

A Corrupt Political Agenda

Can a corrupt throne be allied with you—
one that brings on misery by its decrees?
Psalm 94:20

Standing Committee on Finance and Economic Affairs
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Pre Budget Consultations

Mr. Chairman and Members of the Committee,

My name is Grant Church. I am the father of four wonderful children. I live in Cayuga and work in a factory in Dundas.

Ontario has the second highest priced industrial power in the country, 88% higher than Quebec, two and a half times higher than Manitoba (147%).

Those spreads have increased from last year, and the McGuinty plan will increase our power bills 46%.

The Electricity Act says:

The (Ontario Energy) Board shall review each integrated power system plan submitted by the OPA to ensure it complies with any directions issued by the Minister and is economically prudent and cost effective. (Section 25.30, Electricity Act)

There is no notwithstanding clause. If it fails on one point, it fails.

So what does economically prudent mean?

The Concise Oxford Dictionary defines prudent as careful to avoid undesired consequences. Economically prudent means careful to avoid undesired economic consequences.

The OPA knew that they couldn't make the IPSP economically prudent, so they came up with a bogus definition of their own.

I attended the Ontario Energy Board hearings in September. The OPA was asked to define conservation and demand management. It was left for the following day to give the OPA lawyer time to respond. The following morning, he gave his answer. He quoted the Oxford dictionary!

Strange how they use it when it suits them.

Also, it was revealed that the OPA didn't do any economic impact analysis of the IPSP.

I could do one in a hurry.

If the price of power is double what it is elsewhere, you're out of business.

There is no way that a 46% increase is economically prudent.

In an OPA teleconference, I pressed the executives with these numbers and asked them if the plan was economically prudent. They refused to answer.

In a recent news release, the government said:

Ontario's long-term energy strategy is getting a fine-tuning as a key part of the McGuinty government's drive to "green" the province and **keep it economically competitive and prosperous.** (MOE September 18, 2008)

Economically competitive and prosperous?

Ontario is in a recession and the government is running a deficit. We are now officially a have not province. 66,000 jobs were lost in November, the worst lost in 26 years. If you proceed to replace coal with natural gas as you have planned, it will ruin our fragile economy.

Why are you ending the regulated price plan for municipalities, universities, schools, and hospitals? How are they suppose to shift consumption or bear the extra cost? Do you enjoy inflicting misery?

Once RPP eligibility ends as of May 1, 2009, MUSH sector customers have two options for how their account is billed for electricity:

- 1) Enrol with an electricity retailer and pay the contracted price for electricity, or*
- 2) The spot market price for electricity will be billed. (Hydro One)*

Many families and businesses have no way of shifting or cutting their consumption, yet you are forcing everybody to use smart meters, an endeavour that will cost a billion dollars, adding yet another line on our hydro bills. The sick and the elderly who need air conditioning will be forced to pay much more to help you meet your conservation targets.

Your energy plan is a corrupt political agenda!

Consider these quotes from Hansard.

Howard Hampton

...as paper mills have shut down in northern Ontario, paper mill after paper mill has transferred production and jobs to Quebec. When Abitibi made the decision to close the paper mill in Kenora and put over 400 people out of work, they announced that production would be moving to a mill in Quebec. When Cascades shut down their paper mill in Thunder Bay and put 400 people out of work, they announced that production would be moving to Quebec and the jobs would be moving to Quebec. When Abitibi closed their Abitibi Mission mill in Thunder Bay, they announced that production and jobs would be moving to Quebec. When Inco made the decision a year and a half ago to shut down the copper refinery in Sudbury, when you asked—you didn't have to dig very deep before they simply said, **“Look, it's cheaper for us to send our copper to a smelter in Montreal and have it processed there than it is to reinvest in the smelter in Sudbury and pay much higher electricity rates.”** That is going to continue to happen. We're now starting to see it in the auto parts sector. Any auto parts that are involved in casting, stamping or plastics moulding are looking at moving production out of Ontario, simply because they recognize that their cost structure in a province like Quebec or a province like Manitoba is much lower. Hydro rates are a big part of that. (Ontario Hansard, December 5, 2007)

I work in a stamping plant. A casting plant next door closed down just over a year ago.

