. The clearing of the market was a significant aspect of our mandate that we were spending a lot of time on but frankly weren't reporting either to our board to the largest degree or to the users of our financial statements. This was an opportunity to provide that greater transparency.

Mr. Bob Delaney: Okay, thank you. Earlier, you mentioned that the IESO decided to adopt—and, again, I'm going to use your term—regulatory accounting to better reflect the economic substance of your operations and to enhance—again, to sum up some of the words you used—the relevance, the transparency and the accountability of the agency's financial reporting. Perhaps you could explain what this new regulatory accounting entails and provide some details on why the IESO decided to adopt this method of accounting.

Ms. Kim Marshall: I'll use the example of the smart meter entity. The IESO, having been designated as the smart meter entity and being given that responsibility by the Ontario Energy Board, in the initial creation of that entity and set-up of the processes and technology to support it, the IESO actually invested upwards of \$300 million up front. That was something that debt was incurred up front and those monies were invested in the creation of that entity.

The reality of how that money was being recovered is that the OEB designated a rate that would be charged to electricity consumers, which we would collect on a monthly basis to recover that \$300 million over a long period of time. When the \$300 million was first done and the IESO was created, what was done was that the IESO expensed that \$300 million all in that initial period. We created a deficit, and then over time, we are collecting the money from consumers through the Ontario Energy Board asset that was defined. What we were doing was reducing our deficit, which seemed unusual in terms of what the actual economic activity was there. For our internal management reporting, we would create it as if we had that \$300 million and then how we were reducing that over time, with the collection of the rate.

It was determined that a more appropriate accounting would be to take the amount that had not been collected yet and put that on our balance sheet as an asset, and we would collect the remaining residual over time. That seemed to be a better reflection of how we were treating that activity and that amount of money.

Mr. Bob Delaney: Although you've got the essence of that in some of your response, I'd just like you to sum up why the IESO changed its accounting policy. Also, just to put some perspective on it, is this a regular practice?

Ms. Kim Marshall: First of all, in terms of why we changed, we changed because we thought it reflected better the activities that were going on, and it was better information for the users of the financial statements to understand the nature of what the IESO was doing, how

it was collecting money and what it was using the money for.

In terms of whether this is a regular practice—again, KPMG went out to all the other entities in North America, and I think seven out of the eight entities have some form of a regulated asset, which is very similar to this. You'd invest money up front in an asset and you would recover that amount of money over time.

Mr. Bob Delaney: Okay. That would in fact be a material change to the financial statements, to recognize the assets and the liabilities that are part of IESO's operations but that previously went unrecorded in former year-end statements.

Ms. Kim Marshall: That's right.

Mr. Bob Delaney: What steps did the IESO take to verify that the accounting changes were appropriate for the organization? And to what degree to ensure those did you consult with third parties on the issue?

Ms. Kim Marshall: To the largest degree, we relied upon our external auditors and their relationships across North America with other KPMG offices and with other accounting firms.

I would say that where we had existing relationships with the other ISOs, we did reach out to them—for example, Alberta, that type of thing—to have conversations, to talk about their process of how they went through the exercise of determining their accounting for their organizations.

I would also say we went back to documentation that had been created by Pricewaterhouse when the ISO was first created, in terms of what the rationale was for their existing approach. In the case of OPA, it had actually been KPMG. Let's revisit what that rationale was.

We took a look at our history; we took a look at what other entities were doing. We reached out to a number of other parties that might have had interest in it. I'm going to use the example again of the Toronto Stock Exchange as an entity, in terms of: "What does your legislation look like? What are your objects? What is your mandate, and how is it defined? Where are your risks and liabilities, and how does that reflect within what you present?" We did a fair amount of that kind of research.

At the same time, we always talked to the ministry and the provincial controller to keep them in the loop. We know we are consolidated into the government, so it is our role as a government agency to keep them in the loop and be aware of what they are thinking and what we're doing.

I would say we went through that process to a fair degree.

Mr. Bob Delaney: In a former life, when I was a public relations consultant, one of my larger clients was the CA profession across Canada, so I believe that public sector accounting falls under the accounting standard known as the Public Sector Accounting Standards—

Ms. Kim Marshall: PSAS.

Mr. Bob Delaney: Exactly. It's comforting to know that the accounting profession has its own set of alphabet soup, just like energy.

Is the change to recognize regulated assets permitted under the Public Sector Accounting Standards, which is the accounting standard for public sector entities? If you can actually understand that question.

Ms. Kim Marshall: Actually, can you repeat it, just to make sure? Before I get too eager.

Mr. Bob Delaney: Okay, let me try this again. Is the change to recognize regulated assets permitted under the Public Sector Accounting Standards, which are the accounting standard for public sector entities? I actually had to write that down to make sure I understood it.

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Ms. Kim Marshall: Our research, in conjunction with KPMG, showed that the PSAS standards are silent in terms of rate-regulated accounting. There is a process within the accounting frameworks as presented that enable an entity to make choices in terms of the hierarchy of accounting standards that are followed.

The IESO, in conjunction with KPMG, looked beyond PSAS and to US GAAP in terms of the activities of rate regulation, and we used that as our basis for the establishment of the rate-regulated accounting.

I will say that more than one big-four accounting firm worked with us and KPMG on this process, so we did do a fair amount of due diligence around this.

Mr. Bob Delaney: Okay. I know from some of my travels during the summer that some of the state legislatures in the Great Lakes area are, in fact, grappling with issues very similar to this. It sounds very much like the type of assets and liabilities that other independent system operators would have.

For perspective, could you talk about how IESO's accounting policy compares to its peers' in this regard, to the limit of what you can, given the early stage in the development of where we're going?

Ms. Kim Marshall: Are you asking in terms of how our policy compares to how others approach it?

Mr. Bob Delaney: That sums it up rather well.

Ms. Kim Marshall: In terms of the actual details—I'd have to get back to you on specific details. We were looking for trends, and we did do some work in terms of how others are defining their rate-regulated assets. I don't have that at my fingertips.

Mr. Bob Delaney: Do you have anything to say about how these accounting changes would impact electricity ratepayers?

Ms. Kim Marshall: It's very important to note that these changes have no impact on the ratepayer; there's actually no impact in terms of what a ratepayer gets charged. What was there before in terms of the collection of the smart meter or in terms of our settling of the market—nothing has changed. It's simply the presentation on our financial statements.

Mr. Bob Delaney: Perhaps the minister would like to pick it up from here.

Hon. Glenn Thibeault: I will; thank you. What's the time left for—

The Chair (Ms. Cheri DiNovo): Six minutes.

Hon. Glenn Thibeault: Six minutes.

Thank you for that, Kim, which does bring forward the fair hydro plan, which is going to be part of a lot of my opening statement. Of course, that's not all of what my ministry does. It also oversees other energy agencies: the Ontario Energy Board, OPG, along with our system operator, the Independent Electricity System Operator. In addition, the ministry represents the province as the largest shareholder of Hydro One, as well, and that should be noted. I think it's important, too, to state that the ministry works with various partners inside and outside government to promote energy-conservation-related initiatives and develop the electricity generation, transmission and distribution and other energy-related facilities that power our economy.

Further, I think it's important to note that within my mandate—the Ministry of Energy's mandate—the Premier issued a mandate letter in 2016 that outlined some of the key priorities. I think it's important, again, to note that these priorities—which are also available online, as a testament to our government's commitment to being as transparent and accountable as possible—are as follows: We're developing the province's next long-term energy plan; we're continuing to engage with indigenous partners in energy-planning decisions and supporting economic development and reconciliation; we're promoting energy conservation and the adoption of renewable energy; we're supporting the transition towards a low-carbon economy and reducing greenhouse-gas-related pollution; we're driving efficiencies and maximizing return on investment from the electricity sector, and, of course, taking further action to mitigate the impact of electricity prices on consumers and businesses. For maybe the next four minutes, I'd like to talk a little bit about the progress we've made as a ministry and a government in meeting these objectives.

I think the first thing I should start talking about is the long-term energy plan, or the LTEP, as it's often referred to in Ontario's energy policy circles. For those of you not familiar with the long-term energy plan, I'd like to provide some background information. The plan serves as a road map that broadly sets out the direction for Ontario's energy future for the next 20 years. The province released its first LTEP in 2010, and then, three years later, in 2013, Ontario released an updated plan called Achieving Balance and has been implementing the plan every three or four years since then.

