

Second Session - Fortieth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Bidhu Jha
Constituency of Radisson

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MANITOBA LEGISLATIVE ASSEMBLY
Fortieth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Wednesday, October 2, 2013

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bidhu Jha (Radisson)

VICE-CHAIRPERSON – Mr. Ted Marcelino (Tyndall Park)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mr. Chomiak, Hon. Ms. Marcelino, Hon. Mr. Swan

Messrs. Dewar, Ewasko, Helwer, Jha, Maloway, Marcelino, Schuler, Mrs. Stefanson

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

Mr. Scott Thomson, President and Chief Executive Officer, Manitoba Hydro

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2010

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2011

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2012

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2013

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Mr. Chairperson: Good evening. Will the Standing Committee on Crown Corporations please come to order.

Our first item on the business is the election of a Vice-Chairperson. Are there any nominations?

Mr. Gregory Dewar (Selkirk): Mr. Chair, I nominate Mr. Marcelino, Tyndall Park.

Mr. Chairperson: Mr. Marcelino has been nominated for Vice-Chair. Any other nominations?

Hearing no other nomination, Mr. Marcelino is elected as Vice-Chairperson.

This meeting has been called to consider the annual reports of the Manitoba Hydro-Electric Board for the fiscal years ending March 31st, 2010, March 31st, 2011, March 31st, 2012, and March 31st, 2013.

Before we get started, are there any suggestions from the committee as to how long we sit this evening?

Hon. Andrew Swan (Minister of Justice and Attorney General): I think I'd suggest we sit until 9 o'clock and then if our friends across the table have a few more questions we can revisit.

Mr. Chairperson: Nine o'clock is suggested. Yes, Mr. Schuler?

Mr. Ron Schuler (St. Paul): Well, traditionally, it seems to be Manitoba Hydro takes about an hour for their presentation, which would leave this committee very little time to investigate and try to find out what's happening with Manitoba Hydro. Nine is a little tight, but if we would then have the ability to extend that, then I think we would agree to that, but I think that is a little tight for time.

Hon. Dave Chomiak (Minister charged with the administration of The Manitoba Hydro Act): Mr. Chairperson, to the benefit of all the committee, last time, for the first time, we had presentation lasting about an hour. The presentation, I believe, this time will last about half an hour, which should suffice. So I'd agree with the member that we could probably—you know, as we met last time for almost four hours, I think we should look at the 9 o'clock time.

Mr. Chairperson: Is that agreed? *[Agreed]*

Are there any suggestions as to the order in which we consider the reports?

Mr. Schuler: If it would be the will of the committee, we would like to go global to begin with, on a global basis.

Mr. Chairperson: Is there agreement to go global? *[Agreed]*

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Mr. Chomiak: No, and in order to allow for a healthy discourse and discussion during the course of the committee, I will not make an opening statement and allow for members of the committee to have an opportunity to ask even more questions, Mr. Chairperson. We're joined at the table by the president and CEO of Manitoba Hydro, Mr. Scott Thomson, and the chairman of the board, Mr. Bill Fraser. Also joining us is Carolina Stecher, who works with the government; Glenn Schneider, spokesperson for Manitoba Hydro; and—*[interjection]* oh, yes, Scott Powell from Manitoba Hydro.

And, with those few words, Mr. Chairperson, I—subject to, of course, what other members are going to state, I suggest we allow the president and CEO to go through his brief presentation to the committee that would help frame the global debate here in committee.

Mr. Chairperson: We thank the honourable minister.

Does the critic of the official opposition have an opening statement?

Mr. Schuler: Yes, and we would like to thank the officials for Manitoba Hydro for being here again at committee, and certainly look forward to the presentation we're about to hear, and then, like the minister said, move on to questions on a global basis.

Mr. Chairperson: Thank you. I thank the member.

I understand the representatives from Manitoba Hydro-Electric Board wish to include a PowerPoint presentation as a part of their statement at this committee. Is there leave from the committee to allow a PowerPoint presentation?