The Premier has been asking the federal government to help the auto industry. Why didn't he listen to Howard Hampton?

Howard Hampton

But I want to ask this question of the Premier. About four weeks ago, we met with the auto manufacturers of Ontario. **One of the points they made to us, something that is within provincial control, is the escalating cost of industrial hydroelectricity for manufacturers in Ontario.** Yet the McGuinty government is set to announce huge, big nuclear plants. Can the Premier assure us that these nuclear plants will come in as budgeted and not cost manufacturers even more on their hydro bills? (Ontario Hansard, June 11, 2008)

What do you suppose a 46% increase in their power bills is going to do? Why don't we go out to every business and every home and tell them the real cost of the government energy plan?

By authorizing the closing of our coal plants you have signed the economic death warrant of this province, and that warrant has been executed, as countless factories and plants close and move.

Ontario, once a place to stand, a place to grow, has become a place to run from!

What should we do?

Keep the coal plants open and clean them up. The object of the government energy plan should be to level the power price playing field.

We have up to 500MW of stranded power in Northern Ontario with a further 450MW to come from the Matagami River—clean affordable hydro-electric power. You should have been building new transmission lines to access it.

Despite all the hyperbole about conservation and renewables, the real plan is to make electricity with natural gas with an increase of 7,000MW in gas-fired capacity.

We pay four times as much as we use to for natural gas, because of gas-fired power plants. Building more will make both gas and electricity more expensive.

In 1999, the U.S. National Petroleum Council said there was lots of natural gas and that it would be cheap well into the future. American utilities believed it and built over 200,000MW of gas-fired capacity, 50 times that of Nanticoke, and now we're stuck paying through the nose for natural gas, because it's in tight supply.

I brought many of these points to the finance committee in January. I finished my presentation by asking you, "Will you take the course of action suggested by people like Stéphane Dion and keep our coal plants open, or will it be another day, another plant closing?"

You chose another plant closing, and that's exactly what you got.

As for nuclear, we don't need any more nuclear capacity, and we can't afford to build it.

The market price of electricity has been negative at least 17 hours this year, including a continuous stretch of eight hours. Demand was so low in July that Bruce Power had to throttle back two of their reactors for a few hours.

There's more than enough power to the point where we are now a major exporter.

The province has a hydro debt of \$31.6 billion, much of it borrowed to build the current nuclear fleet.

A new 2,200MW plant would cost \$15.4 billion. If paid over 15 years, it would cost 9 cents/kwh just to pay the mortgage.

Why buy something we don't need and can't afford? To do so is a recipe for economic ruin!

Thank you. I'd be happy to answer any questions.

Table 14: Range of Unit Cost Estimates (\$/MWh)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Upper	103	104	109	110	112	115	116	121	122	123	125	128	129	126	124	123	124	124	126	127
Lower	85	87	89	90	93	96	96	101	102	102	102	103	105	99	97	96	97	97	98	98
Median	93	94	97	98	100	102	103	108	109	110	110	112	113	108	107	106	106	106	107	108

Source: OPA

Q. What is the cost to customer for the Plan period?

A. Table 15 below provides the cost per MWh for each cost category of the cost to customer model for the range of estimates. As illustrated in Table 15, the Debt Retirement Charge is assumed to no longer be a cost to customers as the stranded debt is estimated to be eliminated by 2021.

Table 15: Contribution to Unit Costs (2007 \$/MWh)

