

# PROVINCE AGREES TO INDEMNIFY HYDRO FOR ABITIBI DEAL

Series of Queries Are Answered in House by Cooke

## \$5,000,000 TO COMPLETE

The Government has agreed to indemnify the Ontario Hydro Commission in connection with taking over the Abitibi power development from the Ontario Power Service Corporation, but the development has not yet been completed, and the extent of the liability of the Government under its indemnity has not yet been ascertained. Hon. J. R. Cooke, Chairman of the Hydro Commission, informed the Legislature yesterday. He stated that it was estimated that it would take \$5,000,000 to complete the project and to pay liabilities, and, of this amount, it is expected that approximately \$2,600,000 is available in the hands of the Montreal Trust Company, trustee under the mortgage securing the bonds of the company.

Mr. Cooke read a lengthy list of answers to questions put by D. J. Taylor (Progressive, Grey North); Dr. G. A. McQuibban (Liberal, Wellington Northeast), and F. W. Elliott (Liberal, Bruce North). Mr. Taylor's question had been standing on the order paper since Feb. 20.

### Commission Made Offer.

Mr. Taylor's first question was as to what date the Government made the offer to take over the Abitibi power development from the Ontario Power Service Corporation. The reply was as follows: "The Government has never offered to take over the Abitibi power development, but, on or about Aug. 5, the Hydro-Electric Power Commission of Ontario, at the request of the Government, made a public offer to the holders of the bonds of the Ontario Power Service Corporation to acquire such bonds in exchange for debentures of the Commission, guaranteed by the Province of Ontario."

The Progressive member's next question was as to what the terms of the offer were. The answer was: "The Hydro-Electric Power Commission of Ontario by public advertisement offered to acquire the bonds of the Ontario Power Service Corporation by exchanging for the same twenty-year debentures of the Commission guaranteed by the Province of Ontario on the basis of \$90 of such debentures for each \$100 of bonds of the Ontario Power Service Corporation, such debentures to be dated Oct. 1, 1932, and to bear interest at 3 1-2 per cent. up to Oct. 1, 1937; at 4 per cent. up to Oct. 1, 1942; and thereafter until maturity at 5 per cent., and payable both as to principal and interest in the lawful money of Canada and redeemable at the option of the Commission at par."

Nearly All Have Accepted.

"Has the offer been definitely accepted and the deal completed?" was Mr. Taylor's next question. "Over 97 per cent. of the bondholders of the Ontario Power Service Corporation have accepted the offer," was the reply.

"What is the total obligation incurred by the Province in this matter?" was the next question. "The Government has agreed to indemnify the Commission in connection with the transaction. The development has not yet been completed, and the extent of the liability of the Government under its indemnity has not yet been ascertained," Mr. Cooke replied.

Mr. Taylor's final question was: "What were the names and addresses of the bondholders and the amounts each held of the bonds of the Ontario Power Service Corporation involved in this deal?" "The Government is not aware of the names and addresses of the bondholders and the amounts held by them, respectively," was the reply.

Dr. McQuibban's first question was as to with whom the Hydro-Electric Commission had contracts for delivery of power to be developed by the Ontario Power Service Corporation prior to the acquisition by the Province of the Abitibi power site. "The Province has not yet acquired the Abitibi power development. At the time when the Hydro Commission offered to acquire the bonds of the Ontario Power Service Corporation the Commission had contracts for delivery of power to the International Nickel Company, the Abitibi Power and Paper Company, and the Abitibi Electric Development Company," Mr. Cooke answered.

The amounts so contracted for delivery and the prices stipulated were as follows, the Minister stated: International Nickel Company of Canada, 16,000 h.p. at 4.25 mills per kilowatt hour, with a minimum of \$18 per h.p. per year, deliverable at Sudbury; Abitibi Power and Paper Company, 10,000 h.p. at \$22 per h.p., deliverable at Sudbury; Abitibi Electric Development Company, 35,000 h.p. at \$13 per h.p., deliverable at Abitibi Canyon.

### Power Service Liabilities.

In answer to Dr. McQuibban's inquiry as to the outstanding liabilities of the Power Service Corporation when negotiations were entered into, Mr. Cooke replied: "The Government has never entered into negotiations with the Ontario Power Service Corporation for the purchase of its assets, but on or about Aug. 5, 1932, the Hydro-Electric Power Commission, at the request of the Government, made a public offer to the holders of the bonds of the Ontario Power Service Corporation to acquire such bonds in exchange for debentures of the Commission, guaranteed by the Province. At this time the outstanding liabilities of the Ontario Power Service Corporation, as far as known, were: (a) on bonds, \$20,000,000 and interest at 5 1/2 per cent. from Jan. 1, 1932; (b) estimated claims of contractors and creditors to a maximum of \$5,000,000."

The liabilities were due to "bondholders and to various contractors and persons having contracts with the company," Mr. Cooke stated. "Have these liabilities been paid by the Government?" was the next question. "No," was the reply.

### Amount to Complete It.

"What amount of money has been or is required to complete the project and for which the Government is responsible?" was another question put by Dr. McQuibban. "It is estimated that \$5,000,000 will be sufficient to complete the project, and to pay liabilities, and of this amount approximately \$2,600,000 is available in the hands of the Montreal Trust Company, trustees under the bond mortgage securing the bonds of the company," was the reply.

Mr. Elliott's question was to find out if the sinking fund reserves of the Hydro-Electric Power Commission included the \$20,000,000 equity of the municipalities. "The municipal sinking fund equity shown in the Commission's annual report of 1931, amounting to \$20,103,275, represents the accumulation of the sinking fund collections by the Commission from the municipalities operating under cost contracts—collected as part of the cost of power, which with improvement at 4 per cent. per annum amounts to the above-mentioned figure," was the answer.

"This sum represents part of the Commission's total reserves for sinking fund. Each municipality's share thereof is shown in the municipal books. The difference between the Commission's balance sheet figure of \$21,394,972 and the \$20,103,275 mentioned represents the sinking fund collections in respect of power supplied to the Commission's rural power districts and service buildings, and also the sinking fund collected in the cost of power from London Railway Commission; Toronto Transportation Commission; Sandwich, Windsor & Amherstburg Railway Company, and the Windsor, Essex Radial Association," it was explained.