Last year, the Ontario government passed the Energy Statute Law Amendment Act. This important piece of legislation enshrines a long-term-planning framework that builds upon the robust process that was used to develop the 2013 long-term energy plan. That Energy Statute Law Amendment Act also ensures that energy planning adopts a transparent, pragmatic approach and that future plans adhere to the following objectives: affordability, reliability, clean energy, reducing GHG emissions, community and indigenous engagement, and conservation and demand management. In addition, the legislation empowers the IESO to undertake a competitive selection of transmission-related procurement when

appropriate. This competitive approach will ensure that Ontario ratepayers get the best value from energy-related infrastructure investments.

Developing the long-term energy plan is a highly collaborative process that involves indigenous communities, stakeholders and government agencies. Equally important is that it provides an opportunity for people from across the province to provide invaluable feedback.

The Chair (Ms. Cheri DiNovo): You have two minutes left.

Hon. Glenn Thibeault: Two minutes? Thank you.

With this in mind, the Ministry of Energy officially launched the long-term energy plan engagement process last fall. We had Ontarians participate in this important conversation in three ways. First, the ministry organized stakeholder consultation sessions and public open houses in 17 communities across the province. We had more than 500 attend these stakeholder consultations and hundreds of people attend the public open houses. We also should note that we hosted 17 engagement sessions with indigenous communities to provide First Nations and Métis community members with an opportunity to share their unique perspectives and input into the long-term energy plan process. I know we've done a lot of travelling to remote parts of Ontario to engage with members of First Nations communities to gather their feedback on this process.

Very quickly: We also had an online survey divided into eight top-of-mind energy-related themes. They were: your energy use, supplying electricity, fossil fuels, investing in electricity, the price of energy—which is a popular and pertinent topic, as everyone here well knows—carbon pricing, in your community and your local utility.

With that, Chair, I'm sure I'm getting very close to my time. But I'm sure that in the next seven hours we'll have plenty of opportunity to talk about the long-term energy plan and other components within this ministry. Thank you for your indulgence, and I now look forward to 30 minutes from my colleagues.

The Chair (Ms. Cheri DiNovo): Thank you, Minister. We now move to the official opposition. Mr. Smith.

Mr. Todd Smith: Good afternoon, Minister and Deputy. Good to see you. There's a lot to cover that has been going on in the energy sector for the last year, since we last had you at estimates, so we will try to move through the topics as swiftly as we possibly can.

One of the things I wanted to start with was the very controversial leaked deal with Quebec—or the non-deal with Quebec. Of course, we know that there was a deal signed in the fall of last year for two terawatt hours of electricity from Hydro-Québec, and then there was the rumoured story, as well, from this summer in *La Presse*, which you—or your office, at least—swiftly put a wet blanket on as not being a done deal.

Let me go straight to that. The first page of the document that was disclosed by *La Presse* reads, "Following our recent discussions and Minister's Thibeault's June 13, 2017 letter to the Honourable Pierre Arcand...." In

your statements, though, to the press, you suggested that Quebec solicited this deal. Could you provide the committee with a copy of that letter that you sent Minister Arcand on June 13? Would that be something you could do for us?

Hon. Glenn Thibeault: I'm sure we can try to see if we can get that. I have a copy of the letter that we sent here on the 27th of July, as you said, which is the wet blanket. I thought I was a little more polite than that in the letter, but it was that.

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When it comes to the deal with Quebec, you're right: We do have a deal with Quebec that was signed last year. I don't know if you want me to get into the details of that deal, but when it comes to looking at the best interests of the ratepayer, we'll have a conversation with our neighbours. But, again, it's got to meet the needs of our ratepayers. We've got to make sure that it's affordable and that it meets our system needs. This did not.

Mr. Todd Smith: Okay, so I'll take it as a yes, then, that you'll provide the committee with that June 13 letter to Minister Arcand. That's something that you can provide?

Hon. Glenn Thibeault: I said that I'll try to find that, yes.

Mr. Todd Smith: Okay. I'm sure you can. And that's been made a note of by the committee?

Also, and this would go to follow up with what you were saying, in your response to the La Presse article, you said that you would be responding to the Hydro-Québec offer with a term sheet as well, outlining what Ontario's needs might be for any deal with Quebec. Is there such a term sheet? Has that been sent to Quebec?

Hon. Glenn Thibeault: Not from my recollection. Deputy?

Mr. Serge Imbrogno: No, we would have—

The Chair (Ms. Cheri DiNovo): Could you introduce yourself?

Mr. Serge Imbrogno: Serge Imbrogno, Deputy Minister of Energy.

We always have ongoing discussions with Quebec. The minister will meet on a regular basis with his counterpart, and not just to talk about electricity trade. We also talk about remote communities. We talk about Energy East. We've done some joint statements with Quebec as well. I think we have ongoing, regular contact with Quebec.

In terms of the electricity trade, we would make Quebec aware of, if there is an extension of the deal, what we are looking for as Ontario. We would articulate that we wanted firm capacity and that we want more of the storage, or they call it cycling—that we need the capacity. We would have outlined to Quebec the general needs of the province.

Mr. Todd Smith: So there would be a term sheet, then, that was sent to Quebec outlining what the needs are for Ontario's energy sector?

Mr. Serge Imbrogno: I wouldn't necessarily call it a term sheet. I'd say, "Here are the requirements that

Ontario needs for our system. We don't need the power until 2024" and that kind of thing—general statements about need. When I think of a term sheet, I think of a more detailed—like a negotiated agreement and then you have a term sheet. This is more of a general outline of the needs of Ontario.

Mr. Todd Smith: The letter that was sent back from Hydro-Québec indicated that the proposed deal, or I guess the offer, was to begin providing this electricity in January 2018. As far as Ontario is concerned, if there was a term sheet that went back to Quebec, it would indicate that power was necessary at what particular time from Quebec?

Mr. Serge Imbrogno: We already have an existing agreement with Quebec. What you saw, their offer in that letter, was that they took the existing agreement and marked it up. What we would have articulated to Quebec was that we have sufficient supply now, and that as Pickering comes off in 2022-24, that's when we start needing capacity in Ontario. We would have articulated that in the minister's correspondence.

Mr. Todd Smith: Okay. Can that correspondence be provided to the committee?

Mr. Serge Imbrogno: Well, I'd have to go back and check. I think that letter is probably public already.

Mr. Todd Smith: Not specific about Ontario's needs, though. The letter that I saw that was released in La Presse indicated that there was no deal at this time. What I'm wondering is—if the minister is continuing to negotiate and a term sheet is being sent to Quebec, I think it would be helpful for us all to know what the term sheet says.

Mr. Serge Imbrogno: Just to clarify, it's Hydro-Québec and the IESO that have done the negotiations, and the general parameters would be set by the ministry and the minister. So it's not the minister negotiating in these discussions with Quebec directly; it would be through the IESO. The minister's correspondence would be at a higher level, and then any of the detailed term sheets and negotiated contracts would be through the IESO and Hydro-Québec.

Mr. Todd Smith: But the minister—Minister Thibeault, if you don't mind answering, you were quite specific when you responded to these rumours of a deal that that deal, as it was proposed by Hydro-Québec, would result in a \$30 increase per year on Ontario electricity customers' bills. How did you come to that conclusion? Did you contract outside consultants for that?

Hon. Glenn Thibeault: No, the IESO, our system operator, as the deputy was saying, is the entity that looks at all of these contracts. They're the ones that we would rely on to give us that type of information.

Mr. Todd Smith: So you're saying no outside consultants were hired to analyze this deal that Hydro-Québec proposed on June 22?

Hon. Glenn Thibeault: Again, the deputy—but for me it goes to the IESO.

Mr. Serge Imbrogno: Yes, we have a team that includes Infrastructure Ontario as well. They would have

been part of those discussions with IESO and Hydro-Québec.

Mr. Todd Smith: And they're with who, sorry?

Mr. Serge Imbrogno: Infrastructure Ontario.

