

business justified further developments on the Niagara, the St. Lawrence, or the Ottawa.

A shift of Lake Superior head water and full use that scenery would permit of the Falls, Mr. Roebuck said, would afford 1,000,000 additional horsepower at Niagara. The harnessing of the St. Lawrence would provide another million; a large amount was still undeveloped on the Ottawa and abundant throughout the Province.

Application to Ferguson.

Sir Adam had said that the construction of auxiliary steam plants was the only alternative apparently furnishing an immediate and sure way of meeting the crisis impending in 1924. He had made application for authority to construct a steam plant and addressed it to Hon. G. Howard Ferguson.

"It is quite clear," said Mr. Roebuck, "that Sir Adam's policy was to defer any great Hydro development or purchase until a firm demand had grown under the flexible cover of steam plants."

Mr. Gaby had been in favor of steam plants. It had been the considered policy of both men and their advisers. In 1934 the accumulative deficit representing the cost difference between the steam plant policy (dropped) and the purchases in the east (adopted) amounted to \$21,075,841.

Back to 1925. "On the 12th of September, 1925, Messrs. Magrath and Maguire joined the Commission," said the Attorney-General. "Hydro passed into complete political control." He repeated the phrase "political control."

Chief Engineer Gaby was still advocating steam.

Picture Changes.

"The requested authority," Mr. Roebuck noted, "was not given. The picture changed." Detail by detail the Attorney-General sketched the negotiations and purchase of Gatineau power.

"On the 25th of October, 1935, we find Mr. C. Gordon Gale, representing certain C.P.R. and other interests, wiring Mr. Magrath as follows:

"Following our conversation of last Friday, I discussed the matter with other interested parties. We are in agreement and wish to go into the whole question with you at your convenience."

"On Nov. 20, 1925, J. W. McConnell, a well-known Montreal financier wrote Chairman Magrath stating that he had told Graustein of the International Paper Company of New York that Magrath was ready to discuss with him immediately, terms to cover the purchase of 100,000 h.p. to 300,000 h.p."

Mr. Magrath a month later had written to Mr. Graustein suggesting that if he must pay \$3,000,000 for the C.P.R. reservoir, "I fear you will be unable to make us a satisfactory offer. As you know," the letter read, "we can take care of ourselves for a few years through the introduction of steam plants at figures less than we discussed when in New York."

The Attorney-General back-tracked six years to trace the growing sums associated with Gatineau:

Cost of Gatineau.

"To properly understand what took place we must now retrace our steps to 1919, when the two powers, Farmers and Chelsea, were owned by Messrs. Gilmour & Hughson Limited of Ottawa, lumber operators. These powers were carried on the books at \$18,915.93, and were sold, along with all other assets, for no apparent increase over that amount. They passed to the Canadian International Paper Company, the company of which Mr. Killam, dominating factor in the Mail and Empire, was President. The International Paper Company then acquired certain lands and rights necessary to the development of the powers at \$39,596.

"In other words, in 1919 the value of the powers themselves, together with the cost of the lands and rights necessary for their use, was the sum of these two figures: \$18,915.93 and \$39,596, a total of \$58,511.93.

"We now turn to the value of Pagan. Between the years 1917 and 1926, the Hull Electric Company acquired the Pagan power for \$409,279.34. The Hull Electric Company was a completely owned subsidiary of the C.P.R.

"The C.P.R. thus acquired the Pagan power for \$400,000.

"In the light of these figures the letter of Dec. 15, 1925, of Magrath to G. Gordon Gale, Vice-President and General Manager of the Hull Electric Company is interesting:

"Today I was told that your company is asking \$3,000,000 for its Pagan power site."

"On Dec. 21, 1925, Mr. Graustein wrote Magrath that Beatty of the C.P.R. was 'standing pat on his \$3,000,000 price.'

"As a matter of fact, when Graustein of the International Paper Company actually came to make his bargain he found Mr. Beatty standing pat, as the purchase price was actually \$4,000,000.

"But what is \$4,000,000 among friends? The next turn of the wheel is the sale of the three properties by Mr. Graustein as President of the International Paper Company to Mr. Graustein as President of the Gatineau Power Company.

Purchase Price.

"This is where real financing is to be seen. The purchase price by Gatineau was \$41,776,818.

"We're paying the price! The taxpayers of Ontario are expected to pay the price!

"This is how it was paid:

Cash	\$17,001,818
Preferred stock of Gatineau Company	25,000,000
Common stock of Gatineau Company	2,000,000
Total	\$44,001,818

"Included in this price was \$2,225,000 for a power site which does not enter into this picture. This leaves a net purchase price for the three powers of \$41,776,818.

