



Fourth Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

**STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES**

41 Elizabeth II

*Chairman
Mr. Jack Reimer
Constituency of Niakwa*



VOL. XLII No. 1 - 7:30 p.m., TUESDAY, MARCH 2, 1993

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNESSE, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PALLISTER, Brian	Portage la Prairie	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP
<i>Vacant</i>	Rupertsland	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, March 2, 1993

TIME – 7:30 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Jack Reimer (Niakwa)

ATTENDANCE - 9 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Downey

Messrs. Ashton, Edwards, Helwer, Hickes,
Laurendeau, Reimer, Rose, Sveinson

APPEARING:

Robert B. Brennan, President and Chief
Executive Officer, Manitoba Hydro

John S. McCallum, Chairperson, The Manitoba
Hydro-Electric Board

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Energy
Authority for the year ended March 31, 1992

Annual Report of the Manitoba Hydro-Electric
Board for the year ended March 31, 1992

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Mr. Chairperson: As we now have a quorum, will the Committee on Public Utilities and Natural Resources please come to order.

We have before us the following items to be considered: The Annual Report of the Manitoba Energy Authority for the year ending March 31, 1992, together with financial statements for the 15 months ending June 30, 1992. You will notice the financial statements are attached to the back of the report. Also, there is the Annual Report for the Hydro-Electric Board for the year ending March 31, 1992.

I would invite the honourable minister responsible to make his opening statement and introduce the officials present this evening.

Hon. James Downey (Minister responsible for the Manitoba Energy Authority): Mr. Chairperson, first of all, let me introduce the Chairperson of the Board of Manitoba Hydro, Mr.

John McCallum; the President, Mr. Bob Brennan; and the Vice-President, Mr. Ralph Lambert. We also have Mr. Glenn Schneider, who is in charge of communications with Manitoba Hydro as well.

**Annual Report of the
Manitoba Energy Authority**

Hon. James Downey (Minister responsible for the Manitoba Energy Authority): Mr. Chairperson, I have a few brief Hydro comments to make, but first of all maybe we could deal with the Manitoba Energy Authority. The first paragraph on the first page basically explains what has happened.

Subsequent to the end of the '90-91 fiscal year the government of the Province of Manitoba transferred the operations of the Manitoba Energy Authority to various government departments and Crowns. The effective date was August 19, 1991, and all staff were terminated as of that date. The Authority transferred title of all of its assets to the Province of Manitoba and all liabilities have been discharged. This will be the last report that will be brought before a committee of the Legislature, so I would ask for passage of it.

Mr. Chairperson: Does the critic for the official opposition, Mr. Hickes, have any opening statements?

Mr. George Hickes (Point Douglas): Yes, I would like to just express my displeasure at doing away with MEA. From my past experience and the knowledge I have of MEA, it brought a lot of good things to Manitoba; and, when I say that, I look at the Dow Corning, Brown Boveri and Pioneer Electric, and even negotiated with General Electric to commit \$10 million to assist small businesses in Manitoba. The other area that the Energy Authority was dealing with was power sales on behalf of Manitoba Hydro. I know that they had negotiated sales with Northern States Power, Minnesota, Ontario, and they were very instrumental in developing training for northern people.

With that now being gone, I am just wondering how that will be replaced. As we look at Dow Corning now, there was a lot of potential there for a lot of jobs, and I have not heard too much activity lately concerning Dow Corning, and I was in a community of Wanipigow in that area not too long ago, and some of the concerns that were raised were: Where was Dow Corning at today? Is there going to be a plant built on Black Island, and will there be jobs for people in those communities?

They were looking forward to the possibility of jobs and the possibility of sharing some of the activities that would be forthcoming.

I had no answer for them, because I did not know where Dow Corning is at. I feel strongly, I stated in the past and I will state again today, that I think it is a mistake to do away with the Energy Authority because, since dissolving the Energy Authority, we have had no new power sales. I know that if we had power sales committed or forthcoming that we could go ahead with developing some of the potential dams in northern Manitoba to stimulate the economy and create employment opportunities, create some training opportunities which are really needed in northern Manitoba and also to increase some revenues to help stimulate the economy.

I know our economy is in bad shape, and it is the same all over. It is global; it is not one particular province's fault. If we had some projects going, and if we had some power sales to create some of those employment opportunities, I think Manitoba would be a lot better off. So I am very disappointed to see it being disbanded, because I know that people say, well, Hydro will do the work, but Hydro is there to develop power and to deliver power. The expertise that was in the agency, I think we have lost it. I do not know where we are today. So I am just very concerned, and I will have some questions later on.

Mr. Chairperson: Does the critic for the second opposition, Mr. Edwards, have any opening statements?

Mr. Paul Edwards (St. James): Mr. Chairperson, I do not have an opening statement per se. I do want to ask some questions flowing from the reports, so I will save an opening statement and just leave it for some questions.

Mr. Chairperson: I would appreciate some guidance from the committee then if we will consider first the Annual Report of the Manitoba Energy Authority and the company financial statements and

then, second, the Annual Report of the Manitoba Hydro-Electric Board. Agreed?

An Honourable Member: Agreed.

Mr. Chairperson: We will consider the report page by page.

Mr. Downey: Mr. Chairperson, maybe we could just do it as a report without doing it page by page. It might be more—

Mr. Chairperson: Report.

Mr. Downey: Just a quick response to the member for Point Douglas—the functions of the Energy Authority, as it relates to the Silicon Products Commercial Development Program, is in fact stated here, what the current status of it is. It is now being carried out, and I say this, that we are very pleased with the activities that are being carried out by Dow Corning. I think it has tremendous promise. It is a new technology, a new furnace which is truly a research pilot project of some \$25 million invested by Dow Corning in the province and the government supporting of it, but the actual activities were transferred over to Industry, Trade and Tourism as of April 1st of 1991.

As it states here, the authority and Dow Corning Corporation of Midland, Michigan, executed a Memorandum of Understanding dated November 1, 1988, to pursue the joint venture to verify and utilize advanced technologies in the production of silicon in Manitoba.

The other activities, as they relate to the authority, the authority assigned to Manitoba Industry, Trade and Tourism, its contractual obligations under two industrial benefits agreements and 14 industrial co-operation agreements with various international firms. So the work that was traditionally carried out by the Energy Authority is now within the Department of I, T and T. As well, Hydro themselves have a pretty close liaison with companies like Dow Corning. There have been a lot of discussions going back and forth.

Let me as well say that the question that he refers to the Black Island and the plant being built there, at this particular point the pilot project has not used silica sand in its actual testing. They have used quartz. The rock they are using is quartz. They hope to at some time in the not too distant future use the silica sand as a product for the making of the silicon metals but, again, they have not used it, and so until they have used it and tested and seen its capabilities then it would be unfair for me to

comment, but it is part of their plans to do research in this whole area.

So I would say I am encouraged by it. Whoever encouraged them to come, I think it is important that they are here, and the work is not going to fall through the stools. It will be carried on and supported by government and in co-operation with working with Hydro.

Mr. Hickes: The question the communities were raising, and rightfully so, was that through the rumour mills they had heard that there is consideration to import the products from the States and not use the sand from Black Island. They were very concerned about that. I hope it is a false rumour.

Mr. Downey: Well, Mr. Chairperson, in the making of the product that is made, what we have to add to the whole process is the low-cost electricity, which is the main reason why a company like Dow Corning would be here. The other one is that it is a new type furnace which will carry out testing on products like the silica sand, and it is unfair and I think it would be unfair to the communities to expect great expectations of the use of that sand until the proper research has been done. That is what the project is. It is a pilot plant. It is a plant to research the different products that we have. To date they are using quartz.

* (1940)

They do, as I understand it, plan to move to the silica sand for testing in the not too distant future. When those results are known it will be up to Dow Corning to say and to develop further. I also understand that there are certain ingredients that may have to be brought in, whether it is the high-quality coal, for part of the process. I am not a technician, I am not an engineer, but I have just had a lot of interest in this project, being the Minister responsible for Energy and Mines. We have had recent discussions and meetings with them. There is input from I, T and T on an ongoing basis. The Department of Energy and Mines has an individual who is very closely tied to this, so I do not want your communities that you are referring to to have false hope, because in the initial stages, they are not using the silica sand. They are using quartz, which they are looking for supplies here in Manitoba, but they do plan to do the testing of the silica sand.

I am sure if it works into the program and the process, it is very close, and the transportation costs

I am sure would be very advantageous and it should come together. So it is all part of the developmental process at this stage.

Mr. Hickes: The other area that I would like to ask a question on is the potential hydro sales. Who is doing the negotiations for sales now that MEA is no longer there together, because they were the ones that were negotiating power sales for various operations?

Mr. Downey: Mr. Chairperson, as the member knows, we have just had the notification from Ontario Hydro that they do not wish to proceed with the purchase of electricity from us. That is well known, and we can talk about that as we get to the Manitoba Hydro report. Manitoba Hydro have in fact the responsibility of negotiating such sales and agreements. They are in the business of selling hydroelectricity, as is the Department of Industry, Trade and Technology.

The Department of Energy and Mines is very much interested in the development and the sale of future electricity, but I think as we get into the Hydro report—the manager may have a comment now. The president of the company may have a comment now as it relates to who is doing it, but it is the corporation that is charged with that responsibility supported by and working with the government agencies. I can assure the member that any opportunities or any indication of someone wanting to buy electricity from Manitoba are being followed up and in fact promoted by either Hydro and/or the Department of Energy.

Mr. Hickes: Last time we met I had raised the question about staffing of MEA, and I think there were two or three individuals that were left without jobs. My understanding was at that time that there was going to be a possibility of looking at employment opportunities for these individuals because, from that meeting, what I had understood was that all the personnel were reallocated to jobs elsewhere, and there were I think about three individuals that had come out. I got a letter from the minister stating that at that time. He checked into it and he followed up as he said he would, and then there was a possibility of pursuing employment opportunities for these three individuals. I was just wondering if they were able to be placed somewhere within government.

Mr. Downey: Mr. Chairperson, I did respond to the member. I cannot give him any further information

at this particular time as to the status of those individuals, but I can find out for him.

Mr. Hickes: The other question that I would like to pursue here is the whole—because it came under Energy Authority negotiations with Dow Corning—to look at Black Island as a possible site for silica sand. At that time it looked very favourable that there would be a possibility of, I am not sure of the exact number of jobs. Then the other thing that had come to light when I was having various meetings was—I am not sure if there is right now today or will be the community of Wanipigow looking at putting a land claim towards Black Island, which the community has stated at that meeting was their sacred grounds, where they had held various ceremonies. They go back every year, and they do berry picking and they have ceremonies right on the island.

If we are looking at furthering the possibility of using the silica sand from Black Island, has there been any contact with the community of Wanipigow and meetings held to discuss the possibility of, well, I guess, utilizing or disturbing what they call their sacred grounds?

Mr. Downey: Mr. Chairperson, I am familiar with the activities that take place between the community of Wanipigow, Hole River and Black Island. It is my understanding that there currently is an area which is identified and is not used now for silica sand removal. In fact, it does not interfere, to my knowledge, with that activity. There would be discussions before any major removal of product were to take place. There would be full discussions with the community. As far as the laying of land claims on that particular location, I am not aware of any at this particular time. But, again, those are things that we have to be considered of when activities take place in those regions of the province.

Mr. Edwards: Mr. Chairperson, No. 2(a), on the notes to the financial statements, it indicates in the last sentence there that there has been no funding of pension obligations to date and then it goes on to discuss that further on the next page.

What I am wondering is, is the \$540,213 listed as unfunded pension obligations, has that in fact been paid? Are the pension commitments paid up or are they to be paid? They are obviously accounted for. Is that all of the pension obligations, and if they have not been paid, when are they going to be paid?