Mr. Schuler: I believe this is a tradition that has started some years ago, so I think the committee would give leave.

Mr. Chairperson: Thank you. So, agreed. Mr. Thomson, you may proceed.

Mr. Scott Thomson (President and Chief Executive Officer, Manitoba Hydro): Good evening, Mr. Chair, ladies and gentlemen of the committee. I'm pleased to be here tonight for my third meeting with the committee.

At the last committee presentation in April, I provided you with a detailed overview of the corporation. While there are only—where some of the members that are here tonight weren't here in the

spring, I wanted to just take an opportunity at the front end of the meeting to give you a—sort of a quick current status update on financial matters and then talk a little bit about development plans and what's happening in the near term going forward.

Overall, we continue to be in a positive position to provide ratepayers with low average electricity rates. This is a kind of a composite comparison to some of the other lower cost jurisdictions across North America, and it's the blended average retail rates that—for all of the energy that we deliver domestically versus the other jurisdictions. If we drill down across Canada and, you know, on a comparison of some of our average bill rates, this would be a typical customer who doesn't use electricity for space heating, and we compare favourably across the country. Québec has a lower basic service charge, so in lower consumption levels their effective rates are slightly less than Manitoba. A residential customer who uses electricity for space heating uses typically about 2,000 kilowatt hours a month, and again, we're very close to Hydro-Québec and substantially better than the balance of the country.

On a commercial basis, this is where we start to see the overall-rate effect pull us down under. Commercial larger users enjoy more favourable rates than anywhere else in the country.

And then, again, just a kind of an overview of what's been happening over the past number of years across jurisdictions in Canada. If—on the far right of the slide, you'll see where our rates compare to the other jurisdictions. We're very close to Québec, slightly better, and again you can see quite a disparity going across country. The other hydro—predominantly hydro jurisdiction, being BC, is close to 20 per cent higher, and you can see how rates has trended since 2005 with adjustments going across that period of time.

* (18:10)

On the gas side, our customers now are enjoying rates that they haven't seen since the 1990s, and that's a function, obviously, in significant part because of the commodity cost of natural gas. But our—we've kept a tight lid on delivery rates, as well, the delivery cost component of gas rates. So a typical customer bill for a residential customer is just over \$700. On the gas commodity market side, and, again, I alluded to this, but natural gas commodity prices remain near decade lows. In September of this year, storage

facilities in North America had a slight surplus compared to the five-year moving average of storage. That's come off of a shortfall from at least from average storage levels in the spring of this year with the cold winter that we experienced across North America. The reserves had been chewed into, but production over the summer has brought that back. And so, currently, our variable primary gas rate is sitting at 11 cents per cubic metre of gas for the quarter commencing August 1.

Our—at a high level last year, and what's detailed more in the annual report, our—whoops—our earnings for last year were \$92 million. That was ahead of plan. Our plan had been \$61 million for the year. We benefited from colder weather, in part, which—volumes were higher, as well as increased sales in the export markets. The rates were—the volume was higher and the rates were more favourable than they had been the previous year. Our outlook for this year, and this is from our IFF12, is for \$72-million income level. We're tracking slightly ahead of plan through the summer. Water conditions have been favourable. So we are anticipating, all other things being equal, more favourable results than what we saw in IFF12. But it's still early. We're going into a winter, and, in part, this is going to depend on continued reasonable inflows into the reservoirs over the course of the fall, as well as the winter conditions that we face going forward. But where we sit now, looking forward, balance of probabilities, we're going to be slightly favourable to the plan as opposed to the plan being at risk for the current year.

For the first three months of the year, we posted a net loss in the first quarter of \$5 million. That's an improvement over the prior year of \$19 million, and it's about \$3 million ahead of where we expected in the plan to be. Again, key drivers of that: Exports sales were stronger over the summer, there were some increased operating costs associated with pension-related costs and some financing charges, and we had some other operating cost expenses go favourable to that. So it was a good start. We typically don't make money in the summer. The—on the gas side of the business, we've got a predominantly fixed cost structure, and volumes are quite low because the heating load's off. But we had a lengthy winter this past year. And, actually, the heating loads went—extended into springtime. So our—even our—although we anticipate losses in the gas business in the first quarter, we did a little better than we had anticipated on that side of the business as well.