"Pizzaro's Spanish freebooters," the Attorney-General exclaimed, "found nothing so fabulous as this in the temples of the Incas."

The House rang with applause.

"To put it in another way: The English buccaneers who singed the beard of the Spanish King never brought home a prize which equalled the splendor of the gift which Magrath, Maguire and Gaby — and the rest I won't name—presented to the financiers of St. James Street."

There was loud applause.

Warnings.

On Feb. 22, 1926, the Attorney-General pointed out, E. T. Brandon, Chief Electrical Engineer, had submitted a report showing estimates of comparative costs between Hydro schemes and steam power. It had shown \$16,000,000 capital costs for the transmission of Gatineau power, including step-up and step-down; and a loss by leakage while in transit of \$5,000 horsepower.

On March 9, T. H. Hogg, Chief Hydraulic Engineer, presented the Queenston-Forebay storage scheme. An estimated capital expenditure of \$11,000,000 would provide a 170,000-horsepower increase in the generating stations at Niagara Falls.

"Mr. Hogg suggested a study of the comparative costs of this and other schemes for taking care of the prospective growth in the peak demand, but no such studies appear to have been made."

Apparently, he said, the scheme was already set.

"That the scenes were set for the Gatineau purchase would seem to be indicated by the fact that on the 24th of March, 1926, the Legislature of the Province of Quebec passed a statute, 16, George V., Chapter 26, 'Respecting the Exportation of Hydro-Electric Power.'

"This bill prohibits the exportation of Quebec power outside of Canada. The Ontario Commission is selling large blocks of export power. Nevertheless, the Commission had nothing on record of the title documents of the Gatineau Power Company, nor was there any legal opinion asked or obtained, so far as the records disclose, as to whether the continued export of power by the Commission subsequent to delivery by Gatineau would constitute a breach of Quebec law."

The Conclusion.

The Attorney-General reached "the consummation of the deal."

"In the face of such a situation, on March 29, 1926, Magrath sent a private wire to Graustein confirming a telephone conversation of that date, and stating that, subject to price and terms being satisfactory, they were willing to take from Ottawa district full load for one transmission line, say, 350,000 h.p., distributed as follows: Say, 140,000 h.p. from Chelsea, 110,000 h.p. from Pagan, and at least 100,000 h.p. from Chats Falls. They would require the supply to be available commencing in the summer or autumn of 1928, and extending for forty years.

"On the first of April, 1926, Graustein sent for acceptance that day of an offer of 230,000 h.p. to 260,000 h.p. delivered interprovincial boundary at \$15 per h.p.; also 20,000 h.p., 60-cycle, delivered interprovincial boundary near Ottawa, \$16 per h.p.

"This offer of from 230,000 h.p. to 260,000 h.p. was accepted by the Chairman on the same day, subject to the working out of details."

The House buzzed a moment as the date was noted.

"April Fool Joke."

The Attorney-General resumed. "Was ever a greater or more disastrous April Fool's joke played on a long-suffering public in the Dominion of Canada?"

There had been protest, he noted.

"On April 3, 1926, Mr. Brandon forwarded a memorandum to Mr. Gaby, pointing out that on the assumption that the price to be paid for horsepower at the Ontario-Quebec boundary was \$15, and that money was worth 4 1-2 per cent., the then present value of all payments to be made over a thirty-year period was \$60,000,000."

No report was obtained from the Engineering Committee of the Hydro system as to the advisability of entering into such a contract.

"What did they care for a committee of engineers?" Mr. Roebuck asked. "It was finance, not horsepower."

Nevertheless a warning was sounded by Mr. Don Carlos, the Operating Engineer. Mr. Carlos advised that such an increase in power would be more than then required. It might be cheapest to provide spare capacity by buying peak power—by compensating large power users to shut down and release power during peak hours.

No Order-in-Council.

Notwithstanding the fact that the Gatineau contract had not been before the Commission, and that no Order-in-Council had been passed, as required by the Power Commission Act, the Attorney-General explained, Premier Ferguson on April 14, 1926, issued a statement that, "upon the recommendation of the Commission, the Government is pleased to authorize the completion of an agreement for the delivery of 230,000 to 260,000 horsepower of hydro-electric energy to the Commission at the interprovincial boundary."

"Then," said Mr. Roebuck, "listen to what Premier Ferguson is reported to have said in a statement to the press! Just listen to this:

"It will be a matter of great satisfaction to the people of the Province, as it is to the Government, that the Hydro-Electric Power Commission of Ontario have succeeded in securing a very substantial block of power to augment our present supply and take care of our power requirements for the next five or six years. This is a most important achievement, and the Commission is certainly to be congratulated on the success of its efforts."