Mr. Chairperson: Mr. Brennan? Could you pull your mike up too, please?

Mr. Robert B. Brennan (President and Chief Executive Officer, Manitoba Hydro): My understanding, as a board member of the Energy Authority at the time, was that all obligations associated with the pension obligations have either been paid or transferred to the Province of Manitoba.

Mr. Edwards: Can Mr. Brennan indicate whether or not the \$540,213 indicated as unfunded pension obligations, that does represent the full amount?

Mr. Brennan: Yes, it does.

Mr. Edwards: Mr. Hickes asked about staff. Can we get an indication? I have never known what staffing there was and what has happened to them. Have certain of them been transferred to other departments? Mr. Hickes indicates there are two or three. Maybe the minister wants to get back to us on this, but it would be of interest to me to know what accommodations were attempted to be made and how many actually had to be put out of work.

Mr. Downey: Mr. Chairperson, as I indicated, I had communicated some of that information to Mr. Hickes previously. I will get the information for the member for St. James (Mr. Edwards).

* (1950)

Mr. Edwards: It would be appreciated. As well, the minister has indicated of course that Manitoba Hydro, and Energy and Mines, and Industry, Trade and Tourism all have additional roles, perhaps as a result of the winding up of this authority. Which body is primarily responsible for searching out or negotiating power sales in the event that one were to be ascertained as potential?

Mr. Brennan: I think Manitoba Hydro always have taken the position that even when the Energy Authority was in existence that Manitoba Hydro had some responsibility as it relates to export power sales in any event. The Manitoba Hydro system was modelled to determine what the benefits of any sale would be. I guess it is my view that the Energy Authority by themselves could not be responsible for our export sales without Manitoba Hydro. Manitoba Hydro really was an instrumental player in that whole process. In fact, I guess maybe it is a little bit of bias, but I thought we were the predominant one.

Mr. Edwards: I do not disagree with that, Mr. Chairperson, as an appropriate strategy. What is the relationship then, I mean, assuming if there were to be future sales? If Manitoba Hydro takes the lead, does the assessment, those types of things,

what is going to be the process for the future? I am speaking now just in terms of the relationship between Hydro, the Department of Energy and Mines, and Industry, Trade and Tourism. I know there has been a precedent set to a certain extent with PUB involvement, but leaving that aside for the moment, what is the relationship between the direct government departments and Manitoba Hydro?

Mr. Downey: Mr. Chairperson, as it relates to the Energy and Mines department and Hydro, the same minister responsible for both at this point, and Energy, and Industry and Tourism, there is an informal association at this particular time. For example I, T and T could well be out promoting an activity as it relates to the province that would be a major energy user which would in fact be in direct contact with whomever Hydro would put on the team and as well from Energy and Mines, so it would be an informal team approach at this point. Hydro, as the president has indicated, have the responsibility of basically negotiating and selling the Hydro component of that, but it is an informal team approach at this particular time.

Mr. Edwards: In respect to the, you know, Conawapa as an example, but other future sales if they were to occur, understanding of course that the government appoints a member of the Legislature generally to the board, I assume there is one sitting now. I do not know who it is. Is there a member of the Legislature sitting on the board?

Mr. Downey: Yes, there is. It is Shirley Render, member for St. Vital.

Mr. Edwards: Right. There is that linkage of course to the direct political process. Who is the ultimate authority on a purchase agreement? Whether Conawapa is a precedent or not now the Energy Authority is out of the picture, who is the authority when it comes to actually committing the Manitoba Hydro to a power sale. Is it vetted in the political forum or not?

Mr. Downey: Basically, Mr. Chairperson, the way the process works is that the government appoints the board and the board is responsible for the operations of Manitoba Hydro. so that is the policy in matters of discussions of that type. Basically Hydro knows what their costs are, they know what they can sell the product for, and basically they would set the terms of what the sale would be, but the board would be the overseeing policy body, which would be in full discussion with management

and if acceptable, I am sure, would endorse the activity but would in fact inform the government of what they were doing.

Mr. Edwards: Do I take it then that within their mandates, their terms, the board members have authority to commit Manitoba Hydro obviously to a power sale or whatever contractual obligation? Do I hear the minister saying that the relationship of approval or nonapproval, discussion with the political level, is an informal one although it does exist? Is that what the minister is saying?

Mr. Downey: Basically, the Hydro act is a freestanding act of the Legislature which has a board and which has management and which is reporting to the minister, who has to answer, as we are doing here in committee. If there were a Hydro sale to be negotiated, it is Hydro who has the management. They know their costs, they know what they can sell it for. That is what the province depends on them to do. That is the process.

Now if, for example, I, T and T were to find a major purchaser of power, the first place they would go to would be to Manitoba Hydro to bring them into the picture to be part of the team that would negotiate the price. If there were another industrial benefit or industrial package that would be available to that company then a team from I, T and T would sit with that presentation as part of a package that would go to that potential customer. Dow Corning is an example which at that time the Energy Authority did it. It could quite easily have been done with the same kind of a combination of president of Manitoba Hydro and whatever management he had or she had, if that be the case, on that team. So it is a matter of, the job will get done, it is just a matter of a different entity doing it.

Mr. Edwards: A further question. On that Silicon Products Commercial Development Program it is indicated in the winding up a portion of the funding has been provided for continuation of the program. What is the current cost of that program for the coming fiscal year? What is the anticipated cost of that program? Do we know?

Mr. Downey: Again, this kind of a question would be probably more appropriately asked of I, T and T. I think that the overall cost of the project was something in the neighbourhood of \$25 million, of which an industrial benefits package was part of it. I do not have a breakdown of those numbers.

Mr. Chairperson: Shall the Annual Report of the Manitoba Energy Authority for the year ending March 31, 1992, together with financial statements for the 15 months ending June 30, 1992, pass?

An Honourable Member: Pass.

Mr. Chairperson: The report is accordingly passed.

Annual Report of the Manitoba Hydro-Electric Board

Mr. Chairperson: We shall now move on to the Manitoba Hydro-Electric Board 41st Annual Report. Mr. Minister, do you have an opening statement?

Hon. James Downey (Minister responsible for The Manitoba Hydro Act): Yes I have, Mr. Chairperson. I will try to be brief.

I want to, as I have done earlier—I have introduced the employees and the board representatives from Manitoba Hydro. I want to at this point, though, Mr. Chairperson, acknowledge the hard work and effort of the board, management and all the employees of Manitoba Hydro. I can tell you that they have had some very trying times with the negotiations that have taken place over the past few months. They have had the different activities, which is their ongoing responsibility, and I say genuinely, I do appreciate the commitment—I say that genuinely—from all the people that are at Manitoba Hydro. From the board through to every person that works there, they truly are a family that are committed to making sure that Manitoba has the low-cost, clean source of power that they have; and, as regards the reliability of Manitoba Hydro, I believe there is no one that could ever challenge us on the reliability of the product that is delivered to them. That is total commitment, I can tell you.

A number of important events have occurred since this committee last convened in May and June of 1992 to review the Annual Report of Manitoba Hydro for the year ending March 31, 1991. At that time plans were well underway for the environmental hearings for the construction of the Conawapa generating station, the Bipole III transmission line and the proposed new interconnection with Ontario Hydro. Now Manitoba Hydro is in the process of winding down those projects following the termination of the system participation agreement by Ontario Hydro on December 17, 1992.

For the members on the opposition who have a hard time deciding whether they were for or against it, it will be interesting to hear the comments as we get into the debate. The termination of the Ontario sale was certainly unwelcome news to Manitoba Hydro, but not entirely surprising in light of the significant energy surpluses being projected in Ontario and financial difficulties being experienced by the Ontario utility.

On a more positive note, Mr. Chairperson, I was very pleased that Manitoba Hydro was able to announce in October last year that it will not be increasing general electricity rates in the province for the entire 1993 and '94 fiscal year. I really want to compliment Hydro again. When we are in difficult times internationally and nationally, we have seen the rates for Manitoba Hydro to be frozen, which gives every consumer in this province the opportunity to maintain a lower cost of living because of the tremendous dependency that they have on it. This is a major accomplishment when electricity rates in most other jurisdictions are increasing significantly, and is a testament to the skills and productivity in Manitoba Hydro's workforce.

Mr. Chairperson, the fact that Manitoba Hydro has been able to manage its affairs so that no rate increase is required in 1993 means that the province's reputation of having electricity rates that are among the lowest in North America will further be enhanced. This is a tremendous incentive for industry to locate in our province, especially in the year of global competitiveness. It also represents an opportunity for existing Manitoba businesses to grow and to expand into other markets. A zero percent increase in electricity rates is very welcome news for homeowners, businesses and all those people who are dependent upon it.

Mr. Chairperson, it is noteworthy that the men and women who provide electrical services in Manitoba often do so under hazardous and inclement conditions. I would like to extend my thanks and appreciation to them for their high quality of service that we enjoy in our province.

* (2000)

Mr. Chairperson, Mr. McCallum has some comments on Manitoba Hydro's operations from a board perspective, following which Mr. Brennan will present a number of slides on the specific operations of the corporation which in fact may

answer some of the questions from the members opposite so they do not even have to ask them. Very co-operative we are. With that I recommend passage of the Manitoba Hydro-Electric Board Annual Report for the year ended March 31, 1992.

Mr. John McCallum (Chairperson, The Manitoba Hydro-Electric Board): Mr. Chairperson, members of the committee, I am pleased to have the opportunity to present the 41st Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 1992. As the minister mentioned, following my comments, Bob Brennan, Manitoba Hydro's president, will take you through a slide presentation which will provide specific information on the important issues of the corporation.

Mr. Chairperson, I intend to focus my remarks right now on some of the major policy issues dealt with by the board of Manitoba Hydro over the past year.

First of all, the Ontario Hydro sale termination: Clearly one of the most significant issues dealt with by the Hydro Board was the termination by Ontario Hydro of the Ontario power sale. Manitoba Hydro submitted an interim cost certificate to Ontario Hydro on January 26, 1993, asking for compensation of \$131.1 million.

Ontario Hydro has transmitted \$82.4 million in compensation. The difference in cost represents costs incurred by Manitoba Hydro prior to the December 7, 1989, signing of the Ontario Hydro sale agreement. Right now Manitoba Hydro is assessing its options under that agreement.

The minister mentioned the zero rate increase. Manitoba Hydro has announced that there will be no general increase to electricity rates in 1993. I am very pleased that we were able to hold rates at present levels, especially at a time when rates in other provinces and jurisdictions are increasing at a pace above inflation. To our knowledge Manitoba Hydro is the only major electric utility in Canada that is not proposing to implement a general rate increase this year. The corporation is able to keep rates at present levels because of the success of a comprehensive expenditure restraint program implemented approximately two years ago and also because of an expectation of above average water level conditions or water flow conditions in the spring and summer of this year. This combined with the commencement of the major power sale to Northern States Power in May 1993 will result in revenues

from export sales exceeding \$200 million in 1993-1994.

Financial reserves in equity are another important issue for the board. Without a rate increase in 1993, we still expect to add about \$65 million to financial reserves in the 1993-94 fiscal year. This will result in an improvement to the corporation's debt-equity ratio, which is considerably higher than most major utilities in Canada at this time. However, the corporation is on track for achieving a substantially improved debt ratio.

Beyond '93-94, the outlook for a continuation of low electricity rates in Manitoba is quite positive. With long-term electricity rate increases below the projected rates of inflation, Manitoba Hydro will continue to make steady progress towards the attainment of its financial targets and will further enhance its position of having electricity rates that are among the lowest in North America.