Mr. Todd Smith: So Infrastructure Ontario is involved? No outside consultants, you're saying, were asked to contribute to—

Mr. Serge Imbrogno: In terms of the analysis, it would have been the IESO that would have undertaken the analysis.

Mr. Todd Smith: Okay. So there's nothing that you can point to where a KPMG or a Deloitte or any of those types of firms would have been used to provide any kind of analysis on the deal with Quebec?

Mr. Serge Imbrogno: In the initial analysis, it would have been the IESO. It was Infrastructure Ontario, as part of the negotiating team initially, when we did the initial agreement with Quebec. Later on Deloitte was brought in just to provide advice, but not to do any of the analysis. So there's no analysis from Deloitte on the deal. It would have been IESO providing the analysis. Deloitte was there just to provide general advice.

Mr. Todd Smith: Okay. Thanks for clarifying that. The public accounts for this year show \$73,507 expensed to Ernst and Young and then a second \$145,243 expensed to Deloitte. Can you be a little bit more specific—other than advice—on what these two expenses correspond to regarding the services rendered by these companies?

Mr. Serge Imbrogno: I'd have to get back to you on E and Y. Just off the top of my head, they weren't involved in the discussions with Quebec. Deloitte would have been brought in later just to provide this general advice, but not to do any of the analysis.

So it would be to provide advice and strategy, but not to do any specific analysis.

Mr. Todd Smith: Okay. And is Saad Rafi now a part of this team that is providing this advice to the ministry?

Mr. Serge Imbrogno: Saad would have been the person that Deloitte assigned to the project.

Mr. Todd Smith: And he's done a lot of work, probably, with you before.

Mr. Serge Imbrogno: Well, he was the former Deputy Minister of Energy, so I think he has expertise on the energy side and then he has expertise on the accounting side and strategy side. That's the person that they felt was best suited for this assignment.

Mr. Todd Smith: Okay. Would it be appropriate for the ministry to send any of that advice that you're receiving—you're saying that the advice you're receiving from these two companies, specifically Deloitte, isn't in relation to any potential Hydro-Québec deal?

Mr. Serge Imbrogno: Well, it's advice in discussions with Hydro-Québec. So it is related, but all I'm saying is in terms of the analysis of the deal, it would have been all through the IESO. Deloitte wasn't engaged to actually do the analysis, it was the IESO. I think part of what Deloitte did was look at if the assumptions are reasonable, based on their experience; that kind of thing. But it

wasn't to do a hands-on analysis for us. We would depend on the IESO for that.

Mr. Todd Smith: Okay, so back to the minister, returning again to the actual deal: When it was announced, your ministry put out a statement saying that the deal was intended to reduce the use of natural gas for electricity production. Are you aware of that report that was published by Strategic Policy Economics that said, for the first six months of this year, Ontario would have only needed 0.4 terawatts of Quebec imports, or 5% of the contracted generation that was anticipated in this Quebec deal? Have you seen that report? Are you aware of that report, either Minister or Deputy Minister?

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Hon. Glenn Thibeault: I'm aware of the report. But let's be clear on something—even in my letter that I sent to the minister in Quebec, on page 2:

“To reach an enhanced electricity trade agreement that is in the best interest of Ontario's ratepayers and its systems, we would require that the proposal meet the following three principles:

“(1) Include firm capacity that can be counted towards meeting Ontario's resource requirements;

“(2) Support the shared goals of carbon reduction by targeting domestic natural gas generation and domestic measurable reductions in GHG emissions; and

“(3) Demonstrate that the proposal is cost-effective and provides a reduction in Ontario electricity costs when compared to other supply alternatives.”

With just those three points, when it relates to your question, this wasn't a deal that we would have been interested in at all. As I think the deputy said before, and it's enhanced in this letter, we have a shared goal within Quebec and Ontario to reduce carbon. But it also, as the opening line in this letter talks about—not in the opening line but at least what it talks about in one of the opening paragraphs—this wasn't a deal that was in the best interest of our ratepayers.

Any comments, Deputy, on the report?

Mr. Serge Imbrogno: I don't have the report in front of me; I may have read it at one point, but I don't recall the details. But I think it's important on the agreement that we do have with Quebec that we did target, when Quebec power comes in, to reduce our natural gas burn. That was an important part of that agreement with Quebec. So there's the two terawatt hours of energy, but it's when that energy comes in that's the important part. It's structured so that energy comes in when we would have normally been burning gas. Now, it's hard to target that exactly, but that's how that deal was structured. And that was one of the intended outcomes: to reduce natural gas production and reduce GHG.

Mr. Todd Smith: Because the deal that has the wet blanket thrown on it—that isn't the deal—was a taker-pay situation, which wouldn't have allowed you, really, to take natural gas off-line, right?

Mr. Serge Imbrogno: That's correct. I think that's one of the reasons the minister wrote back and said that if Quebec can just send that power any time, they could

send it in the middle of the night and it wouldn't help with our natural gas reduction. We wanted Quebec to come back with something that would further target reducing natural gas.

Mr. Todd Smith: From what we're talking about here, if you were going to bring in eight terawatt hours of hydroelectric power from Quebec, it would be baseload generation that you would be looking to replace, correct?

Hon. Glenn Thibeault: That's why we've said no.

Mr. Todd Smith: So why is the government asking, then, in the first place? if there's an understanding there that it wouldn't be available to reduce natural gas or emissions, it would only be able to replace baseload—which, currently, in Ontario, is virtually emissions free—why would the government be then contracting or trying to contract or negotiating to bring in eight terawatt hours of hydroelectric power from Quebec?

Hon. Glenn Thibeault: Again, there are some assumptions in that question that aren't entirely—

Mr. Todd Smith: Not really.

Hon. Glenn Thibeault: I appreciate where you're coming from, MPP Smith. Really, it's incumbent upon any government to continue to have a conversation with its neighbours, but we're not asking for those types of specifics. I'm not going to read the letter again, but we need to ensure that we're meeting the demands that we're going to need, as we talked about, in 2024, when Pickering comes off-line. That's a significant amount of power that we need to look to replace, and those are some of the consultations that we're having right now.

In relation to anything further, Deputy, is there—

Mr. Serge Imbrogno: I'd just say that I think the minister's letter was quite clear that the proposal that Hydro-Québec put forward wasn't acceptable because it didn't target the gas burn, so it wouldn't have been in our interest to do that.

Mr. Todd Smith: Okay. The deal is also light on details with regard to potential transmission infrastructure as well that might be necessary to transmit additional electricity from Quebec through the HVDC intertie with Quebec. We have different IESO estimates that have placed the cost for this in the hundreds of millions or even billions of dollars.

How much additional transmission infrastructure would the deal have put Ontario ratepayers on the hook for, had this deal gone through? Have you figured that out? We do have a number of different reports that it could be, as I say, potentially billions of dollars.

Mr. Serge Imbrogno: The IESO had put together an initial report on our interconnects with Quebec. There were estimates at that time of what it would cost to get different thresholds of electricity from Quebec. If we're just trading terawatt hours, we have sufficient capacity. It's when you start getting into capacity rather than just energy that you need to expand the interties and build more transmission from the Ottawa area down into southern Ontario. It depends on how many thousands of megawatts you're looking at.

The IESO recently updated that report to say you could get an additional 1,000 megawatts of capacity from Quebec with about a \$20-million or so investment in the Ottawa area. There's just—

Mr. Todd Smith: Twenty million dollars?

Mr. Serge Imbrogno: Twenty million dollars. The previous report estimated \$300 million, but from that time, IESO was able to talk to Hydro One, and they have a different way of doing it. Initially, they thought they'd have to build a new line, but when Hydro One looked at it, they felt they could expand the capacity of the existing line. It would be a \$20-million investment if you wanted to get an additional 1,000 megawatts of capacity from Quebec.

Mr. Todd Smith: Is that why Infrastructure Ontario is involved then, because there is the potential that money would have to be invested in new lines through Ottawa? It's the Hawthorne-Merivale corridor?

Mr. Serge Imbrogno: Well, Infrastructure Ontario had a lot of expertise, so they helped us negotiate with Bruce when we did the Bruce refurbishment. I think, partly, they were there not just on the infrastructure side, but more on their awareness of the sector, the negotiation skills. It was a combination of reasons why they were there.

