Briefing for June 2, 2017

Headlines

The Sault may have turned blue last night, but there is a bright spot for the Liberals. After months of lagging in public-opinion polls, they seem to have clawed their way back into contention in the Grit bastion of Toronto, according to Forum Research. Forum's latest survey shows the Grits sitting neck-and-neck with the PCs in the 416. *QP Briefing* has the story.

The survey comes the morning after the Liberals were defeated by the Tories in the Sault Ste. Marie byelection to replace former cabinet minister **David Orazietti**, who had held on to the riding since 2003.

The last time the Tories won a seat in the Soo was 1981. Such a big win appears to have warranted a trek from Toronto.

View image on Twitter

Speaking of the six, Mayor **John Tory** is hoping to enlist Ottawa's help in putting pressure on Queen's Park to fork out more transit and infrastructure cash, the *Toronto Star* reports.

The PC Party has turned down a request to appeal the nomination contest in Newmarket-Aurora, which was won by **Charity McGrath**, the *Star* reports. The riding association executive had complained to the party brass about alleged "irregularities" on nomination night.

Lake Ontario's giant rubber ducky continues to ruffle feathers.

PC MPP **Michael Harris** wants to outlaw pill presses, machines that can make thousands of counterfeit pills an hour, to combat the opioid crisis, the *Toronto Star* reports.

The trial of **Elizabeth Wettlauffer** began on a grisly note. In a taped interview with police that was played in court, the former nurse, who pleaded guilty to murdering eight patients, described her reaction to the deaths "like a cackling from the pit of hell." CBC has the story.

Our other stories from yesterday:

- OPG called out for proposing 'excessive' employee pay and 'expensive' rate proposal
- Revamped labour bill hits the table, will be sped through to committee
- Child protection bill passes as social conservatives fear 'overeach by the state'
- Anti-racism bill passes after anti-Semitism, Islamophobia amendments

In the opinion pages:

- David Reevely defends the duck
- Thomas Walkom wonders where Ontario Power Generation should bury nuclear waste
- Alan Whiteley likens the Fair Hydro Act to a Ponzi scheme

Grits and Tories in a dead heat in Toronto, new poll suggests

The Grits are back in the game.

That's the upshot from a Friday Forum Research survey that suggests Ontario's governing Liberals have rebounded in their stronghold of Toronto, after months of lagging behind in public-opinion polls.

According to the poll, provided exclusively to *QP Briefing*, the Liberals are sitting neck-and-neck with the Progressive Conservatives in the 416.

Of the 1,035 decided and leaning voters Forum surveyed in Toronto, 34 per cent said they would cast their ballots for the Liberals if an election were held today, 34 per cent would support the PCs, and 25 per cent would vote New Democrat. Five per cent said they would choose the Green Party, and two per cent would pick another party.

Respondents backing the Liberals tended to be younger women, while older men preferred the PCs.

"Following months of weak numbers for the Liberals, they've bounced back slightly in fortress Toronto, likely their most important region," said **Lorne Bozinoff**, president of Forum Research, in a release.

The poll comes a day after the Liberals were defeated by the Tories in Thursday's byelection in Sault Ste. Marie to replace former cabinet minister **David Orazietti** – a seat the Grits had managed to hold on to since 2003.

It also comes as the Liberal government is feuding with Toronto Mayor **John Tory**, who, after being denied the right to toll the Don Valley Parkway and Gardiner Expressway, has been clamouring for more funding from the province. Tory even repeated his call for more help from Queen's Park in a Thursday visit to Parliament Hill.

The poll's findings follow a steady stream of surveys that showed the Liberals trailing the Tories. In April, for instance, a Forum poll suggested 38 per cent of Torontonians would support the PCs, 31 per cent would pick the Grits, and 22 per cent would opt for the NDP. A Mainstreet Research poll in February showed the Liberals hanging on to support in Toronto's downtown core, but dwindling in neighbourhoods on the outskirts such as Etobicoke, Scarborough and North York.

But, a year out from the general election slated for June 7, 2018, the trend may be shifting. Just last month a Campaign Research survey showed 37 per cent of Ontarians would cast their ballots for the Liberals, with 34 per cent supporting the PCs and 22 per cent backing the NDP.

Bozinoff chalked up the reversal to a slew of sweeping policy announcements including pharmacare for those under 25, a $15 minimum wage by 2019, a basic income pilot and lower hydro bills. The government can also boast Ontario's first balanced budget since the 2008 recession.

"With a variety of big-ticket, campaign-style announcements in the budget and its aftermath, it seems as though for now, the Liberals are making inroads with the electorate," Bozinoff said.

For her part, Premier **Kathleen Wynne** seemed unfazed when confronted with her party's recent history of polling poorly.

“I know that the opposition parties believe that by making a personal attack and raising the issue of my personal polling numbers, somehow that’s going to get under my skin and that’s a good political tactic. Here’s a news flash: I know what the polls say,” Wynne said in Thursday morning’s question period, the last before the house recessed for summer.

“I am absolutely focused on doing what’s in the best interests of the people of this province today and every day through, until the election,” she said.

The Premier was responding to charges from the opposition parties that her policies of late have more to do with saving the Liberals political fortunes than helping average Ontarians. After she finished her answer, the Liberal benches began chanting "four more years."

Forum conducted its survey over the phone on May 25, May 27 and May 28, and the results are considered accurate within three percentage points, 19 times out of 20.

OPG called out for proposing ‘excessive’ employee pay and ‘expensive’ rate proposal

A major Ontario power producer could see the price it wants to charge for electricity given a haircut by a provincial regulator.

