



News Release

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MISSISSAUGA PLANT CANCELLATION TO COST \$275 MILLION: AUDITOR GENERAL

(TORONTO) The 2011 decision to stop construction of a gas-fired power plant in Mississauga and move it to the Sarnia area will likely cost the public about \$275 million, Auditor General Jim McCarter said today on the release of his special report entitled *Mississauga Power Plant Cancellation Costs*.

“The circumstances surrounding the cancellation decision weakened the Ontario Power Authority’s (OPA) negotiating position,” McCarter said. “We found that the OPA was under significant pressure to get the construction of the plant stopped as quickly as possible, and this likely resulted in the final cancellation costs being higher than they would otherwise have been.”

In his Report, McCarter said the costs associated with cancelling and relocating the plant were about \$351 million. This was offset by estimated savings of about \$76 million resulting from the cancellation, leaving a net cost of \$275 million.

Cancellation costs included:

- \$149.6 million paid by the OPA to the lender that was financing construction of the plant, with \$90 million of that related to fees and interest that resulted from the cancellation of the plant;
- \$72.4 million in compensation to Eastern Power, the builder’s parent company, for costs mostly associated with the plant cancellation;
- \$64.6 million paid by the OPA to the builder’s suppliers;
- an estimated \$60 million in additional future costs to deliver electricity from the Sarnia area rather than from Mississauga; and
- \$4.4 million in legal and other professional fees.

Offsetting total costs of \$351 million are estimated savings of \$76 million. The lion’s share of these savings relate to the province not having to pay for the cancelled plant’s electricity, which the OPA indicated won’t be needed for at least the next few years. As well, some savings resulted from the price for electricity from the Sarnia-area plant being slightly lower than the electricity price contracted for the Mississauga plant.

In 2005, the government contracted with the builder, Greenfield South Power Corporation, for a 280-MW natural-gas-fired electricity-generating plant in Mississauga. After various and extensive delays, construction of the Mississauga plant began in June 2011. Shortly before the October 6, 2011, general election, the Liberal Party announced it was cancelling the already started construction of the plant. Shortly after the election, the re-elected minority government directed the OPA to negotiate the cancellation with Greenfield.

In September 2012, the Standing Committee on Public Accounts passed a motion requesting that the Auditor General examine the contract between the OPA and Greenfield Corporation/Eastern Power to cancel the Mississauga gas plant, focusing on the cancellation costs.

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