

Society Newscast 2004:11

This is the Society Newscast for Friday, February 25, 2005

Minister to regulate OPG's "unregulated" assets

But OPG to be allowed return on equity

Dwight Duncan, Dalton McGuinty's energy minister, shocked Ontarians on Wednesday, exercising a dramatic about-face in his plans for the electricity industry.

As expected, he set a price for electricity produced by OPG's "regulated" assets—the nuclear generators and baseload hydro.



Energy Minister Dwight Duncan, addressing a meeting of Society members in February, 2004

But he also capped revenues produced by OPG's "unregulated" assets—much of the hydroelectric and all of OPG's fossil stations. Ironically, the "unregulated" assets will be capped at a price lower than that of the nuclear, "regulated" assets.

The cap is, Duncan says, to be in place for one year, as a "transitional measure." "It shows we're setting the table to allow the market to take hold. In the past, attempts to do it were undermined by not allowing a full market to evolve," he said in a media conference.

"To us it shows that the Government has discovered we've been giving them good advice," said Society Executive Vice President **Rod Sheppard**. "The Minister has to regulate OPG to damp down market prices, shielding consumers from the truth. The 'hybrid' market seems further and further away."

Under the announced scheme, heritage hydroelectric generation will be priced at 3.3 cents per kilowatt-hour, and nuclear at 4.95 cents. Eighty-five *per cent* of all other generation—except Lennox, which runs on oil and gas, is expensive to run, and so only runs occasional-



ly—will be capped at 4.7 cents per kilowatt hour. OPG will bid into the market and receive market prices, but the "excess" will be clawed back.

In return, the Market Power Mitigation Agreement (MPMA), which capped 50 *per cent* of OPG generation at 3.8 cents per kilowatt hour, will finally be lifted. Minister Duncan acknowledged that the MPMA was at the root of OPG's money problems. "We have stemmed a hemorrhage of \$100 million a month," he said.

The new arrangements will, he said, put OPG in position to earn a return on equity (RoE) of five per cent—\$350 million in the next fiscal year. When prodded as to what that could be used for, he said some of it could be used to "pay down the unfunded liability," but he would go no further, saying only that OPG's mission would be announced soon. While a 10 *per cent* RoE would be more in keeping with normal North American levels, background documents said the low RoE is designed "to ensure continued pressure on OPG to contain costs and enhance performance." Returns on equity generated by cutting costs, he said, can be retained.



*OPG Nuclear Local VP Olaf
Heilandt*

"This is pretty positive," said OPGN Local Vice President **Olaf Heilandt**, who is involved as a Society representative in OPG business planning. "It gives me some confidence we can continue to operate and make the improvements we know we need to make. OPG's a valuable public asset, and this is an indication the Minister may recognize it."

As part of the demise of the MPMA, Minister Duncan also announced new pricing for large commercial and industrial consumers—a 12 per cent rise over the next year. The prices for residential and small business consumers will not immediately be affected, though the Ontario Energy Board is required to set in place a new pricing scheme by May 1st.

Minister Duncan also announced that residential and small business consumers are in line for a rebate sometime this spring, as the rates set last fall—4.7 cents for the first 750 kilowatt hour, 5.5 for any above—was slightly high. "Small consumers and businesses can expect as of today approximately a \$300 million rebate," he said, adding that it would amount to between \$50 and \$100 for the average residential consumer.

While not willing to acknowledge that a 12 *per cent* rise in industrial electricity rates would have a significant effect, he said the government would appoint "an industrial co-generation facilitator to work with industrial companies to explore co-generation opportunities." This was, he said, a way they might dampen the shock of higher prices.

Since he first announced his plans for the electricity industry, in February, 2004, the energy minister has divided OPG's generation into "heritage assets"—Beck, DeCew, and Saunders hydroelectric stations; and Pickering and Darlington nuclear stations—and the rest, which for the government apparently do not have the same "heritage" mystique. He has said "heritage" assets will never be sold, and "non-heritage" assets would operate in the open market. He hasn't said the "non-heritage" assets could be sold, but he's let the implication hang tantalizingly.

Though Minister Duncan seems confident that capping OPG's "unregulated" assets will help the province's "transition" to a fully competitive market, Society officials aren't so sure. "In time I think the minister will come to understand that natural-gas based market prices are just too expensive," said Sheppard. "I just hope it isn't too late by the time he does."

Hydro One conciliation-bound

The Hydro One local has ended two-party talks and on February 17th applied for conciliation.