Mr. Todd Smith: Okay. So back to the deal that we do know is in place and has been signed, the two-terawatt deal with Hydro-Québec: It was signed the fall of 2016, I believe, right? At that time, your government said that it would save the province \$10 million per year. If you can confidently say that in a press release, that it's going to save that much money per year, how come we don't know the cost per megawatt hour here in the Legislature? How come that hasn't been made public?

Mr. Serge Imbrogno: With the original Quebec deal—

Hon. Glenn Thibeault: Yes, you're talking about the original Quebec deal, because the other one, there is no deal.

Mr. Todd Smith: That's right, but we do know the cost for that deal that's not going to happen, but we don't know the cost for this one.

Hon. Glenn Thibeault: From my understanding, and I will defer to the deputy, but it was Hydro-Québec's, I guess, concern about the release of those details, because it was confidential business dealings and they had some terminology for it, but—Deputy?

Mr. Serge Imbrogno: I think they're looking at competing for RFPs in New York.

Mr. Todd Smith: Say that again; sorry.

Mr. Serge Imbrogno: Hydro-Québec is looking to compete in New York for RFPs and in other jurisdictions, so they were hesitant to make the commercial arrangements of that deal public. We talked about the two terawatt hours, but there were other components to that. There is the capacity and there is the cycling we call storage. So the \$70 million in net savings was a combination of those three pieces together. That analysis would have been done by the IESO, to get the \$70 million over the seven years.

Mr. Todd Smith: But for the minister or the Premier to come out and say that this deal is going to save Ontario \$10 million, we should be able to base that on something. It would be really nice if we could check your work, right? And I can't check my daughter's work anymore because the new math is just beyond me, but—

Hon. Glenn Thibeault: How old is your daughter?

Mr. Todd Smith: She's 16—and 14.

Hon. Glenn Thibeault: I've got a 14- and a 10-year-old. I'm the same way.

Mr. Todd Smith: I know; the new math is impossible.

Anyway, if you're going to come out and make that kind of a statement, that you're saving the province \$10 million, then we should be able to say, "Okay, well, this is the deal" and be able to measure it against—you can't have it both ways, I guess, is what I'm trying to say. You can't say, "We're saving you \$10 million but we're not going to tell you how much we're paying per megawatt hour." So how much are we paying per megawatt hour on that deal?

1700

Mr. Serge Imbrogno: Well, I think we'd have to get Hydro-Québec to allow us to provide those details. It would be inappropriate for me to provide them right now. We can go back and ask Hydro-Québec if they're at that point. Maybe with the passage of time it would be a different story.

Mr. Todd Smith: Now that the numbers are out there, is it a better deal than the one that was proposed in the letter that was sent to you in June, or is it not as good a deal as the one that was proposed?

Hon. Glenn Thibeault: If you look at what I said in the letter, HQ's proposal would increase average residential electricity bills by approximately \$30 per year. That's the non-deal. The deal we're talking about is a \$10-million savings per year. Again, as I said at that time, even if it's a nickel, 50 cents or \$5 that we're taking off someone's bill in Ontario, that's important, but we looked at the cycling or the storage component and the sharing that we are able to build with Quebec as the importance of this deal as well.

Mr. Todd Smith: So what's the price? Can you tell us?

Mr. Serge Imbrogno: I don't want to repeat myself, but we'd have to get permission from Hydro-Québec.

Mr. Todd Smith: Can we try and get that? I think it's very important that we know that. The minister, with all due respect, was very transparent and open about publishing his mandate letter, but I believe we, as legislators and Ontario electricity customers, have the right to know the details of these backroom deals.

This was another sole-sourced, backroom deal with Quebec. This was not something that went through a competitive procurement. Nobody was sharpening pencils here that we're aware of and trying to get you a better deal. There's only one Hydro-Québec. I think it's only fair that we know what the price is per megawatt hour, and if we can have that information, I think it

would go a long way to providing you with a much more sturdy platform to say, "We're actually saving \$10 million," because otherwise we just have to take your word for it. No offence, but we don't.

Would it possible to try and work on that? Is that something you could potentially talk to your folks in Quebec about and provide the committee with that information?

Mr. Serge Imbrogno: Yes. I think because the contract is between the IESO and Hydro-Québec, we can ask the IESO to talk to Hydro-Québec to see if they're willing release the details of the—

Mr. Todd Smith: Sure. I think you understand why. We have hydroelectric producers here in Ontario that are providing clean renewable energy at four cents a kilowatt hour, who claim they can provide a lot more than they are currently providing. They're wondering why we're going outside to Quebec when we can be doing so much more here in Ontario with the infrastructure that we already have.

Hon. Glenn Thibeault: I appreciate your questioning. I don't think we want to keep answering the same question over and over again, but I look at it from the deputy's point of view as well. We'll ask. The second thing too is, let's not forget about the importance of the storage or the cycling that we've been able to do with Quebec, because we can utilize that power when we need it most, which is usually in the summer to help us when we have the end of September and it's 40 degrees type of thing; right? So that storage was key for us.

Mr. Todd Smith: Okay. So I'll ask you a new question.

Hon. Glenn Thibeault: All right.

Mr. Todd Smith: You're bored with that question, so I'll ask you a new one.

With regard to market renewal—this is still related to Quebec—your ministry's continually touted savings numbers provided by the IESO in particular with regard to capacity auctions. However, you've also made significant moves with Quebec, as we just talked about, to procure more sole-sourced power through contracts. Why wouldn't you just make Quebec bid into the capacity auction here in Ontario?

Hon. Glenn Thibeault: Thank you for the new question. Part of the letter is saying that we know the IESO is working hard right now with many of the stakeholders to talk about a made-in-Ontario solution with market renewal. It is something that will, over the next 10 years, help us save \$5.2 billion. So building that new system, evolving our system with that made-in-Ontario approach—Deputy, I think it would be important for us to continue to say it is important for the sector, but there are many other things we should be doing as well.

Mr. Serge Imbrogno: Just on the market renewal, the IESO right now is engaging with the stakeholder community. They're talking to the renewable sector, natural gas. The plan is to roll out market renewal over a number of years, so that when we need the capacity, we'll have the structure in place, which would include capacity

market. The important thing about the negotiations and discussion with Quebec—it's to provide some of that GHG relief now.

I think we can do both. We can move forward with a market renewal agenda and build a capacity market, and also have this agreement with Quebec that helps us to reduce GHGs today. I think we've managed to do both, and you can consistently move forward with market renewal.

Mr. Todd Smith: But the more power that you contract over an extended period of time—the Quebec deal, the two-terawatt deal, is how many years?

Mr. Serge Imbrogno: It's a seven-year deal.

Mr. Todd Smith: A seven-year deal. A lot of the contracts that were signed throughout the Green Energy Act were 20-year deals. The more you sign these term contracts, the more difficult you make it for a capacity auction to work. Would that not be a fair statement?

Mr. Serge Imbrogno: If you look over the planning horizon, with 3,000 megawatts of capacity coming off when nuclear comes off-line, over that 20-year horizon, there's 18,000 megawatts of capacity that we need to re-contract. So I think—

Mr. Todd Smith: But in the short term, though—

The Chair (Ms. Cheri DiNovo): Mr. Smith, you have two minutes.

Mr. Todd Smith: Why, thank you.

In the short term, these sole-source backroom deals that are seven years or 20 years in length negate the ability for a capacity auction to work in the short term.

Mr. Serge Imbrogno: The development of that capacity auction is going to be in place in 2022-23, and 3,000 megawatts with Pickering are coming off. From my perspective, I don't think this deal with Quebec has a negative impact on that capacity auction because we need a lot of capacity, much more than what we're getting from Hydro-Québec, which is mainly the two terawatt hours. I don't think it really has a major impact on the IESO moving forward with the capacity auction in the 2022-23 time frame.

Mr. Todd Smith: Okay. One last question: Finally, on the Quebec deal, did you have any correspondence, Minister, with the Premier or any senior staff in the Premier's office regarding either the contract offer or the correspondence which you sent to Minister Arcand on June 13?

You didn't hear that question; you're doing hand signals.

Hon. Glenn Thibeault: I was tapping.

The Chair (Ms. Cheri DiNovo): Thirty seconds.

Mr. Todd Smith: You're tapping out.

