

THE EVENING TIMES-STAR, SAINT JOHN, N. B., THURSDAY, APRIL 15, 1926

QUEBEC MEMBER PAID \$5,668 AS HYDRO SOLICITOR

H. G. Acres, Ontario Engineer, Got \$23,253 For Grand Falls Advice

HON. E. A. REILLY TELLS OF VENIOT ACT COSTS

Inform House of Saving Effected in Power Commission Expenses

FREDERICTON, April 14.—Delving into the costs of the Grand Falls enabling act prepared under the Veniot administration, Hon. E. A. Reilly, chairman of the New Brunswick Electric Power Commission, revealed in his speech this afternoon that a member of the Quebec Legislature, who acted as solicitor for the commission, alone received \$5,668 for his services.

It was also pointed out by Hon. Mr. Reilly that H. G. Acres, Ontario Hydro engineer, received \$23,253.70 for services in an advisory capacity up to August 31, 1925, while Mr. Acres' first lieutenant, George H. Lower, up to the same date, had been paid \$13,755.56.

One of the interested visitors in the House this afternoon was the former Premier, Hon. Dr. Walter E. Foster.

BOARD CUTS EXPENSES

Turning to hydro matters, Hon. Mr. Reilly spoke of the appointment of the new hydro commission and said that as a result of economy practised a saving of \$5,500 had been saved in the commission itself alone. The commission in addition had reduced its staff by 64 men, making a monthly saving in salaries and expenses of \$5,500 to the province, while on a new lease for office buildings a saving of \$2,500 a year had been effected.

The sending out of surveying parties for transmission lines from Grand Falls to Campbellton, Bathurst and Fredericton a few days prior to the elections last August was con-

demned by the Hydro chief. These surveys cost the province \$20,732. "I wonder what they were up to," asked H. Frank Smith. "The province was to electrify," replied Hon. Mr. Reilly amid laughter.

REILLY SPEAKS

After reviewing the financial position of the province, Hon. Mr. Reilly dealt at length with the hydro development under the late Government. The first meeting of the present commission was held on Oct. 16 and 17, 1925, he said. The old commission was composed of seven members, three of whom received salaries; the chairman \$3,500, the vice-chairman \$3,000, and the third member \$2,500, or a total of \$9,000 per year and expenses. The late Government, in addition to these three members of the board, appointed a consulting membership of four at \$20 per day and expenses while in session. The former commission had a membership of seven.

The present commission was composed of five members, of which only one was paid a salary, namely, \$3,500. The other members, while sitting perhaps one day a month, receive \$20 a day when in session and expenses. The province there made a saving of \$5,500 and upwards in reduction of salaries.

EMPLOYEES REDUCED

Since taking office their employees had been reduced by 64. Not one of these vacancies had been filled, yet the service had been good. The monthly payroll had been reduced by \$5,500. In addition, the expenses of these employees retired from the service was about \$2,514, thus making a monthly saving to the province of \$8,000. The rental of the hydro offices in Saint John also was reduced from \$9,000 to \$1,100 per year. Thus, with the reduction of salaries to the members of the commission gave a monthly saving to the province of \$8,000 on account of the reduction of staff plus an annual reduction of \$8,000 on account of salaries and rent.

The Saint John hydro electric system was started some time in 1921 at an estimated cost of \$2,000,000, as was then submitted by Hon. W. E. Foster, the father of Musquash. This statement was made in the Provincial Legislature.

RECORD OF MUSQUASH

H. G. Acres, one of the late Government's engineers, on April 28, 1925, speaking before this Legislature of Musquash said: "As a natural power in the usual sense, Musquash is not a water power on the usual basis upon which such projects are appraised. It has been made an instrument for the production of power by the use of water and its record today indicates that."

In 1925 this development only produced 15,000,000 k.w.h. general average current, which means that only 1,360 continuous h. p. was developed. This development, including transmission to the city of Saint John from Musquash, cost the province of New Brunswick \$3,656,828.58. Your capital cost of hydro at Saint John is \$1,545 per continuous h. p. The cost of operating the Musquash plant last year was \$285,938.02.

The cost per h. p. at Saint John was \$44.81.

COST OF OPERATION

The cost of operating the power development itself, without any transmission line, was \$232,939.23; therefore the cost per h. p. at Musquash was \$8.82. He would congratulate the Saint John City Council on getting such favorable terms from the commission.

When this development was ready to deliver power, the then commission after some negotiations on Nov. 23, 1922, executed a 15-year contract with the then Council of Saint John for delivery to the consumers of Saint John power, minimum, 10,000,000 k.w.h., with the option of increasing to 15,000,000 k.w.h., with the further option of renewal for another 15 years. This same power, delivered at Saint John at 12¢ cost the province to produce 10 cents per k.w.h., or a loss to the province of \$80,000 per year, if all the power produced were taken. As the power taken increased, so did the loss.

WOULD LOSE \$120,000

It might be argued that Saint John was not consuming the 10,000,000 k.w.h., yet the city was paying for 10,000,000 while it was only consuming 7,000,000 k.w.h. The Hydro Commission must always have on hand sufficient hydro supply, so that if Saint John should demand the 10,000,000 the commission must deliver it at such rate, and at a loss of \$80,000 per year. It Saint John demanded its full contract on the same basis, the commission would lose \$120,000.