Aboriginal settlements, Mr. Chairperson: I am pleased that we were able to conclude a number of comprehensive settlements with aboriginals in northern communities over the past year. Notably, a major settlement was concluded with the Split Lake Cree First Nation, one of the five native bands that were signatories to the Northern Flood Agreement of 1977.

We also believe we are very close to entering into an agreement in principle for a comprehensive settlement with Nelson House first nation, another of the signatories to the Northern Flood Agreement.

Another major agreement reached over the past year was with the community of South Indian Lake. A final settlement of \$18.0 million discharges Manitoba Hydro's obligations for the impacts on South Indian Lake of the Churchill River Diversion project in the mid-1970s.

It is the board's intention to continue to aggressively pursue settlements for the remaining obligations to aboriginals and communities affected by Hydro development projects.

Mr. Chairperson, I would like to take the opportunity to recognize the efforts of Manitoba Hydro employees over the past year in maintaining a high quality of electrical services to Manitobans.

Manitoba Hydro employees often work under very adverse conditions. They continue to provide one of the highest standards in the country for reliability of service and safety of operations.

That concludes my remarks, and I would turn things over to Mr. Brennan who has a slide presentation.

Mr. Robert B. Brennan (President and Chief Executive Officer, Manitoba Hydro): This is an overview of the items I proposed to briefly cover for the benefit of the committee. The first slide that I have before you is the corporate mandate. It is pretty well in line with The Manitoba Hydro Act, and the only thing in addition to that part taken right out of the act is the interpretation of that mandate. Manitoba Hydro interprets the mandate within the context of contemporary values of society and will be responsive to policy direction from the government of Manitoba.

Manitoba Hydro is the fourth largest electric utility in Canada behind Ontario, Quebec and British Columbia. We have total assets of approximately \$6 billion. Our '92-93 revenues will approximate \$825 million. We have approximately 4,400 employees with a gross payroll of \$190 million, and we have 380,000 customers. In addition to that, the inner city is served by Winnipeg Hydro.

Floor Question: What about customers? Do you know?

Mr. Brennan: About 90,000. This is a slide that indicates all the generating facilities within the province, including the two that are owned by the City of Winnipeg through Winnipeg Hydro. It also includes our two thermal plants in Brandon and Selkirk. It includes the interconnections with Saskatchewan of which we have four, the three interconnections with our American neighbours, as well as three interconnections with Ontario Hydro.

This transparency was the one made up when we had the plans for Conawapa on the books, and, as you can see, Conawapa is indicated in the graph as well.

This is our generating capability within the province right now. It includes all of Limestone being in service. So it includes the 10 units in Limestone. The total capability hydraulically is 4,974 megawatts, plus the two thermal plants, as well as the isolated diesel.

This is undeveloped hydraulic potential within the province. It includes, firstly, the sites on the Nelson River, the first three; then it shows the Burntwood and then a modest amount on the Churchill River.

This is just a slide of the Limestone Generating Station that is now in service totally, that came into

service significantly under budget and ahead of schedule.

This is a slide that indicates our electricity load growth for the past 10 years as well as a projection into the future for the next 10 years. This is based on last year's load forecast which we are in the process of updating now. Energy requirements in the last 10 years have averaged 2.8 percent, and we are forecasting that to increase 1.9 percent in the future. Peak or capacity demands have increased in the past 10 years at 2.6 percent per annum, and we are projecting 2.1 percent in the future. That, plus any committed firm sales, will be what drives new generation and transmission within the province.

Without any new firm power sales, Manitoba Hydro, to meet our domestic load requirements as well as any committed firm sales, requires generation in the year 2009. We also require some work on converter equipment in the year 2006 and a new transmission line in 2016.

Some brief comments on the Ontario sale termination. At the end of September, September 24th, we had a request from Ontario Hydro to defer the firm power sale for a five-year period. They wanted that done at no cost to either party. We did not quite know what that meant inasmuch as a deferral was going to cost Manitoba Hydro money and it would benefit Ontario Hydro.

* (2010)

We told Ontario Hydro at the time that we would get back to them, and we responded to their deferral request on the 20th of November. On the 17th of December, Ontario Hydro got back to us and told us that they wanted to terminate the contract.

The response to Ontario Hydro deferral request was as follows. We wanted to ensure that Manitoba Hydro ratepayers were not impacted in a negative way, and to do that we wanted compensation to modify or mitigate that impact. We asked for a reduction in the net present value of the benefits that were calculated to result. That we estimated to be \$135 million, through our calculations. We also wanted our interest, the carrying costs on the investment to date for the period of deferral. The third item we wanted was a payment for the exclusive claim on Conawapa power, and then we wanted some form of protection that we would not get involved in a series of five-year deferrals.

The financial overview. This is our actual results for '91-92 and our projection for '92-93. Last year we made \$17.7 million, and this current year we are projecting a loss of \$16.5 million. Our reserves grew to \$182.8 million, and they will go down by the \$16.5 million this year. The debt ratio which Mr. McCallum referred to, which is very, very low, is going the wrong way because of the modest loss. The interest coverage is very low as well. That is the number of times interest is covered by income.

One other thing I could say is that the operating results are very low at this point inasmuch as we are now adding a \$1.5 billion generating facility to our system through Limestone.

Our financial targets are to achieve a \$370-million reserve level by '95-96. That is the amount required to take care of two years of the lowest flows on record, as well as the single largest catastrophe we could have on our system. In addition to that, we would like to increase our debt-equity ratio by the year 2005 to have 15 percent equity in the company. This is the debt-equity ratio of other utilities in Canada, and as you can see, Manitoba Hydro is the lowest, with a 4 percent equity component.

Some of the other utilities—TransAlta is an investor-owned utility at 65-35. SaskPower and B.C. Hydro increased their equity by selling off gas. In the case of Saskatchewan, it was both a gas distribution company, as well as gas reserves. In the case of B.C. Hydro, it was the gas distribution system, as well as the transit facilities. Hydro Quebec for some time now has had a very large equity component, and Ontario Hydro has always been around 80-20, in that neighbourhood.

This is a forecast for the future and what happens to our net income showing the rate increases on the fourth line down. It also shows the impact on our reserves and debt-equity ratios. This is after receiving the Ontario Hydro payment, that amount going into reserves.

There are two rate increase scenarios. One is the one we presented for our board last fall, and the second one is just one that achieves our financial targets in a way that once we achieve the short-term target, which we are almost at immediately, we then achieve the longer term through an average rate increase which is significantly lower than the projected rate of inflation that we used in the forecast.

This is some major mitigation settlements that have occurred in the last two years. Mr. McCallum talked about two main ones, namely the Split Lake settlement that occurred in '91-92, as well as the Nelson House one, that does not show up here, that we are in the process of negotiating now.

I have a few corporate performance measurements that compare Manitoba Hydro to some composite averages of other utilities across the country. The first one—we cannot identify the other utilities on this graph without the approval of the utilities and we do not have that, but all those yellow dots are other Canadian electric utilities. The graph that goes up on the side is system reliability, which is the percentage of time the system is available for our customers, and on the bottom is the unit cost in cents per kilowatt hour.

You can see that Manitoba Hydro virtually has the highest reliability and almost the lowest cost. The one that is lower is a municipal utility that has a limited distribution area. [interjection] It is not Winnipeg Hydro.

The next one is the system unit cost. You can see that the CEA composite of other Canadian electric utilities for all deliveries works out to about five cents a kilowatt hour. Manitoba Hydro is around 3.5. We went up to four, which was a low-flow year, and comes back to 3.5 cents.

This is the operating maintenance administration cost per kilowatt hour. It is all in common dollars and shows what happened between '82 and '91-92. You can see that in common dollars Manitoba Hydro is almost at the same place here that it was in '82-83. The composite for other utilities is growing and Manitoba Hydro's was coming down.

This is the customer outage frequency per customer per year, and this is the number of outages. You can see that Manitoba Hydro, once again, is better than the composite of other Canadian electrical utilities.

Floor Question: Did that say one and a half times a year?

Mr. Brennan: One and a half times a year we have outages throughout the province. The majority of the outages—people within the city do not see those type of outages, but people in the rural part of the province see greater ones. I think certain parts of the city have had the odd problem. Fort Garry is one of those and Charleswood has been in the past but that is rectified now.

This is the average in terms of minutes per customer for those outages, and once again Manitoba Hydro is lower than most. The peak in '84 there was the ice storm. You also have to appreciate that Manitoba Hydro has an awful lot of ice and ice storm outages during the winter.

* (2020)

This is the duration of each outage and Manitoba Hydro is not doing quite as well here, and that is once again because of ice storms.

This is the real price for electricity, both for the composite of other Canadian electric utilities as well as Manitoba Hydro's. I think what you can see there is that Manitoba Hydro has rates in real terms in '91-92 that are almost the same as what they were in 1971. We are also going in a different direction from the composite of other CEA utilities.

Floor Question: The real price means inflation factored in, is that what you're saying?

Mr. Brennan: That is correct, or inflation factored out.

This is a debt-equity ratio of Manitoba Hydro compared to other utilities, and you can clearly see that this is the one area that we are not as favourable.

This is the lost-time injuries for a million hours of work. Once again, Manitoba Hydro is very, very good compared to the composite.

I have some rate comparisons here, and this is a residential customer. We compare the city of Winnipeg with other cities across the country, and this is for 750 kilowatt hours per month. You can see that the cost is \$42.27 in Winnipeg with the highest being \$68.35 in Toronto.

This is a general service small account. This would be something like a strip mall. You can see that Winnipeg is not the lowest on this particular chart, Vancouver is, but it is only a modest increase. As you will see later, B.C. is having an increase in 1993, where Manitoba Hydro is not. This was a rate comparison as of May 1, 1992. You can also see that there are some rates that are considerably higher than Manitoba Hydro.

This is a small manufacturing type operation of 5,000 kilowatts with about 3 million kilowatt hours a month. This is in straight dollars a month. You can see that Winnipeg is once again the lowest on the chart.

This is an international comparison. You can see that there are some that are extremely high. We go from \$97,000 a month in the case of Manitoba Hydro to \$291,000 in the case of San Francisco.

This is a very large industrial customer. It is an actual customer that we have in our system. It uses 100 megawatts and 62 million kilowatt hours a month, so it is quite a large customer. The total bill in thousands of dollars works out to \$1.7 million a month, and you can see what the bill goes up to in Ontario Hydro in summer or winter or some of the other provinces. In the case of Ontario Hydro—I guess you cannot even see it there—it is \$3.5 million as compared to \$1.7 million in Manitoba, so it is virtually double.

This is an industrial power cost comparison that was done by Hydro Quebec, a survey they did, and this puts Quebec rates at 100 and compares other rates in relation to that. They have Winnipeg at 85 percent of Quebec rates. This survey, by the way, showed up in *The Globe and Mail*.

This is rate increases of other Canadian electric utilities, both for '92 and '93. Manitoba Hydro, in the case of '92, had the second lowest rate increase at 2.65. B.C. Hydro and Nova Scotia Power were lower at 2.1. In the case of '93, Manitoba Hydro is proposing no rate increase at all. All the other ones have been identified.

That ends my presentation, Mr. Chairperson.

Mr. Chairperson: Thank you very much.

Does the member for the official opposition, Mr. Hickey, have an opening statement? Oh, pardon me, Mr. Ashton.

Mr. Steve Ashton (Thompson): Mr. Chairperson, I first want to pay tribute to the former critic from our caucus. Mr. Hickey has a long experience in terms of Hydro, and I know he and I were exchanging a few comments during the presentation by the minister and representatives from the Hydro Board earlier. I know that we took some satisfaction in certain elements of the presentation, and I know Mr. Hickey in his former role, his particular involvement with Limestone, I think took some particular satisfaction with some of the comments that were put on the record, some of the clear evidence of the success of that project that were put on the record earlier, that were made. I would like to indicate that for the record.

