



\$81M Windsor casino energy plant could be worthless

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An energy plant intended to power a casino in Windsor, Ont., that has cost taxpayers about \$81 million may now be worth nothing, according to an internal report obtained by CBC News.

The Ontario Lottery and Gaming Corporation (OLG), the provincial regulator for gambling and lotteries, built the energy centre in order to ensure a reliable supply of power to the Caesars Windsor casino, which has undergone a massive expansion over the last few years.

So far, construction on the plant has gone well over what the government initially thought would be a \$40-million price tag.

'I can't say this is the worst I've ever seen. But it's certainly in that category and bad management is a suspicion.'¹—Forensic accountant Al Rosen

But the province may not come close to recouping those expenditures, according to a consultant's report commissioned by the OLG.

The report by Cole Valuation Partners that was sent to the OLG on Nov. 21, 2008, says that "under all scenarios, the [net present value] is well below the cost of the Energy Centre of more than \$80 million."

While the report explicitly states it is not intended to be a final valuation of the project, it is billed as a "preliminary financial analysis."

It appraises the value of the facility under a number of scenarios based on differing returns from the sale of energy to the casino and to the provincial power grid.

It finds that the energy centre could fetch \$21 million at the most if sold in the private market. The worst case scenario finds the centre to be effectively worthless.

Forensic accountant Al Rosen, who looked over the report, cautioned that "it's not a valuation as such. So it's more indicators of where the problems may be and may require more research."

"But lawyers do this all the time. 'Are we on solid ground or aren't we? Let's do some preliminary analysis and we can do some followup later on.'"

Rosen confirmed that if the report was accurate, it is possible the centre could be worth "nothing."

Miscalculations blamed for low value

The report says the projected values are so low because the OLG miscalculated how much the centre would be able to sell its power for.

The OLG's calculations were based on the assumption that the power generated by the plant would qualify for a provincial program that would subsidize small, clean energy generators.

But that program, the Clean Energy Standard Offer Program, was never implemented. Instead, the province passed the Green Energy Act in May.

It's now unclear if the energy centre will ever receive a subsidy from the province.

Rosen said poor planning is to blame for the low value of the energy centre.

"I can't say this is the worst I've ever seen. But it's certainly in that category and bad management is a suspicion," Rosen said.

The only scenario in which the value of the plant is anywhere close to how much the province has spent on it is if the OLG stays on as owner. In that case, the value of the project is estimated to be as high as \$62 million.

But it is unclear if the OLG has any plans at all to own the centre — there is nothing in the OLG mandate to suggest it should be involved in power generation.

Legal limbo

The OLG had originally hired Buttcon Energy Inc. to design, build and operate the plant.

But Buttcon filed a \$355-million lawsuit on Aug. 31 against the OLG, alleging breach of contract, deceit and misrepresentation.

Buttcon claimed it had signed a contract to own and operate the centre for 18 to 38 years and accuses the OLG of delaying a purchase agreement.

Buttcon said the government decided to build the energy centre in order to keep some of the costs of the casino expansion off the books.

The government has also come under fire from the opposition Tories for wading into energy generation. In September, Peter Shurman, the Conservative critic for Economic Development and Trade, questioned why the OLG spent taxpayer money on a plant that isn't providing power to the provincial grid.

But the government is not commenting on the costs or the motivations behind the construction of the energy centre because of the legal dispute with Buttcon.

Both the OLG and the office of provincial Finance Minister Dwight Duncan said they can't find the report.

Buttcon has now stopped operation of the plant, and the province has hired Angus Consulting Management Ltd. to operate it temporarily.

The government has said it is now searching for a permanent operator, and that contract will be open to competitive bids.