



# News Release

For Immediate Release

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## **OAKVILLE CANCELLATION COSTS HIGHER THAN NECESSARY: AUDITOR GENERAL**

(TORONTO) The 2010 decision to cancel a planned gas-fired power plant in Oakville and move it to Napanee may cost Ontarians \$675 million, Auditor General Bonnie Lysyk said today, and that figure could rise by up to another \$140 million for gas deliveries to the new site.

“This cost is significantly more than may have been necessary,” Lysyk said after releasing a Special Report on the cancellation costs. “A number of questionable decisions made along the way contributed to this situation.”

The 24-page Special Report examined actions of the Ontario Power Authority (OPA), the Ministry of Energy, and the Premier’s Office in negotiations with the builder, TransCanada Energy Ltd. (TCE). It estimates that the total costs of cancelling the plant could reach \$1.112 billion, but would be offset by estimated future savings of \$437 million, for a net cost of \$675 million over 20 years. However, that total could rise by another \$140 million because of a possible increase in tolls relating to the delivery of gas to Napanee.

Other factors that contributed to the high cost of the cancellation:

- The OPA originally told prospective bidders that municipal opposition to a power plant would not be considered in its evaluation of their proposals, and it approved a proposal to build the plant in Oakville even though the town’s government actively opposed it.
- On cancelling the Oakville plant, the Premier’s Office assured TCE that it would be compensated for the full financial value of its contract for the Oakville plant instead of relying on protections in that contract that could have minimized the damages paid to the builder following cancellation.
- The province and the OPA agreed to arbitration terms for determining damages to be paid to TCE if no voluntary settlement was reached or the Napanee plan does not go forward. These terms favoured TCE and waived the protections the OPA had under the original contract.
- The Minister of Energy instructed that TCE build the new plant in Napanee, even though it would cost significantly more to transport natural gas there, and more to transmit electricity back to the Southwest GTA, where the need for power exists.

The Premier requested in February 2013 that our Office conduct a review of the costs associated with cancelling the Oakville electricity-generating gas plant. This Report meets that request.

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