I'm just wondering if you had any correspondence with the Premier, or any senior staff in the Premier's office, regarding the offer or the correspondence with Minister Arcand in that June time period.

Hon. Glenn Thibeault: He and I actually sat down and had the meeting. It was a conversation between myself, his chief of staff and my chief of staff. It was more of a conversation. I asked him, politely, to go away

type of thing and come back with—to keep our conversation going.

Mr. Todd Smith: But no conversation—

The Chair (Ms. Cheri DiNovo): I'm afraid, with that, Mr. Smith, your time is up.

The minister has asked for a five-minute recess. Is that acceptable to the committee? Yes. Okay.

Five minutes. We'll be back at a quarter past.

The committee recessed from 1710 to 1715.

The Chair (Ms. Cheri DiNovo): I think we are ready. If you could take your seats, please.

We are going to move now to the third party. Mr. Tabuns.

Mr. Peter Tabuns: Good afternoon, Minister and Deputy. Good afternoon, assembled staff.

I want to follow on one of the points that was raised by my colleague MPP Smith. I think it was the deputy who was talking to it, but Minister, if you want to talk to it, I'm fine with that. You were talking about negotiating with Quebec to provide power when Pickering goes off-line in 2022 to 2024. Did I understand you correctly, that that was the object of this discussion with Quebec?

Hon. Glenn Thibeault: That was the deputy, so I'll hand that to him.

Mr. Peter Tabuns: Deputy, please.

Mr. Serge Imbrogno: I think when we got that counter-offer, whatever you want to call it, from Quebec—it was for terawatt hours—that started today. Our system doesn't need that additional power today. We will need capacity in the out years.

We had the Ontario Planning Outlook that was published as part of the long-term energy plan, and it outlined when Ontario needs capacity. It starts, basically, when Pickering starts to go off-line.

Mr. Peter Tabuns: So are you looking to Quebec to provide that capacity?

Mr. Serge Imbrogno: Not necessarily. I think with market renewal, we have a lot of Ontario facilities that are also coming off contract that could also provide that capacity, or it could be a different process that the IESO puts in place. It could be more conservation or more demand response. But I think the point would be that the capacity really isn't needed until that time.

Mr. Peter Tabuns: In these discussions you've had with Quebec, you're looking at Quebec as a serious option for providing that capacity in, let's say, 2024?

Mr. Serge Imbrogno: I think Quebec is an option. The minister has outlined what we need in order for Ontario to see this as a net benefit. We've outlined the principles—the GHG reduction, a reduction in the cost to the Ontario ratepayer—so that Quebec would have to meet those conditions.

Mr. Peter Tabuns: Are you not concerned about intertie capacity to bring that power from Quebec to Ontario in 2024?

Mr. Serge Imbrogno: With the intertie report update, we can get that additional 1,000 megawatts by investing that \$20 million. That \$20 million would also help when

we move forward with a capacity auction, where Quebec could also bid into the capacity market through that.

It could be an investment that Ontario would make, to the benefit of the Ontario system. If you make that investment, then it would take time. You've got to go through regulatory approvals; you actually have to do the upgrading. So if you move forward on that, that won't be ready until the 2021-22 time frame as well. But it would line up to allow Quebec to be a more active player in the Ontario market.

Mr. Peter Tabuns: So you don't see a significant investment obstacle to bringing in 1,000 megawatts of capacity from Quebec with that intertie upgrade?

Mr. Serge Imbrogno: It's not an intertie upgrade; it's an investment in the Ottawa area to reduce congestion. But yes, that would be the estimate now. It would go through the regulatory process, but our best estimate from Hydro One now is it's in that \$20-million range.

It's in an update of the IESO report. That's publicly available. We could share that with you or you could go on the website and it's there.

Mr. Peter Tabuns: In fact, I thank you for the offer of sharing that with me. I just hope that research gets that down, and I look forward to getting it from you. Thank you.

Mr. Serge Imbrogno: Okay.

1720

Mr. Peter Tabuns: I don't have anything further on that at the moment.

I want to turn to the so-called fair hydro plan, and the concern that I have with the accounting approach that you took to all of this.

I did take the opportunity to talk to a few accountants afterwards who pointed out to me that we're borrowing very large amounts of money, that it wasn't showing up on the province's books, and that it was showing up on OPG's books. In fact, the Auditor General has raised serious doubts about what I could call "financial engineering." She thinks that it violates public sector accounting standards.

Don't you think that it's very risky, maybe even dangerous, for Ontario to be borrowing large amounts of money off-book and not being open about what's really happening with our public finances?

Hon. Glenn Thibeault: Thanks for the question. There are a couple of things I'd say first, and then I'll hand it to the deputy.

There's an opportunity, I think, for us to recognize the long-term benefit of these assets to the electricity system, and to bring forward the benefit to ratepayers today in deferring some of those current costs.

To relieve the current burden on ratepayers, and share costs more fairly, a portion of the GA that you're asking about is being refinanced. It's the refinancing of this GA that is providing that rate relief, by spreading the costs of the investments over the expected life cycle of the infrastructure that has been built.

I know there is an important role that OPG, the IESO and the OEB are going to play in this.

Maybe, Deputy, you can talk to the specifics of those roles.

Mr. Serge Imbrogno: I would say, Mr. Tabuns, with the Ontario fair hydro plan, there are a number of components to it. When the government looked at what was happening in the electricity sector with rising costs, there were a number of costs that were embedded in the rate base that the government felt were social programs that would more appropriately be paid for, normally, from the tax base.

Mr. Peter Tabuns: Deputy, with respect, I'm not asking about those. I recognize those. You're covering them with revenue.

Mr. Serge Imbrogno: I just wanted to give you a bit of the context, but I will get to your point.

Mr. Peter Tabuns: I'm talking to you about very large-scale borrowing.

Mr. Serge Imbrogno: Right, but I just wanted to give you the context.

What we said was, those costs should appropriately be paid for through the tax base. We moved the RRRP costs and the OESP costs from the rate base into the tax base.

Mr. Peter Tabuns: Agreed.

Mr. Serge Imbrogno: The government also looked at how we were contracting for the supply with 20-year contracts, and felt that there was an unfair burden to today's ratepayer.

The government was very explicit to say that those costs should be spread out, so that ratepayers today get a reduction, and the ratepayers in the future are going to pay more. It was always explicit, from a policy perspective, that that smoothing of costs would be today's ratepayer and tomorrow's ratepayer, always within the rate base.

When you look at the structuring, the financing and the accounting, it reflects the underlying principle that costs that were in the tax base and that should be in the rate base were moved onto the provincial revenue, and the GA smoothing would be maintained within the rate base. That's what is reflected in the way that the province is accounting for it.

In terms of transparency, OPG will have to make quarterly updates; they'll provide that information. You have third-party reviews of what OPG is doing, so it will be very transparent, how much OPG is borrowing and what the costs are. So, in terms of transparency, you will see everything reflected. It might not be on the province's balance sheet directly, but it will be on OPG's, and that will be made public on a quarterly basis.

Mr. Peter Tabuns: The Auditor General considers what you're doing outside public sector accounting standards, as do other accountants that I have talked to. You are effectively saying that a debt is an asset. Don't you see that this is a huge problem for the credibility of our financial statements in the years going forward?

Mr. Serge Imbrogno: Well, I think when Kim was here, she talked about the regulatory asset. It might be helpful if Kim would come up and just explain how that works.

Mr. Peter Tabuns: No, that's okay. I heard Kim before.

Mr. Serge Imbrogno: But she is the accountant. The minister and I aren't accountants. I think she would probably be able to give you more of the principles that—

Mr. Peter Tabuns: That's fine. I don't need to have Kim testify. I'm asking you. This is a matter of government policy.

Mr. Serge Imbrogno: Well, you asked more of an accounting question, and I provided you with the policy perspective and that the accounting would reflect the policy intent. The specifics of how PSAS work and how regulatory assets work: That's what the accountants would work through with our provincial controller. That's what Kim would have worked through, and I think that would be the explanation, if you want more of a detailed accounting rationale. I can provide you with the energy policy rationale.

Mr. Peter Tabuns: I think I'll leave it for the moment, but I may well come back to it.

I should say: I mean no disrespect to you. I appreciate your professionalism.