Citing “excessive employee compensation” and an “expensive” proposal to spread out costs over a longer period of time, staffers at the Ontario Energy Board, which sets rates, have suggested pay cuts and other changes to a five-year rate application made by Ontario Power Generation for 2017 to 2021. OPG, a company owned entirely by the province, projects its application will hike a customer’s monthly bill by 65 cents each year over the five-year period.

OEB staff, meanwhile, suggested changes that would cut that average monthly increase to as low as 47 cents, including the reductions in compensation and decreases to what OPG will be paid for its nuclear power. A decision on the matter isn't expected to be made until the fall.

However, disagreements between the OEB and OPG over employee compensation have happened before, and have even been argued at the Supreme Court of Canada. The latest tiff comes as Ontario’s Liberal government is trying to enact its plan to cut hydro rates by an average of 25 per cent, an effort the OEB says isn't accounted for in OPG's plan to "smooth" electricity costs.

OPG is seeking nuclear revenues of approximately $16.8 billion over the five years, including proposed total compensation for nuclear employees – there were approximately 7,300 of them as of the end of 2015, the company says – of about $1.6 billion annually. The company generates about half of Ontario's electricity, but OEB staff say employees are earning "above market" pay.

“However, OPG's overall requested recovery for compensation costs remains unreasonably high,” wrote OEB staff. “The chief driver of this is OPG's extremely generous pensions and benefits programs.”

Pension costs for the nuclear side of OPG, which is what the OEB staffers chiefly focused on in their submission, are estimated to total more than $1.1 billion on a cash basis over the five years. OEB staff says OPG's figures exclude additional special payments to top up the pension plan, which will equal $55 million in 2017 and 2018, plus $101 million in 2019, $101 million in 2020, and $98 million in 2021.

OPG has been the subject of scrutiny at times for its executive compensation, but pensions in Ontario's electricity sector have been a concern for years. A 2014 report prepared for the Ontario government by a special adviser noted that "Pension costs represent a significant risk to prices." OPG has taken steps to try to address the problem, striking a deal with its unions in 2015, to accept shares of Hydro One in return for increasing their pension contributions.

While acknowledging OPG had "made progress" in reining in its compensation, OEB staff suggested a $50-million annual cut over five years to OPG's compensation for employees on the nuclear side of its business – a reduction that's not quite as severe as previous applications.

"However, this incremental reduction for excessive compensation is less than the disallowance by the OEB in the previous cost of service proceeding, which was $100 million per year, almost all of which was based on excessive compensation," said the May 19 submission.

OPG said in a May 3 "argument-in-chief" that it had "made notable progress in addressing the compensation and pension issues identified in previous proceedings."

A previous fight between the OEB and OPG went all the way to the Supreme Court, with a majority of the judges ruling in 2015, that the regulator was within its rights to disallow $145 million in labour compensation the company had sought for its nuclear operations in 2011 and 2012.

Energy Minister **Glenn Thibeault** said there aren't many other companies to compare OPG to in Canada for the purposes of paying employees. OPG operates two nuclear power plants to the east of Toronto, at Darlington and Pickering, and more than 60 hydroelectric stations scattered across the province.

Thibeault added that the company has been losing staff to Bruce Power, a private-sector consortium that operates a nuclear power plant in southwestern Ontario that it leases from OPG.

"If we want to keep good people at OPG, we've got to pay them what's comparable," said Thibeault at Queen's Park on Wednesday. "And that's what I think OPG and the OEB will have to continue to work on."

The OEB staff submission proposed a rethink of OPG's plan to spread out the costs of its power – otherwise known as "smoothing" – saying the current plan would defer just over $1 billion in payments and require $116 million in interest payments – covered by electricity customers. Interest would hit $1.4 billion over the 10-year deferral period and the 10 years to pay the money back, the OEB submission said.

“For customers, OPG’s proposal would be expensive. About $1 billion of revenue requirement would be deferred to future generations,” said OEB staff. “Customers might reasonably ask what they would get in exchange for the $116 million they would need to pay OPG for smoothing during the test period. For residential customers, the pocketbook implications of rate smoothing might be barely perceptible.”

The OEB staffers suggested a “middle-ground approach,” which would defer revenue only in years where there’s an especially high or low price to pay. This, the submission says, would bring down the average monthly bill impact to 47 cents per year.

OPG noted that nuclear rate smoothing is required under a regulatory amendment made by the government. The company claims “its proposal results in the best overall balance.” OPG also said in its argument-in-chief that its proposed deferral would keep year-over-year increases to its average payment amounts to 2.5 per cent.

Nevertheless, the OEB submission says that OPG’s plan to “smooth” rates doesn’t account for the province’s “Fair Hydro Plan.”

“Assuming the Fair Hydro Plan is implemented along those lines, the rationale for smoothing of OPG’s payment amounts, at least in respect of residential customers and any other customers protected under the plan, would seem to be attenuated. The Fair Hydro Plan appears to be a form of rate smoothing in its own right.”

OPG is the only power company in Ontario that has its rates set via the OEB’s hearing process. Other generators have contracts with the province that guarantee what they’re paid for their power.

A spokesperson for OPG said the company will respond to all of the submissions made on its payments application later this month. In addition to the OEB staff, there have been more than a dozen submissions filed by environmental and industry groups.

OPG's application process actually began a year ago. After numerous hearings and the filing of thousands of documents, a spokesperson for the OEB said a final decision on OPG’s application is expected this fall.

Events

9 a.m.

Ahmed Hussen, Minister of Immigration, Refugees and Citizenship and Member of Parliament for York South—Weston, Steven Del Duca, Ontario Minister of Transportation, and John Tory, Mayor of the City of Toronto to make an infrastructure announcement. Queen Station, 8 Queen St., W., Toronto.

9:30 a.m.

Premier Kathleen Wynne to make an announcement alongside MPP Ann Hoggarth. Innovation Automation, 191 Saunders Rd., Barrie.