After three weeks of scheduled talks for a renewal collective agreement, no agreement was reached, and the Society's bargaining team decided third-party assistance was needed. Hydro One Local Vice President **Keith Rattai** explained the bargaining team's move to Society members in a recent bargaining bulletin:

In light of [Hydro One's] tentative agreement with the PWU, the company's financial results for the past year, its future financial outlook, and the company's other recent performance achievements, the settlement offers that [management] has tabled to date indicate an unwillingness to recognize and reward our members' contributions to making [Hydro One] successful.

The Society's Hydro One Local's mediation-arbitration agreement expired in January, 2003, at the instigation of Hydro One management, so for the first time the Hydro One Local bargaining takes place in the strike/lockout regime. Under this regime, either party can apply at any time for the Minister of Labour to appoint a conciliation officer. The conciliation officer then meets with the two parties to assist them to reach agreement. If the conciliator decides no agreement is possible, the union acquires the right to strike, and management the right to lock out its employees, after a brief, "cooling-off" period.

The Local bargaining team advised Hydro One management that it looks forward to continuing negotiations in conciliation, and will make itself available as required.

The Hydro One Local's leadership has been preparing for this round of contract negotiations since last year, adopting the theme "Success 2005," and setting up a "contract committee" communication structure that carries out "on the ground" communications.

With assistance from IFPTE staff, the Success 2005 campaign team is carrying out a comprehensive bargaining plan, including a series of events to build support for negotiations: an open letter to management, union sticker days, and lunchtime membership meetings. The campaign and communication model have been great successes, doubling and in some locations tripling membership participation.

The Hydro One collective agreement expires on March 31st.



Hydro One Local VP Keith Rattai

Bruce Power agreement ratified

Members of the Bruce Power Local's bargaining unit have voted overwhelmingly to ratify their new, five-year collective agreement (see *Newscast 2004:10*).

"This was the largest acceptance for any contract ratification in the Society's history and reflects that the agreement is wise for both parties and strengthens our relationship with management," said **Rob Stanley**, Bruce Power Local Vice President. "The settlement reflects the importance of the contribution made by our members to the success of the company, and it provides long-term stability and predictability, which is essential for the future of the company."

Turnout in the vote to ratify was very high, at over 80 *per cent*. The deal, which provides job security through the life of the agreement for all Society-represented employees, was approved by 91 *per cent* of those voting.

"We've signed on to a very good contract providing a nice mix of security and economic improvement," said delegate **Richard Pawlikowski**. "This is the result of the hard work and dedication of our bargaining team and they are to be congratulated."

Society local officials conducted membership meetings during the week of January 24th to present the agreement to members. The ballot was conducted through the mail.

Arbitrator rules on agreement for Kinectrics Local

The mediation/arbitration process for a renewal agreement for the Kinectrics Local (see *NewsCast* 2004:10) took place over the weekend of February 5th. In the end, Arbitrator William Kaplan had to arbitrate a settlement.

"I'm fairly happy with the award," said Kinectrics Local Vice President **David Young**. "We got a settlement with a future. We'll do a little better than inflation and even catch up a little bit."

Arbitrator Kaplan awarded six raises of 1.5 *per cent* apiece, the first one to take place as of January 1st, 2005, the rest to take effect in six month intervals ending July 1st, 2007, for a total raise in three years of 9.3 *per cent*.

Other highlights:

- ◆ The cost of living escalator is suspended for the life of the agreement
- ◆ Two re-earnable bonuses based on corporate profits have been discontinued (except for department managers); Kinectrics will go back to the performance pay system, with mandatory payment pots of two *per cent* for performance years 2005 and 2006 and one *per cent* for the 2007 performance year
- ◆ Improved provisions for career-related training
- ◆ Revised voluntary-severance provision for employees whose careers aren't developing
- ◆ New compensation plan, joint committee to implement (agreement subject to ratification, non-agreement subject to arbitration)

Before arbitration, the parties had reached agreement on several items, including an improved discipline process that provides better notice and representation provisions, as well as clearer definitions of what is and isn't discipline.

"Given the positions management was taking in two-party bargaining," Young said, "people in general are happy with how well we did."

The Kinectrics bargaining team consisted of Young, Acting Unit Director **Holly Johnston**, Society Executive Vice President **Bill Jones**—a Kinectrics employee—and Society Staff Officers **Sharona Freudmann** and **Raymond Wong**.

Society to Minister: study Lakeview closing

The Society has called on Minister of Energy Dwight Duncan to prove that the shutdown of Lakeview GS produces actual health benefits.