Ms. Kim Marshall: None taken.

Mr. Peter Tabuns: When the government said that it had to sell Hydro One to raise money for infrastructure, there was a lot of talk about how the government had no more room to incur debt, and yet \$18 billion is being borrowed to reduce rates in advance of an election. It seems that there is capacity for debt. It seems that there is capacity without an awful lot of sweating. Prior to the sell-off of Hydro One, could you not have looked at the same creative accounting to deal with the government's financial problems and avoid the sale of Hydro One?

Hon. Glenn Thibeault: In relation to the sale of Hydro One, the benefits of the infrastructure that is being built across the province I think are evident, and utilizing the system in place—I'm trying to draw the words—it was a firm commitment that was made by the financial institutions. For example, on the last IPO—what was the exact number again, Deputy? Do you recall, off the top of your head? It was in the billions. That was money that we got directly and that we were able to then put into the building of infrastructure.

Do you have those numbers? Go ahead.

Mr. Serge Imbrogno: In May 2016, it was approximately \$2 billion in gross proceeds and then, in May 2017, it was approximately \$2.8 billion.

Mr. Peter Tabuns: You do know that that money hasn't been spent, right? That it hasn't moved into infrastructure? That you're actually underspending every year in infrastructure? You actually haven't spent that money. If you have information showing that the money has been spent on infrastructure, I would be really pleased to see it here. You collected money, but you didn't spend it. So I don't see how you can justify selling off something, collecting that money and then, frankly, not spending it on the purpose for which you said it was collected.

Mr. Serge Imbrogno: The net proceeds would have been dedicated to the Trillium Trust, and the Trillium Trust would have then dedicated those to infrastructure projects.

Mr. Peter Tabuns: But just—and I know this won't be a newsflash to you—they actually haven't been spent on infrastructure. Your government has been underspending its infrastructure budget for the last few years.

Hon. Glenn Thibeault: Just off the top of my head, I can start rhyming off infrastructure that I know that has been spent in northern Ontario; for example, a \$173-million announcement that was made for the expansion of Highway 69 to 400. Even in my own riding of Sudbury, there is \$26 million that was spent on Maley. I know we're talking about more expansion of GO Transit, and I know those are for other ministries that I am sure are coming to estimates. I am sure infrastructure would be more than happy to talk about all of the dollars that are going to be spent and continue to be spent by this government on infrastructure. We're talking about spending \$190 billion in infrastructure. So that can be transit, that can be rail, that can be roads and bridges right across the province.

1730

I had the opportunity of heading up to Kenora and then driving from Kenora to Thunder Bay in the last couple of weeks, and seeing the infrastructure that was being built in that part of the province was quite exciting. With that comes a lot of jobs, so there is money that is being invested in this province. I don't think any other government has invested more money in infrastructure than this government has.

Deputy, do you have anything you would like to add?

Mr. Serge Imbrogno: No. I think we would have to look to the Ministries of Infrastructure and Finance to see how the money has been dedicated from the Trillium Trust to various projects.

Mr. Peter Tabuns: Has any of the money that went to the Ontario Electricity Financial Corp. to reduce debt actually been used to reduce debt?

Mr. Serge Imbrogno: It would have been used to reduce the stranded debt of the OEFC.

Mr. Peter Tabuns: Has it actually been used to pay down debts? The last I looked it was still on the books as an asset.

Mr. Serge Imbrogno: We would have to check with the OEFC to show how they're reflecting that. There was usually an annual report from the OEFC that goes through the detail of the revenues coming in and where that reduces that.

Mr. Peter Tabuns: I did look at their most recent one, and they hadn't spent the money. It was simply booked as an asset. You actually sold off a critical piece of infrastructure for this province, supposedly to pay down debt and to build infrastructure. You actually haven't used it to pay down debt, and as far as we can tell you haven't used it to build infrastructure.

Now, you're not the infrastructure ministry, so you won't be able to give me all the detail on that, but I just

want to point out to you that you were able to borrow \$18 billion or more to reduce rates in advance of an election; sold off Hydro One, saying it was necessary for infrastructure and debt reduction; haven't reduced debt; and haven't used it for infrastructure. Notwithstanding the list given by the minister, I will point out that the sale of Hydro One produced revenue that was far less than your total infrastructure budget. So if other things are being done on Maley Drive in Sudbury, that didn't come out of Hydro One, let me assure you.

Mr. Serge Imbrogno: Mr. Tabuns, can I just clarify one point?

Mr. Peter Tabuns: Try.

Mr. Serge Imbrogno: In terms of the financing for the global adjustment, it's not going to be a one-time financing of \$18 billion or \$20 billion. The financing will occur each quarter or every six months, so as the IESO accumulates the asset, it will be sold to OPG and that will be on a quarterly or six-month basis. We're not going out on day one and borrowing \$18 billion or \$20 billion.

Mr. Peter Tabuns: Oh, no, it's cumulative; I understand that.

Mr. Serge Imbrogno: Right. Okay.

Mr. Peter Tabuns: The FAO, when he did his assessment of your fair hydro plan, pointed out that the debt is more expensive than it needs to be. As things stand, 55% of the debt will be privately financed, via a complicated alternative financing scheme. The FAO pointed out the government could finance 100% of this borrowing scheme using normal public financing to accomplish the exact same policy goal. He says that if it did so, ratepayers would be spared \$4 billion in additional costs. Why is the government imposing \$4 billion in additional costs on to ratepayers by going through a more expensive financing scheme?

Hon. Glenn Thibeault: Deputy?

Mr. Serge Imbrogno: Just a couple of points I can talk to, and we have representatives from OPG here who could provide a bit more detail on OPG's financing plan.

The numbers in the FAO report were correct at the time in terms of the analysis, but there have been updates, changes, as we go through the long-term energy plan, so the amount of borrowing overall for GA financing is going to be less than what the FAO was looking at. We'll provide that update as part of the long-term energy plan release. So that \$4-billion number will be reduced.

In terms of whether there are additional borrowing costs, I think you have to look at who was best placed to do the borrowing, what skill sets they have, and why we picked OPG to be the entity to do that borrowing. OPG has a lot of experience in the market. They understand rate-regulated assets. They do project financing right now. They deal with credit-rating agencies. So in terms of the structure of having OPG, we think it brings a lot of benefit to financing the securitization.

Mr. Peter Tabuns: Are you suggesting—

Mr. Serge Imbrogno: If you allow us to bring OPG up they could give you a sense of where they see their

costs going, where they see their financing going, and what the benefit is of having OPG provide that service.

Mr. Peter Tabuns: Can I suggest, though, that the Ministry of Finance and the associated infrastructure around the Ministry of Finance probably has some expertise with borrowing money, has some expertise in dealing with capital markets? I'm sure that they could bring in OPG to discuss rate-regulated entities whenever necessary.

What the FAO said was that you'd picked a very expensive way to borrow this money. Why did you do that when we could have saved—maybe it wasn't \$4 billion. Maybe you've been able to find some savings; that would be a wonderful thing. So maybe we're losing \$2 billion on the deal instead of \$4 billion. Why did you pick a more expensive financing option, and thus impact the people of this province?

Mr. Serge Imbrogno: Part of it is looking at the whole package of what you're getting from having a private financing come in, what the discipline is on the province from having that.

I think in terms of the additional costs, the \$4 billion isn't the number. I think you have to look at what kind of risk mitigation you get, so what kind of transfer of risk you get from having the private sector provide financing into an OPG entity rather than doing it all through the province.

Mr. Peter Tabuns: So you're saying to me the province doesn't have the capacity—the intellectual capacity, the administrative capacity—to borrow large sums of money?

Mr. Serge Imbrogno: This is more of a securitization. It's not what the OFA does all the time. You need a particular skill set to do that, and I think OPG has that skill set that we're looking for.

Mr. Peter Tabuns: But the FAO has pointed out that the method that you chose is far more expensive in terms of interest costs than going down—sorry, the FAO has said that if you borrowed as Ontario normally borrows, rather than securitizing, you would have saved substantial amounts. He said \$4 billion at the time; you suggest it may be somewhat smaller. We'll find out what the exact amount is at a later point.

Why are we spending more on this than we need to? Tell me, what's worth \$2 billion or \$4 billion in added value from following the financing method that you, in fact, put in place.

