



Ontario's power trip: Beckygate — Ontario tax dollars go down the big drain

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Web exclusive: Dalton McGuinty's "culture of conservation" doesn't seem to apply to Crown corporations

By Parker Gallant

When I wrote about "Big Becky" and Ontario Power Generation [on this page a few weeks ago](#), I had no idea I would stir up a hornet's nest. I had simply written that it appeared that OPG was running way over budget on this \$985-million dollar project and that the costs had ballooned to \$1.6-billion and that there was a four-year delay to completion. What I had hoped for was some plausible explanation as to what has happened but OPG was silent in its press release and in its management discussion paper when its 2009 annual report was issued.

As a banker, my knowledge of rocks and tunneling is pretty limited. Since the article appeared several engineers have contacted me. They wanted me to at least have a basic understanding of TBM's (tunnel boring machines), unstable rock conditions, roof-line over break, fractured zones, unshielded, shielded and even double shielded TBM's. They didn't contact me to hand out compliments to OPG. In fact they were saying I didn't know the full story. Most felt that OPG should have known the type of geological rock structures they would encounter, what impact that would have on the type of TBM it should use and the unstable conditions of shale. Many of them pointed out that we have TBM manufacturers in Canada, successful and competent tunneling companies and engineering capabilities that have proven themselves around the world.

One of the questions asked by these engineers is why didn't OPG find Canadian companies to do the tunneling job as we have many tunneling contractors with Canadian and international experience? Another question I was asked was why didn't OPG use a Canadian company to manufacture the TBM as we have manufacturers (two within a few miles of OPG's head office) and a huge chunk of their business is international? Yet another of the questions I was asked was what kind of RFP (Request for Proposal) did OPG issue and why didn't it contain the known geological information? In the latter case if the information had been included OPG could have held Strabag to the terms of the design-build contract for \$600-million. Good questions!

I would point out that many of these people did not want me to disclose their names or their company names for fear that OPG might not give them future work! But they were clearly mad and upset about this mess that has developed.

I have done what I could to find some answers but I'm afraid that it's up to OPG, Premier McGuinty, Former Energy Ministers Dwight Duncan or George Smitherman to answer those questions. What I can tell you is that McGuinty & Duncan were gung ho on this

project as the news release of September 14, 2005, attested. McGuinty said “Expanding our supply of renewable energy will not only clean up our air, it will mean more jobs, more opportunities and more prosperity for people throughout Ontario.” Included were the words; “The McGuinty government is bringing real, positive change to Ontario by fulfilling our commitment to expand clean, hydroelectric generation capacity at Niagara Falls,” said Minister of Energy Dwight Duncan.

In my travels around the Internet I discovered a website, www.niagarafrontier.com, that chronicles the progress of Big Becky as she slowly winds her way under Niagara Falls in an effort to achieve the 10,400 meters the tunnel will travel. What the chronology discloses is constant delays, almost daily over-break (rock falling from the ceiling) and some interesting quotes attributed to both politicians, OPG officials and the contractor; Strabag.

The March 5, 2008, entry had these gems: “Strabag [the European tunnel contractor] has announced further delays in the Niagara Tunnel Project.” “Progress on the Niagara Tunnel Project continues to be slower than both Ontario Power Generation and Strabag AC, expected, officials with both companies say.” The entry for the day went on to say “OPG says Ontario taxpayers are protected from cost overruns because it gave Strabag a design-build contract”.

Then on May 24, 2008, we got this quote from OPG President and CEO, Jim Hankinson; “The Niagara tunnel is progressing slower than planned. The drilling conditions have been challenging.” The entry went on to say “OPG is officially sticking to its August 2010 completion target, which had already been revised once from 2009. But Ernst Gschnitzer, project manager for Strabag, the Austrian company contracted to design and build the tunnel, predicted it won’t be completed until much later.” “It’s going to be 2012. We don’t see any possibility to be quicker, at present,” Gschnitzer said.

So when did OPG release this information to ratepayers and taxpayers? The first reference I can find wasn’t in any press release--it was buried in the February 13, 2009, management discussion in the company’s 2008 annual report.

An entry for July 11, 2008, also contains some gems. Here are just a couple: “The contract has been done in a way that as much of the risk has been transferred to the contractor as can be done,” OPG’s Chief Operating Officer, Pierre Charlebois said in an interview. The same day’s entry went on to say, “Before asking for bidders, OPG bored test holes in the rock to give them an idea of the type of rock they would be excavating.” McGuinty put out a press release July 10, 2008 while at Niagara College announcing funding for the college of \$15.4-million. An interview following his appearance at the college and announcement attributes the following to him: “Big Becky is behind schedule and potentially over-budget, but the Niagara Tunnel Project is so ‘integral’ to Ontario’s electricity supply the government is prepared to pass cost overruns onto provincial electricity customers [my emphasis], Premier Dalton McGuinty says.”

On this day we have the COO of OPG saying one thing and McGuinty saying another.

So which is it? McGuinty apparently knew more than the COO of OPG.

This day also included this entry, which appears to support the Premier's view: "Strabag says the rock is not what the company expected based on geological information OPG provided before the company bid on the contract." Once again this entry attributed to Strabag is in conflict with the comment from Pierre Charlebois the COO of OPG.

My newfound friends from the engineering sector are also saying that Big Becky was expected to only be drilling for two years (not the six now expected) and that she will need more and more maintenance and be subject to breakdowns which will further delay this project. She is about 6,000 meters towards her objective at the present time and it has taken her 3 1/2 years to get this far. She has also had a visit from the Minister of Labour who issued a stop work order. Big Becky was shut down for three months (OPG claim was that it was principally for a "planned outage"); however, my engineering friends indicate the tunnel over-break was substantial and the visit and shut down order would appear to support their view.

An October 6, 2009 article in *Niagara This Week* carried the following: "In a previous interview with *Niagara This Week*, John Earl, a spokesperson for Ontario Power Generation, said there are stipulations built into the contract that will protect the province, and taxpayers, from any cost overruns as well as incentives for Strabag to complete the project on schedule." I presume he meant the revised contract with Strabag that had been quietly signed in June 2009 by OPG. This contract was signed when the Minister responsible was G. Smitherman and he would have been well aware of the increased costs being heaped on the back of Ontario taxpayers/ratepayers. He presumably would have had to ask the McGuinty Cabinet to approve it before OPG signed it!

A speech by Tom Mitchell, the current President of OPG, given on November 9, 2009 to the Ontario Energy Network carries an acknowledgement that OPG messed up on restarting Pickering Unit 4 but only says this about the Niagara tunnel that "the project is on target to meet its revised schedule." Two months before that day Big Becky had been shut down by the Labour Board, (six months after the revised contract was signed) so one wonders; exactly what does the revised schedule say? This same speech goes on to speak about OPG's "open and transparent" environment. If keeping things from the taxpayers of this province can be considered "open and transparent" you have to wonder what else is being hidden?

The McGuinty press release of September 2005 about the Niagara Tunnel carried this quote from our illustrious Premier: "Our government is committed to ensuring a clean, reliable, diverse and sustainable energy supply, while building a culture of conservation and a cleaner Ontario." "We'll continue to bring more clean, renewable sources of electricity on line for our economy, our prosperity and most of all, for the people of Ontario."

Mr. McGuinty's "culture of conservation" obviously does not apply to how the Crown

Corporations conduct their business, nor does it seem to apply to the way the province wastes our tax dollars.

Parker Gallant is a retired Canadian banker who looked at his Ontario electricity bill and didn't like what he was seeing. He is based in Toronto.