

"I stated to the House last year that were these contracts continued, and there was neither increase in revenue by reason of additional sales, nor reductions in expenses by reason of economy, the deficit this year would be \$4,066,373. The fact that the deficit is two-thirds of that amount may be credited to good management and increased business activity.

"It will be recollected that on April 11, 1935, this House passed the third reading of a bill to declare void and unenforceable the power purchase contracts with the four Eastern companies, but for reasons which I will later describe the Act contained a provision that it would not go into effect until proclaimed by the Lieutenant-Governor-in-Council. The proclamation did not take place until Dec. 6, 1935. The Commission's books closed on Oct. 31, 1935, so that while the full amount of the contract charges have not yet been paid, and may not be paid in full, these exorbitant exactions have been set up in their completeness in the accounting upon which my present figures are based. On this basis our cost of power from

Gatineau, Beauharnois, MacLaren-Quebec and Ottawa Valley was last year the sum of \$7,936,892.70, for a maximum amount of 619,000 horsepower. The House will remember that last year I stated, as the result of a most painstaking calculation, that the Commission did not and never had required one single horsepower from the Eastern companies to satisfy its uninterruptible demand. That statement was ridiculed by the gentlemen opposite, but the experience of the last year has justified in actual operation the accuracy of the figures I then presented. In order to demonstrate beyond peradventure the actual requirements of the System, the Commission instituted a new operating policy. One after the other it opened the switches which connected the Commission's transmission lines with the generating plants of Beauharnois, MacLaren-Quebec and the Quebec side of Chats Falls, leaving itself dependent upon its own generating resources and such power as it might take from the Gatineau plants.

"Now when the Commission determined to end the Eastern purchase fiasco, it was not able to terminate abruptly its sales of steam power without such notice as the contracts provided, nor was it reasonable to do so under the circumstances. The result was that we carried on the peak, or that amount of maximum yearly demand which occurred on Dec. 4, 1935, as much as 89,678 h.p. of steam-generation energy. We carried as well, 94,772 h.p. of interruptible primary power, and 30,429 of at-will secondary power, which for various reasons of public policy, the Operating Department under the Commission did not see fit to interrupt. In addition to this the Commission's peak in firm demand increased from 835,154 in December, 1934, to 839,008 h.p. in 1935, an increase of 3,854 h.p. There was, therefore, on the load in addition to the firm power for which the Commission had this year contracted, the following:

Steam	89,678 h.p.
Interruptible firm	94,772 h.p.
At-will secondary	30,429 h.p.
Increase in firm	3,854 h.p.

Total

218,733 h.p.
 "We actually accepted from the one Eastern Power Company whose lines were connected with ours during the month of December last, a maximum of 202,000 h.p. It is therefore apparent that if we carried 218,733 h.p. of interruptible power on the peak, and we purchased from the Eastern companies only 202,000 h.p., we had actually available from our resources other than Eastern companies, 16,733 h.p., in excess of our uninterruptible demand.

"In addition to this it should be pointed out that the capacity of the Commission's Niagara River plants, as stated last year, was 810,000 h.p. Conditions on the Niagara River have been worse this winter than at any other time since the first plant went into operation at Niagara Falls. Low

water and drifting ice cut down the capacity of our two plants at the Cataract and the great plant at Queenston to as low as 727,000 h.p.—a decrease over last year of 83,000 h.p.

"From these figures it will be observed that my estimated spare capacity over uninterruptible demand as calculated last year has been actually proven in practice to be under-stated. Without the Quebec side of Chats Falls, I said we had a margin of 75,000 h.p. It is true, and I pointed it out last Session, that some margin of supply is required over and above the exact amount, but figuring this for this year's requirements at 100,000 h.p. in addition to our own resources outside of Quebec companies, we find that we had a surplus of unwanted power of 500,000 h.p., which at \$15 per h.p. at the inter-Provincial boundary cost the Commission the sum of \$7,500,000. Is it any wonder that with a total unnecessary outlay of \$7,500,000, the Commission should suffer a deficit of \$2,870,000? Our total bill from these four companies for the year 1935 was the sum of \$7,936,892.70, and it is interesting to observe that we have paid to these four companies since our first agreements commenced in 1928, to Oct. 31, 1935, the outlandish sum of \$33,652,337.51, much of which has been actual and absolute waste, and were we to continue payments to the end of the contracts, it would involve an outlay of the fantastic sum of \$382,500,000, or \$172,500,000 more than our total capital investment in the entire Niagara System.