So—like to take you now into what's happening currently. As most of you are aware, over the past year, we've started to ask our customers to consider what's happening behind the switch and what we need to do to keep their lights on and keep the company moving forward. We believe our system that's served Manitobans very well for decades needs a shot in the arm in the form of a fairly significant reinvestment in current infrastructure so that we're able to continue to meet the reliability standards that we've achieved in the past. It's an investment that in the current energy price environment requires a series of moderate rate increases that our customers are going to be paying for electricity, and while that's not an easy or popular message to have to deliver, it's nonetheless a reality that we face as we move forward.

I hope I can provide you with a better understanding of the business drivers that we face. And if you think of our provincial electric system in the context of maintaining your family vehicle, for a newer car, you change the oil, you keep the tires inflated and you go in for your three or four monthly maintenance checks. Over time, more significant elements of the car need bigger maintenance. Eventually, you need to replace the vehicle. And as the family's needs change, you might need a bigger car or even a second vehicle, and, again, that's what we're facing right now.

We've got an aging system that's—that we're having to reinvest in, infrastructure that we put in place in the postwar period that does have a long life but eventually it does run out and we're seeing that and it has started to impact reliability and availability on our system, and at the same time that that's happening, we're seeing demand for our product grow and we need to add new capacity to meet that demand.

And this is really just more of the same, some examples of things that are cost drivers that are creeping into our ongoing maintenance plan: the requirement to replace poles in the system, the requirement to refurbish or expand stations within the city of Winnipeg where they've outgrown the capacity to serve any additional load in neighbourhoods. We've had to rebuild—I went for a tour of the Burrows station a couple of weeks ago and, you know, it's in the middle of a well-established neighbourhood and we had to rebuild a station around an existing station then cut it over. It's a lot easier to do a greenfield or a brownfield type of a replacement than it is to work

within the community and all the constraints and traffic and those sorts of things. But, you know, we've got another \$600 million worth of stations investment that we're going to have to make over the next 10 years because we've outgrown or they were operating beyond the capacity of the stations currently.

Some of you probably experienced this summer's traffic disruptions that were necessitated by reconstruction of the manhole access and our underground distribution system along—predominantly along Portage Avenue. And, as I said, while we do maintain high levels of system reliability, which are, in fact, higher than most in the industry—we're top quartile performance, No. 1, No. 2, from year to year against our Canadian Electricity Association peers—we are now seeing, while we're still in the top, we're—our levels of reliability, our system availability isn't as high as it once was, and, again, it's because we're starting to have outages related to the age of the system that we're in the process of addressing but it has a cost to it.

The need for substantial investment for system reliability and renewal isn't unique to Manitoba Hydro. We're seeing this across North America, and, in fact, the Conference Board of Canada has estimated that in the next 20 years there's about \$350 billion of infrastructure that's going to have to be renewed in the existing system. So, like most energy utilities in Canada, we need to begin to replace those assets that are at the end of their useful lives.

While I'm on the subject of reliability, we have achieved an important milestone in the Bipole III reliability project. On August 14th, the government issued an Environment Act licence, and with approximately 70 per cent of our generating capacity delivered to southern Manitoba via Bipole I and II through the Interlake corridor, that creates exposure to our system. So we can now move forward with the construction to have this line in service for 2017 and, I think, plug a significant reliability gap we're concerned that exists in the system today.

At the same time that we work to maintain the reliability of our system, we have to work to ensure Manitoba's future electricity needs are met. Demand for electricity continues to grow. Over the past 10 years, Hydro's domestic electricity consumption has grown at an average rate of 1.6 per cent before

DSM activities, and that's even with the reductions at a couple of high-profile industrial customers.