I would also like to welcome, myself, the representatives from Manitoba Hydro: Bob

Brennan, of course, the president, and Ralph Lambert, executive vice-president. I have had the opportunity to work with them as a former member of the Manitoba Hydro Board, and, of course, Professor McCallum, the current chair. I want to indicate, Mr. Chairperson, that I have always been very impressed by Manitoba Hydro, its organization, its staff, its esprit de corps, and I enjoyed my time period association with Manitoba Hydro. In my newly appointed role as Manitoba Hydro critic for our caucus I look forward to being able to speak out on a number of issues related to Hydro.

While at times I may be critical, I can assure the members of the Manitoba Hydro here today that, in most cases, my criticism is nothing critical of Hydro itself but the minister, the government and various policy directions they have been taking in terms of Manitoba Hydro. [interjection] Well, believe you me, when I refer to the minister I refer to the minister directly.

I want to say, that it is hard to know where to begin. I do not know whether I should begin by the statements in the Manitoba—[interjection] Well, do not then, says the Minister of Hydro. He has not begun, since he has been appointed to Manitoba Hydro to begin as Minister responsible for Hydro. He has probably had the dubious distinction in the period that he has been the Minister responsible for Hydro of completely embarrassing not only his own government but, of course, the Manitoba Hydro Board by his rather simplistic attempts to politicize the issue that was announced in terms of December 17. I will get to that in a few minutes.

By the way, Mr. Chairperson, we may wish to discuss when we finish sitting tonight, because I know from our side we have extensive questions that we wish to put forward to the board, and I would recommend that we sit until at least ten o'clock, which is the normal time of adjournment, and at that point in time adjourn to another time period because we have a significant number of questions to raise.

I want to start with one thing. I want to start with Limestone.

Mr. Chairperson: Is there willingness to sit till ten o'clock?

Mr. Downey: Mr. Chairperson, it would depend on the time. If it appears that we could finish the report a few minutes after, then we should attempt to do so. If the questions are answered and we can do it

within 10 p.m. to 10:30, then we should try and complete it.

Mr. Ashton: I can assure the minister that I suspect that the opening statements will probably go close to ten o'clock knowing the Liberal critic and myself in terms of the number of issues we wish to raise—well, perhaps the Liberal critic. I can understand the sensitivity of the Liberal critic, but I will get to that in a few minutes. I would suggest we sit until 10 p.m. and we can assess it at that point in time.

I want to start with Limestone because I find it interesting that we are sitting here in 1993 and we have this minister, Mr. Chairperson, coming in with a report that makes a number of references to Limestone. I find it interesting because I sat in this Legislature in the 1980s and I remember some of the comments that were made at that time.

* (2030)

I find it particularly interesting by way of irony that before I came here tonight I happened to run into Howard Pawley, the former Premier of Manitoba. [interjection] Yes, he is in Winnipeg. I must apologize for being somewhat late, Mr. Chairperson, but I know that—and I look not just at his picture, but when I see the statement of the Hydro Board in the 41st Annual Report in terms of Limestone, I must say that his spirit is certainly with us. I must say that I am reminded, and I think this is important to state for the public record, of some of the debates that took place in the 1980s in regard to the development of Limestone.

What am I referring to, Mr. Chairperson? Well, I am referring to what most people in Manitoba realize. The Limestone development proved to be a very economic one and is proving to be a very profitable one for Manitoba. It is referenced directly in this report, on page 28 I believe it was, and it says very clearly: The engineering and construction achievement was commended as a project that came in "ahead of schedule and under budget." Well, there is an irony because following that statement in the report it also refers to the presence of the Premier and the former Minister of Energy and Mines at the opening of Limestone.

I am reminded of some of the debates that took place in the 1980s in terms of Limestone. I could be uncharitable and dwell on the fact that the Liberals at the time dubbed Limestone "Lemonstone," that the Leader of the Liberal Party said that Limestone

would cost \$4 billion. I could be uncharitable and I could probably spend most of the rest of the evening relaying some of the statements that were put on the record at that time by the Liberal Party, but I recognize that the current critic was not—I assume he was a member of the party at that time, I am not trying to personalize in that sense—obviously a member of the Legislature at that time. I realize that he probably has no ownership in that statement and will probably be the first in his comments today to say to this committee that statement was wrong, and that he admits it on behalf of the Manitoba Liberal Party, and that in fact the Limestone development has been extremely successful by any measure in terms of construction cost, in terms of being on time.

If one cares to check, Mr. Chairperson, you know, in terms of major project developments in this country, it is unusual to have a major project come in under budget. I think if one were to check with the figures at the time that were put forward, one will find that they declined as the project went along, a rather unique situation. The first projections effective about 1986-87 were in the range of \$1.8 billion. We are now dealing with the actual cost figures having come in at \$1.4 billion, as I understand the presentation today.

Mr. Brennan: 1.45.

Mr. Ashton: 1.45, and I thank the president for confirmation of that fact.

Now, as for the Conservatives, as for the Minister of Energy and Mines, I have taken the time to research some of his statements, the statements of another veteran member of his caucus, the member for Lakeside, his leader, then-leader of the opposition when Limestone was brought in. I must say, Mr. Chairperson, that I could also spend the rest of the night saying I told you so to the Minister of Northern Affairs, and I told you so to the former member for Lakeside, the then-critic for Energy and Mines, and I told you so to the Premier.

I find a certain level of irony that this report is being brought in under the signature essentially of this minister and this government when those that recall the debates of the mid-1980s in terms of hydro development will recognize a certain contradiction with what was said then by the then Conservative opposition and what is being said now by the current Conservative government in terms of Limestone. So I suppose I could spend the rest of the time tonight saying I told you so to the Liberals, and I

could spend the rest of the time saying I told you so to the Minister of Energy and Mines; but, Mr. Chairperson, I am not going to do that because the evidence speaks for itself.

In fact, yesterday when I was asked by a reporter for the Free Press who was concerned about the projected loss in the third quarter report for this year in terms of Manitoba Hydro, the first reaction that I had—in fact I was very clear to him—I said it does not indicate any instability on Manitoba Hydro's part. In fact, because of a number of factors, including the Limestone development, Manitoba Hydro is well placed in the next number of years in terms of cost of power, in terms of the cost that is going to be passed on to ratepayers, and I think the presentation tonight confirms that fact.

Over the next number of years as Limestone comes into place, as a number of factors also are put into place—because Limestone is not obviously the only factor that is involved here; there are other factors involved—Manitoba Hydro is in a position now where it can offer to the ratepayers of Manitoba increases that are less than the rate of inflation, and I consider that to be, I think, a testament to the success of Manitoba Hydro economically over the last number of years.

I think that needs to be emphasized, as I said, not so much the politics of Manitoba Hydro in terms of those who were naysayers and doubters at the time in terms of the 1980s, in terms of some of the decisions that were made. Indeed, I found one of the most interesting comments in the presentation today was a reference to the fact that real cost of hydro approaches what it was in 1971 despite all the various developments that have taken place over the period of time, the last 20-odd years, the fact that we are in a position where we still have the lowest rates, or amongst the lowest rates, depending on the category of service and the community of service, of any utility in this country. I think that also reflects on some of the debates that have taken place in terms of hydro development over the last number of years.

So, economically, in terms of the corporation, there can be no doubt in my mind that many of the decisions that were made in the 1970s and the 1980s have had an impact today in providing customers of Manitoba Hydro with not only excellent service—and I appreciated the information put forward today because I think that is illustrative of the kind of service that is provided by Manitoba

Hydro—but also, Mr. Chairperson, excellent value for money, low-cost hydro.

Now that is one factor in the economic health of the corporation. I think increasingly over the last number of years, and going probably back to the mid-1960s, other factors have been factored in, including obviously the cost of development activities in terms of the environment. I think the fact that the corporation came in today and made specific reference to Northern Flood Agreement negotiations, which are essentially related to damage that goes back as much as 30 years, is indicative of that.

That is something that increasingly has to be factored into it, and I know Professor McCallum will probably relate to the committee, I am sure, that he has brought that perspective to the board in terms of externalities, negative externalities in this particular case, the fact that one cannot only look at the market costs in terms of cost benefits, in terms of what is brought into the corporation, but also how it impacts on others, not only in terms of the direct impact on the environment, in terms of the impact on individuals, but also even economically.

Many of the settlements that are being brought in today reflect the fact that there was significant damage that took place, particularly the developments that took place in the 1960s and the 1970s, with Limestone being a significant exception in terms of the relative environmental damage.

I note that the president of Hydro, I know, was in northern Manitoba and stated very clearly and very forcefully and, I think, very honestly, and I think it was important for the corporation that he stated very clearly that a lot of the things that have perhaps happened in the past, and a lot of the developments that have taken place, without full accounting of the environmental damage that occurred and the impact on people would not occur today under the current environment in this country. When I say environment, I am talking about the political and social environments as much as the physical environment.

* (2040)

The fact is, we are increasingly looking at the environmental side, and I will be asking a number of questions, Mr. Chairperson, related to that, related to the current status of the corporation in terms of further developments. In fact, when I ask questions later on about the plans of the corporation in terms

of future developments, I will be asking those both in terms of the economics and also in terms of the environmental considerations, and I refer specifically to the presentation that referred to the various areas that the corporation can develop in terms of future generating capacity and also to the question of conservation and the various conservation activities that are undergoing currently, and any proposed conservation measures in the future.

So I will be raising it in that context, Mr. Chairperson, and I will not be dwelling specifically on some of the items that were referenced earlier.

I want to say, however, Mr. Chairperson, that while I will not be dwelling on some of the history in terms of hydro development, I must comment for the record the slight difference in the approach of the minister today before this committee on March 3, 1993, as compared to December 17 of 1992. I know it is March and spring is here, but I must say that I am struck by the difference in tone and content with what the minister said today and what the minister said on December 17 in a press conference in this Legislature.

I say that, Mr. Chairperson, by indicating that I thought that his approach today was far more responsible. His approach today was far more realistic. His approach today was far more factual than the blustering attempt of the minister on December 17, 1992, to blame the cancellation of Conawapa on the Manitoba Conservative government? No, no. The Ontario Hydro Board? No. The Ontario government? No. On the Manitoba NDP.

Well, Mr. Chairperson, I must say we were out of session. We had just adjourned the previous day. I think it is good because, quite frankly, I think the minister would not want to have seen the reaction from many of the individuals in our caucus when he made those statements.

Mr. Chairperson, I do not just take this in terms of my reaction, but I know the member for Point Douglas (Mr. Hickes), who has many friends in the North, myself, I have travelled extensively since that time. You know that many of our caucus members—we do have four northern representatives who have travelled extensively. I will just share this with you, because I think it is important for the minister to understand this. I did not run across one person, but I turned to Mr. Hickes and asked if there

was one person he ran into who believed this minister. I mean, as I said, I ran into Howard Pawley earlier, and we reminisced about the period from 1981 to 1988. I mean, let us face reality here.

This government was elected in 1988. I mean, there are some ironies in the fact that they were elected on a platform of low Autopac rates and no political interference in Autopac and now they are doing the complete opposite, but that is another debate. Mr. Chairperson, the NDP government in Manitoba was defeated in 1988. [interjection] Well, the minister says hooray. We are making progress. He is recognizing that fact. When we left office, and I know this from direct personal experience in terms of what had happened and the members of the board here, the administration of Manitoba Hydro will certainly confirm and the many ongoing members of the board—I would like to commend the government for some continuity—and of course, the employee reps as well.