It might be stated in this House that Musquash was now developing power over its necessary demands sufficient to supply the New Brunswick Power Company. To this he would remind the House that it was only temporary during the high water season, and as soon as the spring flowage subsided, the development of this power would be down to normal.

The weakness of the Musquash system was further illustrated by the old Government, as they were obliged as an auxiliary to purchase from the New Brunswick Power Company 2,000 h. p. to supply their customers in case of an emergency or a shortage on the part of Musquash.

This contract to purchase 2,000 h. p. was entered into with the Power Company on Aug. 8, 1925. This power was to be taken by the commission as required and was ready-to-serve charge payable in monthly instalments of \$2,383.83 each. There was a minimum charge of \$28,000 per year, even if the commission did not take any of the 2,000 h. p.

In addition, any power actually taken by the commission was to be paid for at the rate of 1½ cents per k.w.h. for the first three million k.w.h. per year, and 1½¢ for all over three million k.w.h. per year.

The commission had contracted to purchase power from the New Brunswick Power Company at the rate of about two cents per k.w.h. while they were selling to the city of Saint John for 12¢ per k.w.h.

LOSS TO COMMISSION

This was a loss to the commission. If Musquash had sufficient capacity to supply the needs of the lines already established, why purchase 2,000 h. p. of the New Brunswick Power Company for a price in excess of what they had contracted to sell under the agreement to Saint John.

After the new commission assumed the hydro management of the province, the affairs they found a large number of rights-of-way still unsettled. They adopted the policy of settlement by consent and agreement of both parties, if possible. Up to the present time, they had been successful in those they had undertaken. There still remained some 33 unsettled rights-of-way. Among these was the Ingleswood Property, so-called, in which the commission tendered \$99,000, but the company claimed some \$800,000. This settlement at present is under arbitration in pursuance of the act.

SYSTEM BEHIND \$55,505.10

The Musquash system went behind in 1925 some \$55,505.10. This same system since its inception cost some \$165,000.

On July 16, 1921, the commission proceeded to Bathurst and purchased from the Bathurst Company under a one-year contract, without option of renewal, hydro current at 85¢ a h.p. or about what they were paying Bathurst.

The commission then executed a five-year contract, on the 6th day of September, 1921, with Newcastles, for the sale of current at three cents a k.w.h. or about what they were paying Bathurst.

The commission then built a transmission line from Bathurst to Newcastle, which cost \$128,491.78. In the latter part of 1922, the Bathurst Company terminated their one-year contract. The New Brunswick Commission was then obliged to insure the transmission of current for Newcastle under the five-year contract to renew the Bathurst contract to supply current to Newcastle at 75¢ a h.p., for which they were paying \$35 a h.p. under the original contract.

PART OF DEVELOPMENT

This transmission line appears to be a part of the Musquash development, since it was paid for out of Musquash bond issue. This was confirmed by the Hon. W. E. Foster when he said this amount of money was paid for by Musquash.

The result of this blunder in purchasing power at a low rate under a one-year contract and selling to Newcastle under a five-year contract has shown losses to:

1923	.....	\$ 9,842.28
1924	.....	16,894.85
1925	.....	11,890.29

Making a total loss in the Bathurst system to the present time of \$38,627.42.

This loss means about 32¢ per cent of the entire original cost.

MONITOR CONTRACT

The old commission, on June 9, 1922, entered into a 15-year contract with the city of Moncton for delivery of power, from five to seven million k.w.h. at 2.25¢ per k.w.h. This power cost the province 3 cents per k.w.h. to deliver at the Moncton station. The annual loss to the province and which the people must pay was:

In 1924	.....	\$50,182.53
In 1925	.....	44,937.08

Or a total in two years of \$95,119.61.

The commission was selling electricity at Moncton at 2½ cents per k.w.h., which cost it three cents to produce and deliver.

Surveys executed immediately preceding the last election were carried out in the northern section of this province. These surveys were supposed to map out certain intended transmission lines from Grand Falls to Campbellton and Bathurst. These lines were started notwithstanding the development at Grand Falls had not commenced.

No. 4 survey under Engineer McKay commenced at the Bathurst-Campbellton line on August 6, 1925. Just four days before the election.

Survey No. 3 under L. P. Roy was sent out to St. Quentin on August 4, 1925, six days before the election.

Survey party No. 2 under J. A. McDougall was sent out to the line east of Grand Falls on July 30, 1925, eleven days previous to the election.

SENT TO SURVEY LINE

E. C. Akerley was despatched on July 20, 1925, to survey the line from Grand Falls to Fredericton, just 19 days thereafter to demand from the Commission all or any part of the power developed. This was on the assumption that the contract was binding on both parties. As had been said by the Premier, how far it was binding was very vague and uncertain. The price at which the power was to be sold, the terms of supply and the rights of renewal, as well as other provisions of the contract, were left to be determined by future agreement between the parties.