Mr. Serge Imbrogno: I think it would be helpful if we had OPG come up and describe a bit of their expertise—what they would bring to the securitization and why that would be of benefit to the province.

Mr. Peter Tabuns: But the question is not that. Securitization is one method that you can use to borrow this money. We could have used the Ontario Financing Authority, I think—the OFA—to borrow the money. The FAO says that if we'd used the Ontario Financing Authority, we would have saved billions of dollars in costs that are not going to be borne by taxpayers or ratepayers. Why did you pick a more expensive approach, notwithstanding the virtues of the folks who are at OPG?

Mr. Serge Imbrogno: I think you have to look at the whole structure in the global adjustment financing—what benefit each player brings to that and what benefit OPG brings to being the entity that would do the financing.

Mr. Peter Tabuns: In my eyes, the big advantage to you was that it gets it off the province's books and hides it in OPG's books, so that you can say, "No, it's not our debt, it's not our responsibility"—although I would think that most financial markets think that the government of Ontario would back up OPG if it got into any financial trouble, so it's a liability if there's any trouble down the road.

Mr. Serge Imbrogno: When OPG does the borrowing, all that will be public, so that there's not going to be anything hidden from the public. It will be very transparent. Having credit-rating agencies looking at what OPG is doing would provide even more transparency.

I'm still offering OPG to give you a bit more detail, but—

Mr. Peter Tabuns: Yes, I don't see where I get \$4 billion worth of value, having OPG borrow money that you could have borrowed far more cheaply, going through the province directly. And you haven't told me that the FAO was wrong. You haven't told me the FAO overstated the potential for savings. You've said there might be some lower costs because of some savings from a long-term energy plan that has not yet been released, so one that we can't assess and question you about.

What was worth \$4 billion?

Mr. Serge Imbrogno: I'm saying the \$4-billion number was based on particular numbers, and those numbers will change.

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Mr. Peter Tabuns: How far will they change?

Mr. Serge Imbrogno: Well, I can't provide those numbers to you today, but when we release the long-term energy plan, there will be an update. The benefit of OPG is there regardless of what that number is, so I've tried to articulate why OPG is well positioned to provide that kind of securitization service, why they have the expertise; why credit-rating agencies will make what they're doing more transparent; why there's more private-sector discipline on that entity.

I think there are a number of reasons, a number of benefits, for having OPG provide that support.

Mr. Peter Tabuns: So notwithstanding the changes that you say will come with the long-term energy plan, you accepted the initial number from the FAO, that the plan that you brought forward was going to cost \$4 billion more than simply having the province of Ontario borrow the funds.

Mr. Serge Imbrogno: I would have to look and see what the response was to the FAO on that particular item. We may have provided comments that questioned that; I just don't recall off the top of my head.

Mr. Peter Tabuns: Well, I'd like to ask—because we have seven hours of quality time to spend together—that you bring that another day, because if, in fact, he's correct and you have stuck the people of Ontario with

another \$4 billion in costs that were unnecessary, I think you have to explain why.

Mr. Serge Imbrogno: Yes. I'm attempting to explain why and give you a rationale for why OPG brings a lot of expertise and transparency to the process and how they will minimize costs going forward. I'm still offering up OPG as—

Mr. Peter Tabuns: I'm still interested—if you think that the FAO was wrong, I'd like you to produce the evidence, and so I would ask you—

Hon. Glenn Thibeault: Part of that is bringing up OPG to explain that process and to explain the securitization benefits that they bring. By not having OPG present—I think they would be able to explain that, with all due respect, in a little bit of further detail.

If you're really interested in getting this, I think both myself and the deputy would be happy to have OPG come up and give you those details.

Mr. Peter Tabuns: I think I will have OPG come up, but beforehand, I would like you to come back to this committee showing why you disagree with the FAO. If you did not reject this \$4-billion differential, I'd like an explanation as to why we're spending an extra four billion bucks on interest costs that we didn't have to spend. If you want to bring up a witness from OPG, we can ask them to explain why their services are worth \$4 billion—whichever person you want to pick.

The Chair (Ms. Cheri DiNovo): Mr. Tabuns, you have just over two minutes left, just to let you know.

Mr. Peter Tabuns: Well, why don't we identify—Sir?

Mr. John Lee: It's John Lee, vice-president, treasurer, of OPG.

The question you're asking specifically is—

Mr. Peter Tabuns: Why is OPG's service worth \$4 billion more than having the province of Ontario borrow the money outright to reduce hydro rates?

Mr. John Lee: Just to clarify, OPG's services—we're not getting paid \$4 billion to provide the specific service.

Mr. Peter Tabuns: No, you're not. It's the difference in costs—the interest cost—between borrowing outright and using the mechanism that the province has set up.

What value do you bring that's worth \$4 billion that the people of this province are having to absorb?

Mr. John Lee: I don't necessarily have the underlying analysis in terms of what was in that specific report. It does identify some numbers there; I've seen the report—but I think the comparison between what's there—if you look at it, if the province was to do it, and it was done as a securitization structure, one might argue as to what that pricing might look like.

I think a lot of it is reflected, in terms of your point—it is going to be a securitization structure. What's happening in this case is by—part of the overall objective is actually to spread the costs out. You have to actually link it in terms of the overall payment scheme going forward, hence the overall needs and the alignment of what the benefits are. The financing to meet that actually lends itself toward a securitization structure.

That's why in this case here, as Kim Marshall had mentioned before, is it a deferred asset? Under "deferred asset," there are certain cash-flow payment streams that come back. Under that, when you look at it, it actually fits into the securitization margin, so I would actually argue that the comparison between the two structures is actually not an appropriate comparison. What you're comparing is really the province's financing scheme, which is more on a bullet basis. Here you're looking at a cash-flow stream, which is going to be matched to specific benefits. So a lot of it is actually reflected in terms of the cash-flow patterns and the fact that there is a different risk profile to it.

I think, as the deputy minister had mentioned, there is a risk transfer that occurs as well, because right now what is happening is any potential lenders who are looking at that specific structure or are facing that separate entity—which is not guaranteed by the province. It is actually tied to the specific asset. So there are different elements of that that I guess help rationalize why there is a difference in specific costs, because I think the comparison between the two numbers is actually almost a bit like apples and oranges, right?

So, hopefully, that kind of gives you some perspective as to why there's a difference, because I think that the basis of the two numbers is not the right basis to actually do that specific comparison.

Mr. Peter Tabuns: Are you familiar with the FAO's critique?

Mr. John Lee: I've seen the FAO report.

Mr. Peter Tabuns: Do you disagree with him that we could have spent \$4 billion less if we had borrowed it outright as opposed to securitizing it through OPG?

Mr. John Lee: I think there are some different elements in terms of that, because like I said you're comparing two—

The Chair (Ms. Cheri DiNovo): I am afraid that is it. Thank you.

We will now move to the government side or back to the minister.

Mr. Bob Delaney: Thank you. Let's try just a slightly different topic.

The Chair (Ms. Cheri DiNovo): Excuse me for a second. The Clerk has just informed me that it has to be the minister for the 30-minute reply. Thank you.

Hon. Glenn Thibeault: Thank you, again, esteemed committee members. It's always a pleasure to have the dialogue and to be able to talk about what we all know is a very important sector. I know we've talked a lot about many important issues and we'll continue to—how did you say it, MPP Tabuns? Seven fantastic hours together? Something along those lines.

Mr. Peter Tabuns: Quality time.

Hon. Glenn Thibeault: Quality time. That's what we have: quality time together. I know we'll have many topics to continue to have a dialogue on.

We've talked a lot, and it has been mentioned a few times, about the mandate letter that I have and many of the priorities I need to bring forward that were outlined

by the Premier in my mandate letter from last year. So I'll talk a little bit about that, and I know I'll get into a little bit, as well, of what we've been speaking to in relation to my opposition colleagues.

I think a commitment that we do have and one that I think we would all agree on is renewable energy and the adoption of renewable energy in this province and the importance that that plays. I know that over a 10-year period, between 2005 and 2015, the share of installed renewable capacity in our province's supply mix grew from 26% to 40%.