There are some very fine people on the Manitoba Hydro Board. There are some people who have been appointed since by the government that I have a great deal of respect for. I just want to indicate that in looking back on this I start saying to myself, the minister has been a cabinet minister since 1988. Perhaps he has forgotten. Perhaps he has forgotten the events of 1988. Perhaps he has forgotten that when the NDP left office in 1988, the Conawapa negotiations were well underway. I remember the discussions on the board itself in terms of Conawapa or Wuskwatim, the generating sequence. The discussions were underway in terms of Ontario Hydro sales. Perhaps the minister is forgetting that in this building with great fanfare there was a signing ceremony with the then premier of Ontario in 1988.

For the Liberal member, this is a bit of history. I realize that the member for St. James (Mr. Edwards) may want to forget that. I think if the Liberal member listens for one minute he will understand the point that I am making. In 1992, this minister on December 17 blamed the official opposition in Manitoba for cancelling the Hydro deal.

Mr. Chairperson, we saw earlier today in the presentation the discussions that took place, the goals of Manitoba Hydro. We can discuss that back and forth, and I am sure the chair of Manitoba Hydro will discuss it. I am sure the president and executive vice-president will discuss it. I am sure we will discuss it as well, because my understanding of the

presentations, there were a number of factors, and I took notes in terms of what Manitoba Hydro's official position was in terms of the reduction in net present value, its interest payments or carrying payments and the payment for the exclusive right. That I think is the key point that was there and not wanting to see a series of deferrals. Well, what were the negotiations that took place with Ontario Hydro after they indicated on the 24th of September that they wished a five-year deferral at no cost to either party?

Well, obviously, Manitoba Hydro and the government did the right thing which is obviously ask for some compensation for development activities that had taken place and some sort of penalty.

Well, what was their response on the 20th of November that year? The response, as was relayed by the minister, as he even had to admit himself in the press conference that he hastily called December 17, 1992, was to give Ontario Hydro two options, to delay it or to cancel it, and I mention out of the four factors the key factor.

The position of the government of Manitoba with Ontario Hydro was to say to Ontario Hydro, it will cost you \$300 million. We could talk about exact details but, essentially, it was to say it will cost \$300 million for deferral because you have to pay us for exclusive right in addition to other damage that had taken place. The cost of a cancellation was less because there was no cost factored in for the payment for exclusive rights as was presented earlier in terms of the board.

Mr. Chairperson, Ontario Hydro had the choice, cancelling it for \$150 million or maintaining a right through a postponement for five years for \$150 million. I think anyone with any common sense knows why Ontario Hydro took the position it did. I know the people in northern Manitoba know why they took that position. I know people in communities such as, just my own in terms of Thompson, but in terms of Gillam, I know the member for Point Douglas (Mr. Hickes) has many friends in Gillam, and they just do not attach any credibility whatsoever to the statements of this minister, trying to blame the official opposition that has not been in government since 1988 for the cancellation of this project. [interjection]

Well, Mr. Chairperson, you know, we can talk about the politics back and forth, but the statement

made by that minister was an embarrassment. It was an embarrassment, first of all, to this government, and I realize that the statement was not the only embarrassing statement that a minister has made, and the government has since had many other embarrassments, but also what bothered me in particular was it was a statement made by that minister, I think, which was an embarrassment to Manitoba Hydro.

You know, I have a lot of respect for Manitoba Hydro, and I must say that it must have been difficult for some people in Manitoba Hydro, other than through biting their tongues, to not treat with derision the statement made by the minister at that time.

I mean, what a ridiculous statement, and what we will be asking, Mr. Chairperson, in this committee in terms of questions of the minister, is exactly on what basis the decision was made in terms of Conawapa, in terms of the Ontario Hydro sale, and I will be asking to the administration and the chairperson of the board in terms of the exact discussions that took place.

I think it is important that Manitobans know what took place, and I think it is important in particular that the Minister of Energy and Mines (Mr. Downey) indicate, as he did today in his statement which bore no resemblance whatsoever to his statements on December 17, that in terms of the decision that was made, it was made by the parties involved, and it was made very much on the basis of the bargaining position of the Manitoba government and Manitoba Hydro, and that this is the basis of that decision.

I want to also indicate, Mr. Chairperson, we will be raising questions in terms of the environmental review, in terms of the decision by the government not to proceed with the environmental review in terms of Conawapa, in particular whether this indicates—and I know that Conawapa is cancelled for the immediate future.

(Mr. Marcel Laurendeau, Acting Chairperson, in the Chair)

I will be asking questions in terms of what the current contingency plans are, what development plans are in place in terms of the corporation between Conawapa and other Nelson River developments, Burntwood River developments, a number of the options that were listed, and conservation, because northerners are asking some very serious questions about where Hydro goes from here. Another option including, of

course, additional generation through existing plants—and I will be asking that.

* (2050)

I will be asking what consideration is being given in terms of the environment not only, Mr. Acting Chairperson, in terms of future development but, for example, even with the existing Conawapa development. I know this may be one area that the Liberal critic and I may have some agreement on as we have essentially had development at Conawapa that has taken place in terms of the cofferdam in the original developments. I will give credit here to the Liberal critic, to be fair. He was one of the first ones to identify the development that was undertaken.

I want to ask the question in the context of the environmental review that took place and also in the context of the settlement with Ontario Hydro as to what consideration has been given as to the impact of existing development, if any, whether the development will be left as it is, essentially moth-balled; whether the cofferdam will be removed; whether there has been any discussion with Ontario Hydro in terms of the compensation related to any of these particular scenarios. So we will be asking some questions on that other dimension that I mentioned which is in terms of the environmental side of it as well.

I, quite frankly, was disappointed in terms of the cancellation of the environmental review because, quite frankly, Mr. Acting Chairperson, I felt that what the environmental review was bringing out was not only specific reference to the Conawapa dam but also some other factors which I think are increasingly coming into play in terms of Manitoba Hydro's mandate. That includes, for example, the question of building standards and, in terms of conservation, retrofit activities.

I know in the North one suggestion that has been made significantly I think over the last period of time is the fact that recognizes that many of the building codes in northern Manitoba just are not suitable to the kind of climate that we are faced with, and does this have ramifications in terms of energy conservation? I think that is one factor that needs to be considered.

I mentioned conservation already. I will be asking questions on the same theme that we have been asking before, Mr. Acting Chairperson, the last number of years. In fact, I know that Mr. Hicke asked questions related two years ago to the level

of conservation targets that the corporation had at the time. We asked again last year, and I know that there was a very defensive reaction from the Premier (Mr. Filmon) at the time. I note that since that time the corporation has undertaken some significant conservation measures, and I will be asking questions on the specific targets that are involved. I will be asking the corporation in terms of what the impact has been thus far, and a series of questions, as I said, directly related to conservation.

There are a number of other questions that we will be asking, Mr. Acting Chairperson, related to Manitoba Hydro. I mentioned earlier in terms of the generation sequence, if any, the conservation policies and the environmental policy that is all obviously intermeshed, but we will be asking a number of questions in terms of Hydro's plan as was indicated in the presentation earlier in terms of the Bipole III and the addition to transmission abilities of the corporation. That is certainly, I know, a concern in northern Manitoba.

I will be asking questions about the current status of Manitoba Hydro's expansion of direct-line power into a number of communities. We have seen that Manitoba Hydro has progressively over the years added line hydro to many communities. It has had a significant benefit in the communities that have received the line hydro. There are still communities, although they have received upgraded service, that require the line hydro, so, Mr. Acting Chairperson, I will be asking question in terms of those kinds of service questions.

We will be asking questions in terms of the Northern Flood Agreement. I note that there have been a number of settlements. I know there are serious discussions underway with Nelson House, and, of course, recognizing that we are now in 1993 and the Northern Flood Agreement was signed in 1977, I think you can understand that there is a continuing frustration in many northern communities about the status with the Northern Flood Agreement, particularly now.

I was just in York Landing last week, Friday in particular, York Landing which has always taken the position, for example, as has Cross Lake and Norway House, of trying to achieve a global settlement. They are very concerned that while Split Lake has decided to negotiate a separate agreement, they still feel that there needs to be a global agreement in the remaining flood agreement communities.

I know in terms of Nelson House, they continue to support the other communities, although there have been ongoing separate discussions related to matters specifically affecting Nelson House. This has to be considered, and I think that is also something that has to be considered in terms of the other dimensions I talked about earlier.

I want also to say, I will be asking questions about hydro rates. You may not be aware of this, and I realize you reside in the city of Winnipeg, but you have the lowest hydro rates in the province. This is an issue—and I know when I look to Bob and Ralph here, they can probably recall the times when on the Hydro Board, I raised this concern. I have always felt that there needs to be equalized hydro rates in the province. I would note in all fairness, I know the Liberals have taken this position for a number of years. I know our Leader has taken this position, and, quite frankly, it is about time that we did that.

I think the current protest that is taking place in Cross Lake, I can indicate, Mr. Acting Chairperson, could have broken out in any number of northern communities, because I have talked to people in Nelson House who have said they have considered doing the same thing. I have spoken to other people in other communities, particularly in northern flood communities, because what really irks people is when they have to pay more for hydro in northern Manitoba, particularly if they live in communities that have been affected by damage from Hydro developments.

We need equalized hydro rates, and what a golden opportunity. The projections of Manitoba Hydro are that rates will increase below the rate of inflation for the next period of time. In that kind of environment, it would be very simple for the government to be able to phase out the differences. In fact, I hate to say this, but they could do it in a year, and if they could not do it in a year, it could easily be brought in over a period of a couple of years. What a golden opportunity for Hydro to take on a new direction in terms of northern Manitoba. I say this in all fairness.

I mentioned earlier, I gave credit to the current board and administration in terms of Manitoba Hydro, and I think there is a real effort to admit past mistakes, but I think anybody who knows northern Manitoba knows that there are still problems related to past developments in terms of the perception of Manitoba Hydro. I say this based on the

experiences related to me by Manitoba Hydro employees.

I also state that when I go into a—I remember when I first went into Split Lake a number of years ago, the first question people asked me was if I was from Manitoba Hydro. When I said I was not from Manitoba Hydro, the friendliness increased many times. That is the reality out there, and it is a reality that still bothers many Manitoba Hydro employees who are I think trying to live up to the kind of mission statement that the board has put forward and admitting past mistakes. When I say admitting past mistakes, I say that includes all involved, not just Manitoba Hydro but also governments, but it is a reality out there, Mr. Acting Chairperson.

Another question we will be asking of the minister, and there is some irony in this—oh, Mr. Acting Chairperson, I still have a number of comments. I hope you are not signaling that I should somehow, after having waited all this length of time to ask these questions, limit my—

The Acting Chairperson (Mr. Laurendeau): Remember, he does have 30 minutes.

Mr. Ashton: Well, Mr. Acting Chairperson, I have 30 minutes and I will have many more opportunities of 30 minutes or less over the next weeks and months. I quite frankly took some offence to the Minister responsible for Hydro (Mr. Downey) talking piously about how he respects the role of the employees in the corporation. This is the same government that by legislation froze the wages of Manitoba Hydro employees two years ago, and I will not be talking strictly in terms of that because my comments and the comments of our caucus are on the record, but I will be asking the minister what they plan to do this year. Are they going to shut Manitoba Hydro down for 10 or 12 days like they are in terms of the government in general? My understanding is Manitoba Hydro has said to its employees they will not be doing that. I want to ask the—in fact, I will be asking the minister very soon whether the government will be forcing Manitoba Hydro to do that, because I have talked to employees who made it very clear that Manitoba Hydro said they do not want to do this.

* (2100)

It is fine to come into this committee and make these pious statements about the employees who are doing an excellent job as indicated by the presentation of Manitoba Hydro, but it is something

else to sit in this Legislature with a corporation that is over the next number of years going to be highly profitable, who is going to bring in rates below the rate of inflation and then turn around and give employees in that corporation the kind of slap in the face they received two years ago.