On February 17th, the Minister told the *Toronto Star* that the cost of closing down Lakeview is "far outweighed" by the improvements in public health of doing so. It was reported in the same article that closing the plant will cost \$40 million, while relocating power lines and installing new capacitors will cost another \$8 million.

In a letter sent February 21st, Society President **Andrew Müller** said that while the government often touts the potential health benefits of closing the coal-fired generating stations, the Society believes they will be minimal, given the "comparatively small contribution" the stations make to urban air pollution.

He challenged the Minister to:

... sponsor an objective study of the improvements, if any, to the air quality in the airshed currently subject to Lakeview emissions, and an exhaustive accounting of the improvements in public health that actually result, and can be demonstrated by public health records, from its closing.

The Society awaits a reply.

Society ad wins award

The 30-second advertising spot the Society ran on prime-time television last October has won a prestigious international award.

"Amend Bill 100, before it's too late," produced by Nordlinger Associates of Arlington, Virginia, has won a "Crystal Award of Excellence" from the "Communicator Awards," of Arlington, Texas, an international competition "honoring excellence in visual communications."

Mr. Gary Nordlinger's firm was secured by the International Federation of Professional and Technical Engineers to assist in last fall's "Amend Bill 100" campaign. His ad was directed at citizens who voted to elect the Liberals in 2003.

"Anytime your work wins an award, especially with such a low budget, it's a tremendous honour," Mr. Nordlinger said in an interview. "It shows the power of a clear message when presented in a clear way. This ad struck the right chord for the right audience."

The ad can still be viewed on the "Amend Bill 100" web-site.

Bruce Power scientist: more nuclear power needed to achieve Kyoto targets

by Judi Chambers

(Reprinted, slightly edited, from the February 17th issue of The Point, a Bruce Power employee magazine)

On February 16th, the Kyoto Protocol, the international pact to reduce greenhouse gas emissions by 2012, came into effect.

Bruce Power employee and climate scientist Dr. John Bird believes that more nuclear power is needed to prevent future climate change.

"Everything in the biosphere is interrelated," says John, Senior Technical Engineer and a former research scientist, who has studied global warming at both the South and North Poles. "Even in the atmosphere, all the various layers are intertwined in their consequences."

John's research at the Poles examined the co-relation between temperature and carbon dioxide (CO₂) concentrations in the atmosphere. As parts per million of CO₂ have increased, so has atmospheric temperature. The excess CO₂ that we've put in the atmosphere during the industrial age has caused these changes, he says.

Presently, six billion tonnes of CO₂, mostly from fossil fuels, is annually released into the atmosphere, contributing to the greenhouse effect—the trapping of too much infrared light with CO₂. The result is a cooling of the mesosphere (upper atmosphere), which in turn causes consequences to the ozone, the blanketing layer that protects the earth from the sun's radioactivity. When ozone is affected, climate change occurs.

John believes humanity stands at a pivotal point in history regarding energy production and climate change. The more people on the earth using fossil fuels, the more carbon dioxide emissions. Now at six billion, the world's population is expected to nearly double over the next 50 years.

"There are presently 438 nuclear reactors operational worldwide, but over the next few decades, we're going to have to bolster this to several thousand to transfer the world's energy production to clean power," he said.



Dr. John Bird (r) and wife Jennifer demonstrate one of the challenges of research near the South Pole.

A PhD in experimental space science with a MSc in aerospace engineering and a BSc in mechanical engineering, John has written and co-authored 40 scientific papers and 30 magazine articles.

He is also an avid athlete. He has climbed Mt. McKinley and the Matterhorn, won a world altitude record for hang gliding in Edmonton 1982, and has trained with NASA.

The Alternative Federal Budget: the real story

On February 17th the Canadian Centre for Policy Alternatives released their tenth Alternative Federal Budget (AFB).

According to the Canadian Labour Congress (and many others), the AFB has been consistently more accurate than the federal government in forecasting fiscal surpluses, and this year's document again

shows that the money is available to Canada's Finance Minister, Mr. Ralph Goodale, to finance an ambitious, progressive social investment agenda while still balancing the books.

While Minister Goodale says the federal surplus will amount to \$11.9 billion over the next three years, CCPA economist Ellen Russell says \$45 billion is more likely.

The Labour Congress used the AFB's release to call on the federal government to address "pressing real deficits"—an Employment Insurance program that doesn't deliver benefits to most of the unemployed; no national child care and early learning program for working families and their children; worries about the security of retirement incomes; the need to create sustainable family-supporting jobs, and the ability to face the challenges of climate change and global poverty.

And that is the Society Newscast for Friday, February 25, 2005.

Members can hear the current Newscast by calling (416) 979-2709 x.2035.

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