	UNIT RATES (\$2007/MWh)								
	2003	2004	2005	2006	2010	2015	2020	2025	
MEDIAN									
Conservation (*)					\$3.29	\$3.90	\$2.65	\$2.20	
Transmission	\$9.27	\$8.93	\$8.87	\$8.87	\$8.72	\$9.43	\$10.63	\$9.95	
Wholesale & net settlement	\$5.47	\$5.57	\$6.85	\$5.28	\$4.34	\$4.48	\$4.53	\$4.44	
Debt Retirement Charge	\$7.43	\$7.28	\$7.14	\$7.00	\$6.47	\$5.86	\$5.31	\$0.00	
Distribution	\$16.70	\$16.00	\$16.08	\$18.57	\$20.43	\$22.84	\$23.31	\$23.22	
Generation	\$47.99	\$46.17	\$57.76	\$48.42	\$53.52	\$61.80	\$66.63	\$65.95	
UPPER BOUND									
Conservation					\$3.62	\$4.29	\$2.91	\$2.42	
Transmission					\$9.59	\$10.37	\$11.69	\$10.94	
Wholesale					\$4.34	\$4.48	\$4.53	\$4.44	
Debt Retirement Charge					\$6.47	\$5.86	\$5.31	\$0.00	
Distribution					\$21.26	\$24.97	\$26.80	\$28.05	
Generation					\$63.94	\$71.14	\$78.20	\$78.22	
LOWER BOUND									
Conservation					\$2.96	\$3.51	\$2.38	\$1.98	
Transmission					\$7.85	\$8.48	\$9.57	\$8.95	
Wholesale					\$4.34	\$4.48	\$4.53	\$4.44	
Debt Retirement Charge					\$6.86	\$6.22	\$5.63	\$0.00	
Distribution					\$20.43	\$22.84	\$23.31	\$23.22	
Generation					\$46.93	\$55.81	\$59.15	\$58.00	
* Historically, conservation costs are included in the Distribution costs									
Total Cost to Customer - Lower					\$89	13% \$101	\$105	9% \$97	
Total Cost to Customer - MEDIAN		\$87	\$84	\$97	\$88	\$97	21% \$108	\$113	19% \$106
Total Cost to Customer - UPPER					\$109	36% \$121	\$129	37% \$124	

Source: OPA

* Conservation costs prior to 2007 are included within Distribution costs

BASE 2003-2006 \$89/MWh
 CIBC PROTECTION OF \$80/MWH FOR GENERATION COST FACTORED IN
 FOR 2015 IF COAL IS PHASED OUT
 MEDIAN: \$126.51 42%
 UPPER: \$129.97 46%

Major North American Cities

Average Prices for Large-Power Customers¹
(in ¢/kWh)²



1) For a monthly consumption of 3,060,000 kWh and a power demand of 5,000 kW; rates in effect April 1, 2008.
2) In Canadian dollars.

High Cost Of Nuclear Power

Nuclear power was touted in the past as being a cheap way to produce power, but it couldn't be further from the truth. Our plants were built on borrowed money with no plan to factor the capital costs into the price of power. And now we are stuck with an Albatross of debt hung around our necks right when we either need to rebuild or build new nuclear plants.

The price of nuclear construction has risen sharply to the point where it is not cost effective to build nuclear plants. It can only be done with massive amounts of government money. If AECL gets the bid for Darlington B, any cost overruns will be born by the federal government, as the Ontario Government will not pay any more than the agreed price. Of course, even if they do agree, we pay. Look at how they got hoodwinked by Bruce Power into partially covering cost overruns. If it was cost effective, Bruce wouldn't have needed such a provision.

What would be the cost of power from a new Darlington?

Capital Cost

2200MW X \$7,000/kW = \$15,400,000,000 (Moody's Investors Service estimates \$7,000/kW)

15 years@6% = \$129,953,951/mth <http://www4.bmo.com/popup/loans/Calculator.html>

\$129,953,951 X 12 = \$1,559,447,412/year

20 years@6% = \$110,330,383/mth

\$110,330,383 X 12 = \$1,323,964,596/year

Power Production

2200MW X 24hours X 365days X 90% capacity factor = 17,344,800MWh

Capital Cost Per MWh

\$1,559,447,412 ÷ 17,344,800MWh = \$89.91/MWh

\$1,323,964,596 ÷ 17,344,800MWh = \$76.33/MWh

So it will be between 7.6 and 9 cents/kWh just for the capital cost alone. Bruce is getting 7.1 cents/kWh for rebuilt units, plus cost of living. You could buy some very effective emission controls for the coal plants for less than half that kind of money.

As for CO2 from the coal plants, you don't have to eliminate it; you only have to cut it in half to make it equivalent to gas, at least as far as point of combustion emissions are concerned.