"At this point may I take occasion to congratulate the Province of Ontario that it has in office a Government with the courage to face the facts of the financial disaster which I have just described, and to take such action as is necessary to rescue the power and light users of this Province from the ruin that has faced them, and may I compliment the members of this House who supported the leadership of a courageous Prime Minister in their passage last Session of an Act to declare these iniquitous contracts invalid and unenforceable, and upon the resolution and public spirit which they showed on that occasion in placing in the hands of the Commission and the Executive Council, the power necessary to the carrying out of this Government's Hydro policy. The Act which they passed upon that occasion contained a provision that it was to go into force upon proclamation of the Lieutenant-Governor-in-Council, and I have told you that I would explain the reason for that delay.

"That reason lay in threats of reprisals which we received from certain persons in the Province of Quebec should we dare to interfere with the stranglehold of the Eastern generating companies, and in the fact that in the Eastern System we were at that time vulnerable. The Eastern System, as its name implies, lies to the east of the Niagara System. It has a population of nearly 700,000 people, including the Cities of Ottawa, Kingston, Belleville, Brockville and Oshawa, in addition to 16 towns and 32 villages—a total of 204 municipalities in which there are approximately 79,000 Hydro customers. Throughout this territory the Commission owns and operates thirteen generating stations with a normal capacity of 62,800 h.p. It carried a peak load last December of 107,185 h.p. This deficiency between the capacity of the Commission's own generating plants and its peak load requirements is supplied by 987 h.p., purchased in the Province of Ontario, and the balance from the Province of Quebec.

"Now it is an element in this situation that the power used in the Eastern System is generated at 60 cycles, while in the Niagara System it is 25-cycle, so that at that time it was not possible for the Commission to place at the disposal of the Eastern territory any portion of its Niagara electrical supply, and we were threatened from the Province of Quebec that should the Government cancel these contracts between the power companies and the Niagara System, the

authorities in Quebec would cut off the supply of the Eastern System.

"I have in my hand a report of an interview with Mr. Aime Geoffrion, K.C., which was published in the Star on May 9, 1935, in which that gentleman publicly states the threat which this Government had already received on a number of previous occasions from other sources which it is not my privilege to disclose. Mr. Geoffrion is a director and legal advisor for the Beauharnois Corporation, and is a noted counsel and distinguished member of the Bar of Quebec. Speaking in Toronto in May, last year, Mr. Geoffrion said:

Premier Taschereau will probably take a very definite stand for a continuance of the present agreements in modified form, or no power at all from Quebec. That may seem a very unneighborly attitude, because if Quebec power is shut off, all Ottawa and most of Eastern Ontario will be plunged into darkness, and in many cities the wheels of industry will be stilled.

"That statement, as I have said, is the public announcement of a threat which the Government had received in still more emphatic terms from sources which could not be disregarded. But unfortunately for Mr. Geoffrion when his public statement was made the Commission and the Government had already taken steps to parry the thrust.

"Mr. Geoffrion made his speech on May 9, but on April 4 preceding, an item appeared in the press which conveyed to the Commission some very valuable information, in which it was stated that work had been stopped at the Westinghouse plant in Hamilton on the construction of a 60,000 h.p. frequency changer, as a result of the Government's action in cancelling the power contracts. This was the first intimation to the Commission that such a machine was in existence or in prospect on the continent of America, and an engineer in the Commission's employ was immediately despatched to Hamilton on a scouting expedition. He reported that the Westinghouse Company had completed the preliminary work for the construction of such a machine upon the strength of an order from the MacLaren-Quebec Company. Many months had been spent upon the design. Dies had been struck and materials purchased, but due to the uncertainty with respect to its contractual relations with the Hydro Commission, the MacLaren Company had cancelled the contract. It was learned that under pressure, this great frequency changer could be completed and installed by Oct. 15 of that year. A price was asked from the Westinghouse Company. The price was reported upon by the Hydro's engineers, who stated that it was a fair price and reasonable, and the Commission had further assurances in the matter of price in the fact that the price quoted to the Commission was the same as that to be paid by the MacLaren Company.

"The engineers also reported that a frequency changer between the two Systems had for some time been recommended by the Engineering Committee, in the interests of operating efficiency. The purchase, they said, was justified on an operating basis, aside entirely from the emergency conditions then confronting the System. Under these circumstances the Commission promptly obtained the approval of the Government and placed its order for the machine. Work was recommenced in Hamilton on a three-shift basis. The men continued in their employment, and the great machine was hurried to completion.

"It may be that Mr. Geoffrion later enjoyed a laugh at his own expense, when on June 18 following an item appeared in the press that the Hydro Commission had men working at Chats Falls on the installation of what was referred to as a '60-cycle motor' for the supplying of power to the Eastern district. It is probable that he then realized that when he made his