PRESENT POLICY

The policy of the present government had been, on the contrary, a complete protection of the people, both as to costs, industrial development and the availability of power for distribution.

(1) To eliminate the four original contracts (including contract "B") which gave the International Paper Company practically full and complete control of Grand Falls power, save only a small quantity for the Bathurst Company.

(2) To release the province from the expenditure of nearly fifteen million dollars in this development.

(3) To release the province from \$12,000,000 pledged by the old contract to be paid to the International Paper Company.

(4) To secure the return of \$325,000.

formed that their own figure was considered out of the question.

2. Supply five thousand h.p. for the Province of Quebec.

3. Supply two thousand h.p. for the International Paper Company for flowage along the international boundary.

4. Supply an estimated or probable quantity of 14,000 h.p. as claimed by Mr. Graustein for flowage and storage rights demanded by the State of Maine.

5. To develop Grand Falls at a cost to the people of the province of between nine and fifteen millions of dollars, for which the province must necessarily be bonded.

6. To reserve up to 14,000 h.p. for the Bathurst Company, Limited.

7. To reserve up to 14,000 h.p. for the International Paper Company for eighteen months.

8. To give that Paper Company the further conditional right of option exercisable anytime within two years, to take any additional primary power in amounts not less than 5,000 h.p., or 1,000 h.p. or multiples thereof for wood grinding purposes. (In 1925 the late government had sold no power from Grand Falls, notwithstanding what was said in this House to the contrary.)

OPTION PROVIDED FOR

This agreement further provided that immediately an offer was made to the Paper Company, an option became operative whereby the Paper Co. was entitled at any time within two years thereafter to demand from the Commission all or any part of the power developed. This was on the assumption that the contract was binding on both parties. As had been said by the Premier, how far it was binding was very vague and uncertain. The price at which the power was to be sold, the terms of supply and the rights of renewal, as well as other provisions of the contract, were left to be determined by future agreement between the parties.

EX-PREMIER'S WORDS

On April 13, 1923, the ex-Premier in this legislature said that the Grand Falls Power Company or the International Paper Company as the two seemed to him, were the only parties in securing property rights at Grand Falls. This matter had been discussed, in fact P. T. Dodge, president of the International Paper Company, had conferred with him. These companies had been told that they would have to submit their claims to arbitration before a judge of the Supreme Court unless they would reduce the amount of their claim to a figure which would be considered reasonable. They had been in-

cluded by the old government in preparing data, plans, and information in connection with Grand Falls.

(8) To release the province from all flowage claims on the International boundary.

(9) To release the province from any claim by the province of Quebec.

(10) To ensure that the whole development of the Grand Falls is to be at the cost of the International Paper Company, while New Brunswick is not to have one single cent of liability.

(11) To secure the construction of a paper mill with a minimum capacity of 200 tons per day, the capacity to be increased as power is available to 700 tons per day.

(12) To have this construction work commence in the month of May, 1926, and continue until completed in the latter part of 1928.

TOTAL POWER PRICE

(13) To fix the price of power at Grand Falls at 20¢ per continuous h.p. (Fraser, Limited, composed of two of the most outstanding and astute business men within our province, have agreed to buy at this price).

The ex-Premier in this House said he had received a mandate from the people in 1920 when a delegation came here to demand the abrogation of the Grand Falls lease. Then, in 1924, he said the development of Grand Falls would never take place until the question was first submitted to the people. Speaking in this legislature he said:

"In regard to Grand Falls they propose to employ the most capable engineers obtainable and were hopeful before long to be able to give the people an estimate of the actual cost of the undertaking. Possibly from his remarks hon. members opposite might be able to derive some idea as to when the next election would be held. Full details of the project would be submitted to the people, and he felt sure the time would come when the present administration, or some other, would go ahead with the work."

The late government, twelve days before the last provincial election, let a contract to the Powers Construction Company to construct a spur line from the C. P. R. to the supposed Grand Falls Power House, no development or installation having yet been commenced at Grand Falls. The contract price was \$29,250. The contractors commenced work seven days prior to the election. This was an expenditure paid from the people's pockets on which as yet there was no guaranteed interest nor any income or revenue to meet the overhead.

The Commission under the late government made an application to the legislature of the province of Quebec for an enabling Act permitting the installation of a storage system in the Temiscouata district to increase the water supply for Grand Falls.

While this was only a miniature Act, nevertheless it cost the province of Quebec \$29,250.

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FRASERS LIMITED SHORT.

(9) To secure 20,000 h.p. for Fraser, Limited, for the production of newsprint.

(10) To secure 27,000,000 k.w.h. of dependable power for distribution to purchasers within the province.

(11) To secure in consequence of this development the construction of a newsprint mill at or near Campbellton, with a capacity of 200 tons per day.

(12) To secure the construction of the International Paper Company in the centre of the province of another paper mill with a minimum capacity of 200 tons per day, the capacity to be increased as power is available to 700 tons per day.

(13) To have this construction work commence in the month of May, 1926, and continue until completed in the latter part of 1928.

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Continued on Page 10, column 4

(Letter on file)

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