

Summary:

Ministry of Energy - Estimates Appearance 2017-18

Day 1 – October 4, 2017

Total time: Approx 2 hours (of the 7.5 hours allotted)

5 hours 40 minutes remaining

To be continued: Tuesday, October 17th – 9 AM to 10:15 AM

Tuesday, October 17th – 3:45 PM to 6 PM

Wednesday, October 18th – 3:45 until completion

Note: The Legislative Assembly of Ontario is not in session next week and returns the week of October 16th.

Standing Committee on Estimates - Members Present:

Chair Cheri DiNovo (NDP)

Liberal: Bob Delaney (Parliamentary Assistant to the Minister of Energy)

Mike Colle

Ann Hoggarth

Sophie Kiwala

Nathalie Des Rosiers

Progressive Conservative: Todd Smith (PC Energy Critic)

New Democratic Party: Peter Tabuns (NDP Energy Critic)

Ministry of Energy & Witnesses who testified:

Ministry of Energy Glenn Thibeault (Minister)

Serge Imbrogno (Deputy Minister)

IESO: Kim Marshall (VP and CFO)

OPG: John Lee (VP and Treasurer)

Note: OEB was absent (originally was on the meeting notice)

Media Present:

Andrew Reeves from Queen's Park Today

Committee Mandate:

- Every year, after the Government tables its Main Estimates for the year in the Legislature, the Standing Committee on Estimates picks between 6 to 12 Ministry's to examine their expenses in greater detail (for a minimum of 7.5 hours to a maximum of 15 hours each).
- The object is that the Committee or Parliament has the ability to ask the government questions to help determine whether the government is spending money appropriately, wisely and effectively in the delivery of the services intended.
- In practice, the Opposition has little ability to influence Government spending if there is a majority government, so these hearings end up being an opportunity to put a Minister or Ministry on the hot seat on politically sensitive issues and try to create news. Success for the Government at these hearings is that no new news is created.
- The Committee will present one report about its review of the Estimates no later than the 3rd Thursday in November back to Parliament (at that point reviews of different Ministry's estimates are concluded for the year).

Ministry of Energy & OPG Participation:

- The Ministry of Energy has been selected to come before the Standing Committee on Estimates every year for at least the past 10 years (and probably since the year 2003). Recently, the Ministry of Energy has been called in for the maximum time of 15 hours (last couple years).
- This year it was called in for 7.5 hours. The Ministry of Energy was selected to appear by the Progressive Conservative Party.
- OPG was asked to attend as well to speak to any questions regarding the accounting structure of the Fair Hydro Plan. John Lee attended on behalf of OPG.
- Note that OPG has not been asked to appear with the Ministry of Energy for several years now – typically questions directed to agencies would be directed to Assistant Deputy Ministers etc.

Summary of Hearing:

Note: The Committee did not start until after 4 PM due to longer than normal Routine Proceedings in the Legislature.

4:15 p.m. Opening Remarks from the Minister of Energy – 30 minutes

- Of note, the Minister used approximately 20 minutes of this time to allow Bob Delaney to ask “pressing questions” of the IESO regarding changes to its accounting structure – namely that it is now able to recognize “market accounts” and “regulatory assets” in its accounting procedures.

Note: This was highly unusual. Typically the Minister would just use all of the time to deliver a speech for the full 30 minutes. This was likely done to try to head off questions about differing views about rate regulatory accounting (particularly in the context of the expected Auditor General Report on the Fair Hydro Plan).

4:45 p.m. Questions from Official Opposition (Todd Smith, PC Energy Critic) - 30 minutes

- The PCs used the entire 30 minutes to talk about the “leaked Hydro Quebec deal.” Questions included:
 - Q. Can the committee get a copy of the term sheet the Ministry provided to Quebec?
A. Try and find it.
 - Q. Can the committee get a copy of the letter from Minister Arcand (Quebec Minister of Energy)?
A. See what they can do.
 - Q. Were outside consultants brought into looking at the deal?
A. IESO is responsible for negotiating with Hydro Quebec. Infrastructure Ontario was also involved. Deloitte was also brought into provide advice (but not analysis).
 - Q. What was the role of Saad Rafi?
A. Saad Rafi is a former Ontario Deputy Minister of Energy, and Deloitte assigned him to this task.
 - Q. Can you confirm that the leaked deal – the way it was structured – was not intended to reduce peaking plants (i.e. gas) but to reduce baseload power?
A. That is why the deal was rejected.
 - Q. What kind of transmission upgrades would be required to the intertie to make this deal possible?
A. Only a capacity deal would required transmission upgrades. The IESO recently updated its intertie capacity report to \$20 million down from previous estimate of \$300 million (Hydro One thinks they would only need to expand the existing line instead of building a new one). This upgrade would allow for additional capacity of 1000 MW.
 - Q. Can we get the cost per MWH for the previous deal (2 TWH) signed with Quebec? How long is the deal for?

A. Would have to check with Hydro Quebec. They wanted it to be confidential for business reasons as they were also negotiating with other jurisdictions in the U.S. Deal is for 7 years.

Q. Was the Premier's office involved in discussions regarding the leaked deal?

A. *Discussion was cut off. Moved to Peter Tabuns 30 minutes.*

5:15 p.m. Questions from 3rd Party (Peter Tabuns, NDP Energy Critic) - 30 minutes

- The NDP used their 30 minutes to ask about Hydro Quebec, proceeds from the sale of Hydro One and the Fair Hydro Plan.

Q. When Pickering comes offline in 2022-2024 is a capacity deal with Hydro Quebec an option.

A. Yes, it is an option. System does not need capacity right now.

Q. Is the Minister concerned about the large amounts of money being borrowed "off book"? Also, questioned how you can call "debt" an "asset."

A. There are benefits to spreading the debt over the value of the life of these assets. This will all be reported transparently on OPG's books?

Q. How have the proceeds from the sale of Hydro One been spent? Noted that the money was collected to be spent on infrastructure, but hasn't been spent.

A. Money went to the Trillium Fund to be spent on infrastructure.

Q. Why is the Government using a "more expensive regime to implement the Fair Hydro Plan? FAO report said the Government's approach would cost an additional \$4 billion.

A. The increased cost is less than \$4 billion and details about actual costs will be released as part of the LTEP.

Q. Why didn't the Government use the expertise of the Ministry of Finance (OFA or OEFC) instead of OPG? Questioned what kind of additional value OPG was providing that was worth the increased cost of \$4 billion.

A. OPG has expertise in securitization and in the capital markets. Also, benefits to having credit rating agencies see what OPG is doing. Everything will be reported transparently on a quarterly basis on OPG's books.

Redacted - Commercially Sensitive

Redacted - Commercially Sensitive

5:45 p.m. Reply from the Minister of Energy – 30 minutes

- The Minister read from his speech until the committee adjourned at 6 pm.

6:00 p.m. Committee adjourned

Note: The transcript is not available yet. Will send it around when it becomes available.