* (18:20)

Over the next 10 years, electricity consumption in Manitoba is projected to grow at an annual average rate of 1.8 per cent before DSM activities, and that's driven principally by three factors: first, increases in population and the related services required to accommodate that growth; second, higher average electric energy usage per residential customer. And this picture's kind of telling—if you compare this living room to what you would've seen 20, 30 years ago, the number of appliances and devices that consume power—and a lot of them are passive power users as well; even when you're not using them, they're plugged in and they're drawing current—that's pushed and resulted in an increased use of electricity. And space and water heating are also a driver. We're seeing more new product, new housing stock that's coming on that's using electricity for heating activities as well. And then, finally, continued expansion associated with industrial and commercial customers, a case in point being the complex over on Kenaston road. As the economy grows, we need more energy to serve that growing economy.

Our detailed annual demand forecasts show low growth is going to continue, as I'd said, and we have to be in a position to meet that. Some have suggested we meet this through—this increased demand through further energy conservation initiatives. And while we recognize energy conservation can and will play a key role—and that's why we're planning an aggressive, but what we believe is achievable, Power Smart program—this will not eliminate the need for new supply to meet Manitoba demand, but it will reduce the annual demand growth from about 1.8 per cent projected today to about 1.4 per cent over the next 10 years.

We're projecting that Manitoba will require new sources of electricity to meet domestic load growth by about 2023. To meet this need, we've investigated a wide range of potential options, including the conservation measures we've been talking about, imports, wind, solar, biomass, natural gas, as well as hydro. Some, like solar, nuclear and coal, were screened out early as not being sufficiently attractive. Wind, as a major generation supply in Manitoba, was determined not to be economic at this time, but it doesn't mean that we wouldn't consider it in the future. The result of this process has been the—our

preferred development plan to meet long-term electricity needs. One large industrial customer can move this by one or two years. So if we see increased demand from certain sectors, it can accelerate the need for new resources coming on our system, but based on the most recent published load forecast, we're looking at 2023.

The preferred development plan—and this was the subject of the NFAT filing—is comprised of the Keeyask hydro generating station, the Conawapa station, the related domestic AC transmission that will take that power to converter stations, new major export sales and a new 750-megawatt transmission interconnection to the US.

We believe our preferred development plan is the best long-term solution for Manitoba Hydro customers and the province when compared to other options and alternatives available, for a number of reasons. It provides the lowest rates for Manitobans over the long term. It provides the highest level of system reliability and energy security for Manitobans. The plan's large, new interconnection reduces export revenue risk by enhancing market diversification and increases reliability through increased import capability. This is a big extension core that we can connect to generations south of the border in the event that we have a drought or other types of emergencies.

The plan's renewable hydro power reduces global GHG emissions and aligns with the Province's clean-energy strategy and sustainable development principles, and it provides the largest socio-economic benefits, including employment and growth for Manitobans.

We've concluded that the preferred development plan, although it's going to present us with certain challenges financially as we move forward and we're going to have to manage our balance sheet diligently, we do think that we can navigate these waters. We'll continue to monitor and review key variables including low growth, further Power Smart activity, new export contracts, the price of natural gas as we move forward and the price of energy. And this is—the NFAT filing is a pathway and a number of decisions that have to be made in the near term with optionality as we move forward. Our preferred plan is based on what we know today and what the forecast assumptions are.

As the calendar unfolds in front of us, if some of these things change, we'll modify the plan. I mean, a case in point is when I first started with the company,

we were looking at Conawapa for '24-25. Well, with the relaxation in the load forecast demand, we're seeing that period extended by two years, so we're now looking at bringing Conawapa in in 2026. If some of the planning assumptions that we're making don't pan out, then we'll look at what we might do as an alternative to that as we move forward, but from where we sit right now and all the economic analysis that we've done, the plan that we filed, we believe, makes the most sense.