So, we have many questions, and I welcome the fact that the minister has come in here today with a slightly different approach than he did in terms of his comments in December. I want to say that we intend in this committee to ask a series of questions. We fully expect that there will be a number of meetings of this committee, because Manitoba Hydro is important to this province, not just to individuals as ratepayers but in terms of public policy. All politics aside—and we will get into the politics of Hydro, and there is politics of Hydro, let us be up front about it. I really believe in the ability of Manitoba Hydro, the mandate and the competence of the individuals, whether they be the basic employees, whether it be the administration, and indeed with the board. As I said before, I have respect for many of the people on the board who have been continuing, and many of the other members who have been appointed, all politics aside even there as well.

I have the fullest confidence in Manitoba Hydro because of the kind of base that has been established, and I am hoping, Mr. Acting Chairperson, that in this set of hearings over the next period of time that we will not only be able to get to the bottom of many of these policy issues, but perhaps contribute to a greater understanding of those policy issues, and if we can begin just with the minister. If we can begin just with the kind of transformation between December and March we will be making a lot of progress, because one looks at the report, one looks at the facts brought before this committee earlier.

(Mr. Chairperson in the Chair)

Manitoba Hydro is in good shape, and it is not because of anything that this minister has done. It is because of the sound base that has been put in place, and I would say, Mr. Chairperson, Manitoba Hydro is undergoing a transformation, recognizing as we all do the changes in society and the fact that we cannot just build dams and worry about the environmental consequences 10, 15, 20 years later.

But, you know, Mr. Chairperson, the leadership has to come not just from Manitoba Hydro in this

case, but from the minister himself, and I look forward to seeing and hearing from the minister on the record some facts, some intelligent discussion of policy issues and, yes, we can even get into the politics of Manitoba Hydro and Hydro development.

Let us face it, there is, there have been, traditional differences between the Liberals, Conservatives, and NDP, but let us start with a bit of common sense, and let us not continue the kind of ridiculous, absurd statements that—as I said earlier, do not base it just on what I say, go talk to the people of this province.

They know that the minister of Hydro was talking through his hat at that time. I could use a few more colourful expressions that I think even the Minister of Energy and Mines (Mr. Downey) might appreciate in terms of, well—[interjection] No, no, I would not do that, Mr. Chairperson. Let us put it this way: There are a few farm expressions that probably could better express it than I could right now about what the minister said back in December, and let us, over the next series of committee hearings, get to the bottom and have some intelligent discussion about policy areas, the future of Manitoba Hydro, indeed policy differences, and cut the bluster and cut the kind of—I am getting into it again. It is hard to avoid using some of the terms. They are good mining terms too—anyway, some of the kind of stuff that we saw in December of this past year.

Mr. Chairperson: I would like to thank the member for his opening statements.

Does the critic for the second opposition have any opening statements?

Mr. Paul Edwards (St. James): Mr. Chairperson, picking up from the final comments of my friend on the issue of wanting to get to the issues at stake and not get caught up in bluster, I intend to follow that advice, and it is unfortunate it came at the end of the member's 35-minute discussion. I think he might have curtailed his comments had he started with it.

An Honourable Member: Manitoba Hydro is worth 35 minutes.

Mr. Edwards: It certainly is worth 35 minutes. It is worth 35 minutes in my estimation well spent on questioning the experts we have here tonight, not listening to the member for Thompson (Mr. Ashton), and just by way of comment, I am intrigued by the anger that the member shows at being blamed for the failure of Conawapa.

His Leader was vociferous in the preceding months about the problems with Conawapa and the

need to delay and the need to rethink. This is the third version we are hearing. The member for Point Douglas (Mr. Hickes), and to his credit, has always been straight up on this one. The member for Point Douglas has always said, build it quick, build it bigger, build it now. He has been onside all the way through—

An Honourable Member: Not like you.

Mr. Edwards: That is true, and I believe that if you look at my record on this, I have been similarly consistent, not on the same wavelength as the member for Point Douglas. We have had our disagreements throughout, but to see Mr. Doer, the member for Concordia, jump the other way, undercut, I think, quite unfairly, his member, his critic as he did—

An Honourable Member: Oh, I do not think so.

Mr. Edwards: Well, over the course of six or eight months he sure did, essentially taking a different view. Now, the member for Thompson brings a third version, so we do not need to talk about transformations. This is the third conversion on the road to Conawapa, if you will. [interjection] Well, who knows what her views are, yes.

In any event, Mr. Chairperson, I very much want to discuss the details of what is in this annual report. It is a critical time for Manitoba Hydro. I know that they have been through a trying year, soul searching, I am sure, on many occasions. I want to commend again not only the representatives here tonight, but the senior staff and indeed all staff from Manitoba Hydro, because I do believe that it is a well-run utility.

I want to say that upfront. I think that we, regardless of our political stripes, want to join in congratulating all staff for the work they do. We have seen tonight some slide presentations which show us quite clearly that we have a lot to be proud of in this utility, and hopefully, we have a future that will serve the mandate of Manitoba Hydro which is to serve all Manitobans well. I believe it will.

There are, of course, many issues that we will raise in which we want to question the staff here and will want to pursue further. The policy issues are what I will try to stick to in this forum to determine where the utility is going and what its plans are.

I note that both in the annual report and in Mr. McCallum's letter in the annual report, the mandate of this utility is set out. It is a mandate that has been there for some time set out in The Manitoba Hydro

Act. I think Section 2 sets it out. I want to get into some discussion about that mandate and whether or not it is time to review that mandate and simply pursue what the thinking of the board is on the future for hydroelectric generation in the province, what kind of a tool it is and what it is to be used for? Is the board seeing it in strict terms as serving the existing population of Manitoba in the best way possible? That is a reading of the mandate which I think is the plain meaning on the face of it.

I sensed during the Conawapa discussions that there was some searching on the part of the Manitoba board to expand that, move from that and discuss what the role of our future generating power should be in this province. So I want to have that discussion and have the representative from the board and the president and chief executive officer give some guidance on those issues. Specifically, I have some concerns and questions about some of the financial issues, but overall I want to stay with the policy issues which are guiding this utility.

I too want to just conclude my comments by congratulating the utility on no rate increase. I think it is an important year to do that. I think if it fits within the fiscal framework of the utility, it is appropriate.

I assume that it does and know that all over this province, people will welcome that in the coming year, that they do not have to face further increases. I also appreciate the guidance here tonight as to what future increases are expected to be, all things being considered and with certain variables in place. This is an essential service. Manitobans rely on it being consistent, reliable and also affordable. So I appreciate the work of the utility in that regard.

Those are my opening comments, Mr. Chairperson.

* (2110)

Mr. Ashton: Mr. Chairperson, I am just trying a little courtesy in terms of the various critics. I think it is fairly important that we do have some ability tonight, in the limited time that is available, for both critics to be able to ask questions.

I would like to begin by looking at the crossroads that Manitoba Hydro is in. I will get into the background in terms of the Conawapa cancellation and the Ontario Hydro sale cancellation subsequently. I want to ask, by putting the question to the chief executive officer or chairperson of the board, as to what the current plans of Manitoba Hydro are in terms of addition, if any, of additional

generation. [interjection] Well, the options were listed, for the member opposite. I am asking what the current plans of Manitoba Hydro include in terms of generation sequence, if any, and what the timing is of that generation sequence.

Mr. Brennan: Right now, as you are aware, with the cancellation of the Ontario sale, and we are going to have to take a look at our whole development sequence, we know that new generation is required, based on last year's load forecast, in the year 2009. We are in the process of reviewing and going through our annual process of determining the generation sequence. As a result of that, we will come up with a scenario that will indicate the least cost source of power to meet that requirement in the year 2009.

Now, I should come back to the fact that the load forecast may be higher or maybe lower in going through the process. Certainly, I could guess that it is probably a little lower, but that is strictly a guess at this point. That would push out the date a little further if that is the case.

We will also review our demand-side management and see if that should be the same target we have now. We will look at some of the efficiencies we can make to our system, determine the cost of that, whether it is the right thing to do and compare that to some generation options. That is the process we are going through now, Mr. Ashton.

Mr. Ashton: What is the current target in terms of conservation?

Mr. Brennan: 285 megawatts, which is the equivalent of Great Falls and Seven Sisters, I believe, something in that neighbourhood, and about a billion kilowatt hours of energy. That is by the year 2001.

Mr. Ashton: What percentage of capacity is that figure?

Mr. Brennan: I believe it is around 6 percent, but we will confirm that for you.

Mr. Ashton: Are there any current discussions ongoing internally in terms of that particular target? Is that the current target? Are there other higher targets that are being considered?

Mr. Brennan: The way we look at the amount of demand-side management, Mr. Ashton, is based on the cost of—Manitoba Hydro will do all cost-effective, demand-side management as compared to other options. So we will take a look at that this spring

and it could go up or it could go down, but Manitoba Hydro's position is that we will do all cost-effective, demand-side management as compared to other alternatives.

Mr. Ashton: I note with interest, I believe it was two years ago that we had talked in this committee—and I know Mr. Hickes was part of this committee and Mr. Edwards—of a 6 percent target. So currently what is the internal target in terms of Manitoba Hydro? Is it the 6 percent figure that was being talked about two years ago?

Mr. Brennan: I believe the number we talked about a couple of years ago was 10 percent, but I could be wrong.

Mr. Ashton: Mr. Hickes actually was indicating that there had been talk last year of 10 percent, the year before of a 6 percent figure.

I want to ask in terms of generation sequence when Manitoba Hydro will be in a position—I understand that, you know, there has been the fairly recent change in circumstances related to Conawapa, but when will Manitoba Hydro be in a position to indicate what its plans are in terms of generation sequence?

Mr. Brennan: That process will be finished about June. I should point out, Mr. Ashton, that although we will have a sequence that will reflect what the cheapest costs are for the next source of generation, that will not be a commitment to that facility, and we will have quite a few years to just decide what is the best option for Manitoba Hydro in meeting the requirements for the Manitoba system.

Mr. Ashton: I certainly understand that, and I am just wondering if there is any indication yet on what scenarios are being considered, if any have been excluded from consideration for economic or environmental reasons.

Mr. Brennan: At this point, we have not excluded any options. Certainly, we want to make sure we know the environmental impacts as well as the cost of all options, and make that judgment an ongoing one that we can relate to depending on the circumstances of the day.

Mr. Ashton: The reason I asked that is because I know a number of years ago the two options that were being considered included Wuskwatim and Conawapa as priority generation. Wuskwatim of course is a project that would involve some additional flooding on the Burntwood River, and

significant concerns were expressed that one would end up in a pretty similar situation to what occurred with the original flooding on the Burntwood River with increased levels of mercury. Of course, the damage to the area is still unresolved in terms of the Northern Flood Agreement, so would it be correct to say that Wuskwatim is not excluded from this process?

Mr. Brennan: No, I think Wuskwatim would be an option we would have to consider, and we would have to consider the impacts in all the surrounding communities as well and what the reaction of the people of that area is to that development.

Mr. Ashton: I am wondering if the option has been considered of additional generating capacity at existing facilities, additional turbines using existing water flows that are currently controlled. Is that also being considered?

Mr. Brennan: Yes, it is. We are looking at all kinds of options, including changing some of the turbines in some of the existing facilities, as well as potentially extending other facilities.

Mr. Ashton: I am wondering if some indication could be given of what particular facilities would be involved in that, Mr. Chairperson, which facilities are currently available in terms of potential for, as was indicated, either replacement of existing turbines, addition of other turbines or use of existing water flow capacity.