This installed capacity breaks down as follows, based on some approximate numbers that I'll provide: That's 4,800 megawatts of online wind power, enough electricity to power about 1.3 million homes each year. Added to this, Ontario has approximately 1,300 megawatts of additional contracted wind capacity yet to come online and 2,300 megawatts of solar capacity online, as well, and that's enough power to get to 300,000 homes each year—it's similar to wind. Our province has contracted approximately 500 megawatts of additional solar capacity yet to come online. Bioenergy capacity, 500 megawatts, with about 8 megawatts of additional capacity, and 8,800 megawatts of installed hydroelectricity capacity, and we've got about 200 more megawatts, I believe, Deputy, that will come online. All told, we have about 16,300 megawatts of renewable energy currently online, with approximately 2,000 megawatts of additional contracted renewable capacity.

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On the national scale, I think it's worth noting that two thirds of Canada's electricity supply now comes from renewable sources, according to a report issued by the National Energy Board in May. This report also highlights the fact that Ontario produces the lion's share of Canada's solar production, an impressive 98% of all Canadian solar production. This unparalleled leadership in the field of solar energy should be a point of pride for all Ontarians. It also validates our government's efforts to support a clean energy system, including initiatives such as the feed-in tariff program, which has made it easier for homeowners, small businesses, farmers, not-for-profit groups, community groups, First Nations and Métis communities to participate in renewable energy projects.

The first phase of LRP I—or, as we called it, the large renewable procurement—introduced strong competition among developers of large renewable projects to help drive down the price and, in the process, secure clean, reliable generation for the province.

A provincial net metering framework that is currently being updated will provide customer choice in generating clean, renewable energy. It will help reduce the load, which I think is important to outline on our electricity system, and it's going to help foster innovative technologies and customer-utility relationships.

I know I mentioned earlier in one of the questions—I believe it was to my colleague from the PC Party—that I was just up in northwestern Ontario and got to tour the Atikokan Generating Station, fantastic biomass facility

that it is. Converting two of our province's former coal generating stations—Atikokan Generating Station and, of course, the Thunder Bay Generating Station—from coal to biomass and advanced biomass respectively are just key pieces of our electricity system grid. The importance of recognizing that you can do great things when you work together—eliminating coal is part of that, because reducing greenhouse gas emissions and the pollution related to GHGs, and supporting the transition towards that lower-carbon economy and the end of coal, was paramount.

These initiatives did help bolster our renewable energy generation, and that's one precedent-setting achievement that I'm particularly proud of. That achievement is the fact that Ontario eliminated coal from its electricity generation in 2014. I know that most of you know that, but this was no small feat, especially when you consider that in 2003, coal represented 25% of our electricity supply mix. In commenting on this achievement, I know that even Al Gore praised Ontario for successfully carrying out the largest greenhouse gas reduction project in North America. Mr. Gore went on to say that Ontario had "distinguished itself as a leader in Canada and around the world." Cutting out coal was supported by a majority of Ontarians, as well.

Then there are many benefits to consider in eliminating coal. First, it reduced Ontario's GHG emissions by 30 megatons, the equivalent of removing seven million cars from the province's roads. Secondly, it eliminated some of Canada's largest sources of pollution, including greenhouse gases such as carbon dioxide, along with other air pollutants such as sulphur dioxide, particulate matter, nitrogen oxide, mercury, arsenic and lead. Thirdly, going coal-free virtually eliminated smog days in this province.

Ontario's success in reducing GHG emissions brings me to the fourth mandate commitment that I'd like to talk a little bit about: that is, continuing to reduce GHG-related pollution and supporting the transition towards a low-carbon economy. These two objectives combined are of critical importance in combatting climate change.

Be it the increase in the extreme weather like floods and droughts or damage to infrastructure like roads and highways and rail links, climate change is here and it is already impacting our lives. That's why we must work collectively as a province to reduce pollution and GHG emissions and transition towards a low-carbon economy.

Fortunately, with respect to reducing GHG emissions, I can confidently say that the Ministry of Energy is actively doing its part. For example, according to the IESO, our Independent Electricity System Operator, in their Ontario Planning Outlook released last fall ahead of our long-term energy plan engagement sessions I discussed earlier, GHG emissions from Ontario's electricity sector fell by over 80% between 2005 and 2015. This significant reduction in GHG emissions is directly attributable to the government having the leadership to eliminate coal-fired generation as well as a reduction in demand for electricity.

Significantly reducing GHG emissions stemming from Ontario's electricity sector also moves us one step closer

in meeting the province's GHG emission reduction targets—targets outlined in Ontario's Climate Change Action Plan. I believe you would all be aware that the climate change action plan is a five-year plan aimed at helping Ontario fight climate change over the long term. It also includes recommended actions that will affect our province's future energy use.

The targets identified are important for me to outline. It's a 15% reduction in GHG emissions below 1990 levels by 2020, followed by a 37% reduction below 1990 levels by 2030, and then an 80% reduction below 2050 levels. The plan also outlines actions that our government is taking and plans to take to reduce carbon emissions in the province, actions that in all likelihood will impact our province's future energy use. This includes—and I think it's important to mention—helping homeowners and businesses purchase and install low-carbon energy technologies such as geothermal heat pumps and air-source heat pumps; solar thermal and solar energy generation systems that reduce reliance on fossil fuels for space and water heating; and increasing the availability and use of low-carbon fuels such as propane, liquefied gas and gasoline mixed with renewable fuel content such as ethanol.

With this in mind, Ontario plans to implement a new regulation that will lead to a 5% reduction in GHG pollution from gasoline by 2020. It provides rebates to individuals who purchase or build their own near-net-zero carbon emissions homes—that's a mouthful to say—with energy efficiency performance that sufficiently exceeds the requirements outlined in the building code.

I've listed only a few of the measures our government is pursuing to reduce our province's carbon footprint. But this past August, Ontario launched the Green Ontario Fund and the GreenON website, a one-stop shop of programs and rebates to reduce energy costs and to help fight climate change. I would like to acknowledge the ministry of energy and climate change for their steadfast work in implementing the climate change action plan initiatives, including establishing the Green Ontario Fund.

I also think it's important for me to thank the staff at the Independent Electricity System Operator, whose significant expertise, resources and delivery infrastructure helped support initial GreenON program development. I know they probably cheer for the wrong football team too, Deputy. Not that I want to get it on the record, Terry, but I know you are a Cleveland Browns fan.

Mr. Todd Smith: What? There is such a thing?

Hon. Glenn Thibeault: Sorry. It's out there now, Terry.

I've probably got about a minute and a half, two minutes?

The Chair (Ms. Cheri DiNovo): You've got about two minutes.

Hon. Glenn Thibeault: Okay. Thank you, Chair.

In the process, the IESO—besides their football team—have been doing great work. They provide a really coordinated, one-window approach for customers.

This brings me to the fifth commitment outlined in my mandate letter, which is driving efficiencies and maximizing return on investment from the electricity sector.

I think what we heard from the questions today, from everyone involved, is that this ministry and Ontario's electricity sector are continually evolving. In a very real way, I think our sector may be at that point that the telecommunications companies occupied in the late 1980s, whereby technology and technological innovations combined with customer demands for better services and products are going to drive a remarkable pace of change. To that end, I think our regulatory and public policy governance structures need to evolve as well, to keep up with today's ever-changing marketplace. To do this, I think we really do need to become less prescriptive and allow for leaders at all segments of the value chain to enter Ontario's energy market without a heavy-handed regulatory market getting in the way. For the Ontario government's part, it will need to take a step back from

picking specific technologies, from picking winners and losers, and allow for a more dynamic, competitive and outcome-based approach.

To move these things forward—and I know that the IESO is leading a market renewal initiative that was talked about earlier. That will result in an ambitious set of initiatives aimed at fundamentally redesigning Ontario's electricity market and, in that process, ensure that our future energy needs are met in a reliable, flexible, clean and—most importantly, Chair, I believe—cost-saving measure. You're smiling. Are we at that time where I'm—

The Chair (Ms. Cheri DiNovo): Close enough, Minister.

Hon. Glenn Thibeault: Okay, all right. Thank you very much.

The Chair (Ms. Cheri DiNovo): I declare that we are adjourned until Tuesday, October 17 at 9:00 a.m.

The committee adjourned at 1800.

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