* (2120)

Mr. Brennan: A couple of examples would be the Kettle Generating Station as one example that we could look at putting new turbines in. That is the rotor itself—I believe that is the right word, eh? Turbine, okay—the blades anyway. In addition to that, the Kelsey extension is possibly an option, as well.

Mr. Ashton: What impact would that have on generating capacity?

Mr. Brennan: I would have to get you those numbers.

Mr. Ashton: I would appreciate if that information could be provided at a subsequent committee hearing, because I do know that this has been certainly suggested by a number of people. I know a number of Manitoba Hydro employees I have talked to have suggested this as one option that should be considered. I appreciate the fact that this is being taken into account.

Mr. Brennan: Some of these have already been done. We have been doing some on the Winnipeg River. There are other options on the Winnipeg River to extend some of those, as well.

I think you will find that the quantities do not come up into real large numbers, but there are options available there that we will look at. In all cases, we will take a look at the costs and try to do that which is the least expensive.

Mr. Ashton: I appreciate that, and whatever information could be provided in the future I think is important because I think, essentially, Manitoba Hydro is faced eventually, inevitably, depending on load growth factors and the impact of conservation with the need for additional capacity, in which case there are a number of options available, including new dams and this kind of option, so I appreciate the fact that all matters are being considered.

I want to also focus, Mr. Chairperson, on load growth, and I would like to ask the corporation, based on the presentation that was made earlier, which I believe indicated somewhat lower load growths—in fact, I believe the figures over the next ten years compared to the past ten years, and this was based on the notes I took, so it may be subject to correction, was 1.9 percent and 2.1 percent for the energy in the peak loads. I am just wondering, first of all, perhaps if I can confirm those figures and the fact that they are significantly lower than the past ten years.

Mr. Brennan: The 1.9 percent was for energy, as you suggested, and 2.1 percent for capacity. Both of those are lower than those we have actually experienced in the past ten years.

Mr. Ashton: One interesting experience I had, Mr. Chairperson, being on the board was, I think, the one time I ever used my econometrics background was when the load growth projections were presented to the board, and without getting into too much detail or my rusty econometrics, I am wondering on what basis those figures were derived, what the basic economic assumptions are behind the current load growth figures.

Mr. Brennan: This was based on the economics that were made or that we used or forecast last year. They will be changed somewhat this year. I would have to get those numbers for you, but we can provide them, Mr. Ashton.

Mr. Ashton: That would be appreciated, because one of the difficulties obviously facing Manitoba

Hydro at any given time is the fact that with changes in assumptions and changes in actual experience, obviously your projections in terms of 2009, in terms of the need for additional capacity, can be substantially impacted by even a relatively small shift in terms of the load growth.

What I would like to ask is: What has been the experience over the last number of years? I am talking about the historical experience. What has been the trend the last two or three years?

Mr. Brennan: The load forecast has gradually been dropping the last two or three years.

Mr. Ashton: Has Manitoba Hydro analyzed the factors behind that drop and, if so, what are the factors? I assume that it includes conservation. It includes changes in the economic structure both in terms of the recession and restructuring the economy. Why do we have a lower load growth in this province currently?

Mr. Brennan: I think the reason is the same one that is a national phenomenon, and that is the economy.

Mr. Ashton: Are figures available in terms of the specific breakdown in terms of that or what role the corporation feels conservation is currently playing and will play? As I said, you have different economic factors, and obviously you have restructuring of the economy. You also have cyclical factors that presumably in the current environment if the recession is “over” or if it ever does finish will shift around. I am wondering what the breakdown is of that load growth of those various different factors.

Mr. Brennan: I guess we can provide that information. Our forecast is based on the economy returning to a more normal type of economy in the longer term, but we can provide that information. I do not think it is information that is easily understood, but we can provide it. We have a model that forecasts each sector of the loads that we have to supply, and we also consider to introduce various types of customers, and those are all factored into this model. It is not an easy situation, Mr. Ashton. If you could help me as to where you are going I could maybe help you with, you know, some more information or something like that.

Mr. Ashton: Whatever information could be made available would be appreciated. As I indicated, I recognize the complexity of any economic

projections and the various factors that are involved. I guess what I am looking at is—perhaps I can rephrase the question in addition to requesting whatever information you have—what the experience has been as in terms of the projected load growth say the last year and last number of years as compared to what it currently is. What I am talking about is, as we sat in this committee the last year or the year before obviously there were various load growth projections that were made, and this impacted on generation sequence, you know, the need for new facilities.

I am trying to get some indication of what underlying factors, not only behind the overall load growth, but what the trend is in terms of load growth projections itself, not just the experience but what you projected last year and what you projected the previous year as compared to what you are projecting currently.

Mr. Brennan: Yes, we can provide those. There is no doubt that our load forecasts have all been coming down, Mr. Ashton.

Mr. Ashton: You mention about the role of the economy, and I think we all recognize that since the manufacturing sector has been hard hit in Manitoba, the usage obviously would be impacted by that in terms of primary industries as well. Obviously, there have, I assume, been some impacts on the situation in terms of the resource sector. I am just wondering if any analysis is available as to the impact of conservation measures including conservation measures that are currently being implemented.

Mr. Brennan: Yes, we have a report that analyzed what we have done in the last year in terms of the impact of conservation. One of the problems we have is we can evaluate certain programs. The impact of conservation in our load forecast is just built into it after a year or two, so it gets difficult to quantify.

* (2130)

Mr. Ashton: I realize it is difficult because you have various different variables, and that is always the job for the econometricians to factor that in. It is very difficult, I recognize, in terms of predicting the future. No one can essentially predict the future with any perfection, but would it be fair to say that one of the factors that is having significant impact apart from the economy is conservation, or are you finding that

that has had a relatively negligible impact on load growth?

Mr. Brennan: Manitoba Hydro has been involved in conservation in various forms over the years quite extensively. We have certainly got into it more aggressively within the last two or three years, but we have been involved for years. So the impact of conservation in our load forecast, although we are not in a position to quantify it, I believe it is probably quite extensive. In addition, over the years there have been various government programs that Manitoba Hydro has taken over, if you will, and they have been going on for some time as well. So I think they are probably quite extensive. We do find that average use is going up, though, on average.

Mr. Ashton: The reason I am asking this too is to get some perspective on when you are sitting down making decisions on potential future direction for Manitoba Hydro, what impact existing conservation measures, what impact the economy, what impact all the factors are having on load growth. Perhaps I will maybe focus in on current energy conservation measures that have been put in place by Manitoba Hydro, leaving aside the ones that have historically been put in place, but looking at the Power Smart program. I am wondering if the goals of the Power Smart program can be communicated to this committee, what assumptions it is based on, and what the cost-benefit analysis is of that particular program.

Mr. Brennan: Manitoba Hydro, as I mentioned earlier, is committed to all cost-effective conservation, so any time any program that we look at can be cost effective and is more cost effective than some of the other alternatives available, such as rerunning turbines at generating stations or extending them or that sort of thing, other efficiencies in our system or building new plants—any time conservation is cheaper, we will pursue those options. We look at individual programs and come up with targets, and we try to assign our cost to each type of program.

Power Smart itself is the theme more than anything. We look at individual programs under that theme. We have programs that are designed for every segment of the consuming public, right from municipalities to heavy industrial customers.

Some of the programs that we have looked at in the last year are energy-efficient motor programs for industrial customers, a lighting program for

commercial customers. We are converting all our street lights and sentinel lights or farm lights, that sort of thing, to high-pressure sodium, which is more efficient than mercury vapour and incandescent, and the residential area as well. So we have programs for every area.

Mr. Ashton: I would appreciate it perhaps at the next committee hearing if we could get some detailed information on the various different programs that are being implemented under the Power Smart theme. I recognize it is a theme, and I would appreciate also if we could get some indication of the cost that is involved obviously of the marketing and also the implementation of various programs.

The reason I am asking, in terms of this, is to try and get some sense of the kind of decision-making process that is currently underway. Perhaps I will just reverse it, because I think it was well pointed out that the corporation is currently comparing conservation measures with other options. Obviously, a megawatt saved through conservation is being measured against a megawatt provided through additional generation.

What I would like to ask, then, is how the corporation and how the government is factoring in the cost benefit of potential future generation and to what extent environmental, socioeconomic measures are now being factored into that cost-benefit analysis?

Mr. Brennan: Maybe I should explain just how we model our system. We will take a look at the cost of all alternatives and just model them against each other, determine which is the most cost effective for our customers. We look at it from straight economic perspective, including all environmental costs as we impact various areas of the province.

If we impact a certain community in some way, we have to rectify that. That should be included in our cost. We compare that with the efficiencies we can make to our own system, as well as the cost to demand-side management. In doing that, that is how we came up with the potential saving of 285 megawatts right now. We will go through that exercise again this year, and that number could go up or down.

Mr. Ashton: I appreciate the cost-benefit analysis in terms of conservation. I guess what I am trying to ask in the way of a question, and I realize you are comparing apples and oranges, but at the end of the

line you end up with a decision where you have to make that comparison. You have indicated very clearly that Hydro's decision in terms of conservation is based on its cost-benefit impact vis-a-vis the generation sequence. I guess what I am asking is on the generation sequence. How are you factoring in, say, in a Wuskwatim or any of the other potential generation sequences or the additional turbines or use of existing control water flows, how are you accounting for the environmental side as can be quantified either in terms of comparison to previous and ongoing Northern Flood settlements or other factors?

Mr. Brennan: All generation options would include a cost related to the environmental impacts that facility would have on their system.

Mr. Ashton: Is that information available to this committee?

Mr. Brennan: I believe the number is wrapped up in an estimated cost for that facility and would not be factored out separately, but I can check.

Mr. Ashton: Would it be possible to have that information factored out separately?

Mr. Brennan: I guess a lot of these we have done based on what we project the impacts to be. Let us assume we did one. It would be very hard to do. I am not sure it would be fair to Manitoba Hydro or the communities to have numbers like that out there. I think Manitoba Hydro should be fair in all the dealings, and I am quite confident that we will be.

Mr. Downey: I will just maybe try and help. I think it is important and in fairness to the corporation that there are other customers other than the general public as it relates to the provision of hydroelectric power or electricity sales. To ask for total cost analysis publicly could well, in some way, cause the corporation, I think, some difficulty when it comes to the selling of their product to a potential buyer.

I think I know where the member is trying to get at the conservation versus expenditure for a new plant, if I am following him at all. There is some information that I think the corporation may not want to express as it relates to future sale of power to a potential customer, not that there has been any desire to do it, but there could be a chance of compromising the position of the corporation.

Mr. Ashton: Mr. Chairperson, I am disappointed in the response from the minister. We are having a legislative committee here. The shareholders of

this corporation, if you want to put it in an analogy to the private sector, are the people of Manitoba.

The reason I am asking this question is very straightforward. It is because I feel that we in this committee and the people of Manitoba are entitled to know when these difficult decisions are being made, and as was indicated previously, decisions are being made in the current time frame up till June in the terms of future generating sequence, to know on what basis those decisions are made and, especially, how the options of the turbines, as we mentioned earlier, the options of conservation and the options of a further generation are being factored in.

* (2140)

I realize there is a judgment factor involved, but we have the experience of the Northern Flood Agreement, limited in some communities, of the dollar cost of a Northern Flood Agreement type of scenario.

I think we have got increasing knowledge about the environmental pluses and minuses, and I think we have known from previous debates that there is a significant difference between many of the particular generation options in terms of those factors. Conawapa is not Wuskwatim. Each generation option has very significantly different impacts economically and environmentally.

What I am asking is if that kind of information can be made available to members of this committee and to members of the general public, and, in particular, I think the concern is to make sure the right decisions are made and to make sure that the appropriate factoring is made, not just of economic cost benefit but at the environmental cost benefit, the socioeconomic cost benefit, the whole picture.

We can put it in terms of environmental terms, in terms of looking at the externalities as well as the specific measurements we can use in terms of the expenditures in revenues of any particular project.

I will ask once again whether there is not some way we can get some idea in this committee, and if the members of the public can get some idea, when the generation sequence is re-established, if there is going to be any immediate generation sequence. I mean, I am not prejudging conservation versus generation at this point. I am just wondering if there is not some way we can get some idea of those other factors, recognizing the difficulties in doing that.

Mr. Brennan: The cost of all alternate generation sources should include or will include the cost of any environmental impacts. There is no doubt about that. I think what is more significant, Mr. Ashton, is the fact that we would want the consent and agreement of the impacted parties before we commenced any development.

Before we committed ourselves to any development, we want the impacted parties to be not only consulted but agree to the development, so we would clearly know the cost before we committed ourselves to anything.

Mr. Ashton: I may have other questions on this, Sir, and I know the Liberal critic has a number of questions. I just want to say one thing on that. I understand that process, and I guess what I want to go back to is the fact that, in terms of Conawapa, Conawapa was very much generated by the Ontario sale. The cancellation of Conawapa was very much dependent on the negotiations that took place back and forth between Ontario Hydro, Manitoba Hydro and the provincial government, and we are now in the position where there is no immediate major sale on the horizon.

We are now in the position where Conawapa, according to the minister himself, has been cancelled, period, in terms of the immediate foreseeable future.

We are now into, and I think the Liberal critic probably put it best in that sense, and I agree with him, a transition period. I think it was the sense he was giving in which Hydro is making and rethinking decisions that perhaps have not even been necessary because of the Ontario sale and the Conawapa development.

I just want to finish off, Mr. Chairperson, on this series of questions by saying that in doing so there has to be a very clear process of environmental and socioeconomic review, which, indeed, takes into account the concerns of the various communities. My concern, I know the concern of our caucus, is that when we are making these decisions, it include all various factors.

I will say this personally, having seen directly the damage, for example, that has been done to the Burntwood River. Having been in Thompson since I was 11 years old, having seen the damage it has done to Nelson House, and knowing, for example, that Wuskwatim would involve another level of damage, I do not ever want to see the situation

develop again whereby damage takes place, an agreement is signed, and then 15 years later, if that—and I hope this year it is resolved—or 16 years later that it is resolved.

I hope that if we are sitting at the crossroads and we are looking at generation sequence and understanding there are dynamics that develop fairly early on within the corporation, within the government related to other factors including environmental review, and I want to finish off on this point, then I want to make sure that all factors are taken into account and that we do not end up with an undervaluation, Mr. Chairperson, for example, of say the environmental damage on say Wuskwatim.

I just choose this as one example because Wuskwatim was equal in many analyses with Conawapa depending on various factors. I want to make sure, and I know many people in the North want to make sure that we fully recognize those factors before decisions are made, because I believe if you are going to make the right decisions you have to fully account for that and in fact decisions may change dramatically depending on the extent to which that is factored into the calculations.

I would once again finish off by urging that at perhaps subsequent meetings there be some indication of if the corporation does not have those figures and wants to consult in regard to those figures how it plans on doing that. In fact, I would consider that, Mr. Chairperson, perhaps to be one positive result of this committee, if Manitoba Hydro and this government would commit, given the fact that it is redesigning the development sequence, to go out and talk to affected communities and individuals and discuss that before those final decisions are made.

Mr. Brennan: Not only do we agree with you, Mr. Ashton, we intend to do that. We want to not go through the experience we had with the Northern Flood Agreement either. We want complete agreement and understanding of what the impacts are and a settlement before we proceed with any other development. I do not think we are disagreeing with you at all and we will know those costs before we commit another plan like that.

Mr. Edwards: I am going to start by touching on one of the comments I made in my opening statement. This report on page 31 has a nice little recounting in the trading electricity portion where it

says in the second paragraph: Because Manitoba Hydro's system is built to ensure a supply of power to Manitobans during periods of low water flows there will always be surplus power to trade whenever water flows are high and that surplus power of course serves to reduce the overall cost to Manitobans. That is sort of the framework of trading electricity extrajurisdictionally.

What I wanted to ask either from Mr. Brennan or Mr. McCallum, is there any sense for Manitoba Hydro that that is too restrictive a mandate? Is there any sense or any desire to canvass whether or not the hydro resource this province has should be not just used as a tool to offset and to use power we already have which we need to supply Manitobans and to change it into developing the power resources for export and with a view to export primarily? Is there any discussion at the board level or otherwise about the existing mandate of Manitoba Hydro?

Mr. McCallum: First of all, the mandate, and I think it is on page 6, I think it has existed since the '60s. I am not sure how far back it goes. It has enabled the province and the corporation to do a pretty good job and build a pretty good organization, a high level of reliability, a fairly low price, very secure system and so on. So it has worked.

Getting to the point you are making, the mandate depends on who is looking at it and what they see in it and what various words mean. My background is economics. I look at the word "efficiency" and I think of efficiency in terms of output and input and lowest cost. If you want to efficiently provide power, and export arrangements enable you to provide power in Manitoba at lower cost, then my reading of it is that fits in with the mandate, and I do not see a problem. Others have difficulty with that. They would like a more specific mandate that answered the kind of things you are asking about.

Mr. Edwards: Are you saying then that it would be your interpretation anyway that a sale of power to the extent that it was developed and brought in revenue, which then was used to offset the cost of power to Manitobans, increases the efficiency with which power is supplied and therefore fits within the mandate?

Mr. McCallum: I think you could interpret things that way.

* (2150)

Mr. Edwards: The reason I ask this is because, you know, Limestone and now Conawapa, when it was being talked about and promoted of course, a major factor was the provision of jobs and investment in this province at the time of construction. It was being sold, it seemed to me, and I am not saying rightly or wrongly, it just was interesting that it was sold so heavily on the economic impetus attribute during construction.

I had not read the mandate in the same way and in the same light that you have just explained it, but I am wondering then, flowing from your comment, if some of the proposed projects, not necessarily Conawapa, but there were a number of others which are potentials, I gather, with varying levels of power which they could create. Are sale opportunities being sought out, currently, with a view to constructing a new facility of one or the other that is currently on the drawing board, with a view to selling that power, thereby reducing the overall cost? That is, not necessarily selling it with a view to supplying power for Manitobans but supplying power for other people outside of Manitoba, taking the revenues and reducing the cost on the part of Manitobans. Is that a current philosophical framework that the board is functioning under with a view to searching out potential customers?

Mr. McCallum: I think with any development you will always be talking about the power being used by Manitobans. It is just a question of when. So the issue is, does the mandate enable you to advance plant ahead of the need in Manitoba.

The utility is in a position—I guess the economic jargon for all of this is that the supply is lumpy. It comes on in 1,300 or 1,100 megawatt bytes, and the province only needs 100 incrementally a year or 70 or 60. So we inexorably are in a position where development will involve a partner. We would not build Conawapa just for Manitoba need, because we would have an awful lot of capacity sitting there that was not very economic. Then you are into this question of when you are building for Manitoba's need, when is that need, and do you advance?

Mr. Edwards: I saw Conawapa and I did not make a list of the other potential sites which still offer potential generating capacity for the utility. I assume they would be of varying degrees in terms of what they can produce, varying sizes. Let us assume that—I think 2009 is the current magic date for our problems in Manitoba. Current forecast

would say we are going to need some more power at that point.

Let us assume there is no partner for Conawapa. What is the plan? What date do we get to at which one of those is built and, if so, which one?

Mr. McCallum: Well, the Manitoba Hydro has a very complicated planning mechanism in place. The role of the board is to make sure that the organization forecasts and plans according to conventionally accepted methodologies.

Your question, what happens if we get out to 2003 and we have no partner, and we know we need it in 2009 and we know it takes six years to build? What would we do? I think you would have every reason to be very critical of a chairman who came to the board and said that is the spot that they were in. We should be looking now at planning strategies that will not leave the province in that particular place. So the Ontario sale was terminated. We are no longer a proponent of Conawapa.

We are back to the drawing board. One stake in the drawing board is 2009. Another stake is that it takes so long to build this, it takes so long to build that. Another piece of information is the costs of all of these. Mr. Ashton is absolutely correct that it is simply good business practice that we incorporate into the costs all the externalities that we can. Not incorporating externality costs has a terrible history, both in this industry and others, of leading you down roads you do not want to be down. So it is wiser to include them than not include them. Not including them brings you costs that you should not be bearing. So that is what we are going through right now or will be going through.

Mr. Edwards: Has the utility then with each of those that were up there as potential development sites gone through that process insofar as you can internally attempt to determine the cost environmentally, socially and assess each project on that basis at this point? Has that been done internally?

Mr. Brennan: We have done them to varying degrees depending on the economics of each option. Those options that are most attractive or least costly will be examined in more detail than other ones. We have looked at them all to some degree, some more than others, depending on the cost.

I would also like to point out just based on your question earlier, that all the decisions Manitoba

Hydro has made now in terms of long-term firm sales and requiring the building of large plants were based on economics alone, not the economic well-being of the province. In other words, the basic decision was based on environmental considerations, economics, as well as the impact on ratepayers.

Mr. Edwards: The current calculation of 2009, I mean, that takes into account, obviously, Limestone and the new production which has come on line because of that. Does it take into account the potential for increased conservation? I mean, that seems to be a moving target these days. Is there any way to be assured—maybe what I am getting to is, in the last few years, I have been following this. That date is moved, and I understand that there is a complex formula, there are all kinds of things which go into trying to do that. It is not an easy task to try to pinpoint that. Can we expect that it is going to increasingly move further into the future? Is that your assessment at this point?

Mr. Brennan: I think there are all kinds of considerations. Clearly, there are other things we are going to have to look at, some of which are—maybe the quantity of demand-side management may go down, not up. It is all based on the cost effectiveness of what is required for our system. My short-term guess is it is probably going to go back.

Having said that, we are now having a load forecast, where most of the risk is on the upside, not the downside. If we get an awful lot of load growth, and it comes back much more than we are forecasting, it gets harder and harder to react to it because of the long lead times. That is what Manitoba Hydro has to plan for and make sure that we are in a position to react to that.

Mr. McCallum: I got reasonably involved in the model a couple of years ago, and my assessment of it is that it is very heavily driven by short-term economic expectations.

If you project half a dozen years of real growth in Canada of 1.5 percent or 2 percent, you are looking at moving that number out. If you are looking at going back to conventional 1960s growth rates of 3.5 percent or 4 percent, it is going to come back the other way.

The company makes an effort to put numbers into it that reflect conventional economic thinking, and that is what we live with in the model. You may have a different view, or whoever may.

Mr. Edwards: That reminds me, and I mean it is not to demean the profession, but economics is a study much more of the history than of the future in the sense that predictions are often wrong. Of course, that does not mean that they are valueless or otherwise, but I completely understand what you are saying. The economy can turn around for various reasons very quickly in this province, across the country and otherwise.

What is the percentage of the power you supply, you sell in Manitoba? What is the breakdown between commercial and residential in terms of the overall sales that you make in Manitoba?

Mr. Chairperson: As the time is now ten o'clock, and by agreement the committee—

Mr. Edwards: Just let him answer the question.

Mr. Chairperson: Let him give one more answer? Okay. Mr. Brennan, to complete his answer.

Mr. Brennan: On page 63, it shows the breakdown between residential and general service, and it works out between small commercial, industrial and residential, about a third each. It is shown on page 63 there, between general service and residential.

Mr. Chairperson: As previously agreed, this meeting will now adjourn at ten o'clock. Committee rise.

COMMITTEE ROSE AT: 10 p.m.