Given today's natural gas prices and the proliferation of shale gas development, a lot of people ask where does natural gas fit in. I want to emphasize that we've considered all possible sources of new supply, including natural gas, and, in fact, that was the base case in the NFAT filing that we compared everything else to. Our analysis of gas generation using current and industry consensus forecast prices concludes that gas would result in the highest net cost and the highest long-term electricity rates for Manitobans with the lowest environmental and socio-economic benefits. We'd have to build four gas plants over the time frame of the planning horizon to provide us with the capacity that we'll get from one dam. So that, coupled with the longer term uncertainty in gas pricing, has—is—are kind of the key drivers that underpin why that's the case—why gas ends up being more expensive. This, along with the analysis underpinning the plan, is detailed in more than 5,000 pages of information that we filed in mid-August with the PUB.

The PUB has been tasked by the government to conduct a needs-for-and-alternatives-to review of the plan. The PUB's reviewed terms of reference direct it to assess whether the needs of the plan are thoroughly justified and superior to potential alternatives. The public hearings will take place in the late winter and spring of 2014 with the PUB panel to provide a report to government by June 20th and to allow for a decision to be made on the plan.

I'll now provide you with a short status update on the projects that make up the preferred plan. On September 24 in Gillam, the Clean Environment Commission commenced public hearings as part of the environmental licensing process for Keeyask. Hearings will be held until the end of November.

Keeyask is located on the lower Nelson River, northeast of Thompson, approximately 30 kilometres west of Gillam, and it's a collaborative effort between Hydro and four Manitoba First Nations—Tataskweyak, War Lake, York Factory and Fox—

working together as the Keeyask Hydropower Limited Partnership. Subject to all environmental licences and other authorizations, construction of the generation station is projected to commence next summer, and the plant could begin transmitting power in 2019.

We're also working with five First Nations—the four related to Keeyask as well as Shamattawa—for in the planning and environmental assessment of the Conawapa generating station. It's located in the Fox Lake resource management area, 30 kilometres downstream from the Limestone generating station on the lower Nelson and is a 1,485-megawatt station, which would be Manitoba's largest.

* (18:30)

Even so, flooding impacts will be minimal, about five square kilometres in total and largely confined to in-stream islands due to the high riverbanks. That's a photo taken just upstream of where the plant will be situated, and I've stood on the riverbanks. It's about 115 feet above the water. So the forebay will fill up inside the riverbanks, and that's why we can eliminate the flooding in most of the surrounding territories; although, the little islands depicted in there will be affected.

In preparing for Conawapa, we believe we're taking a responsible and respectful approach to working with First Nations to reduce environmental impacts and ensure local community benefits from the development. This approach, which began with Wuskwatim, has been continued for Keeyask and results in better projects to supply the province's growing demand for electricity. Projects with reduced environmental impacts, lower compensation costs—because we can investigate the impacts upfront and accommodate design changes—and, ultimately, greater local benefits through training, jobs for local groups. The gentleman in the picture is named Sam Dysart. He's a Wuskwatim elder, and he was quite involved on the planning committee and the environmental management committees of the Wuskwatim project as we move forward. By engaging local communities, we gain Aboriginal traditional knowledge, and that enhances project planning and monitoring through the environmental assessment phase and construction of the facilities. It also levels the playing field, so to speak, to ensure communities have the resources to effectively represent their interests about projects and the impacts on their communities and the opportunities for their people.

Over the years, substantial costs have been incurred to address the impacts of past development. We've spent about a billion dollars on adverse effects and reparations for the effects of our activities. Through today's proactive approach, we're working to reduce these impacts on the projects, and as a result, lower future compensation costs associated with the developments. Some commentators have been critical of the costs of engaging First Nations and Metis people. When you listen to the news reports about the developments of mines in Ontario or pipelines in BC, I really think that we're on the right track by dealing with these folks upfront and involving them. The costs, I think, are going to pay dividends in the long run.

New export contracts are also an important component of our plan. We've signed \$7 billion in contracts with US utilities, with \$5 billion of that hinging on the development of Keeyask. We have outs if it doesn't get built. We're not locked in, but those revenues are—hinge on building that facility. We continue to explore additional export sales, both in the US and Canada. We were—we have term sheets under development, so they're not counted in those—the contract values there. But we do—and we do anticipate additional business being booked related to those.

The sale to Minnesota Power has also triggered a new transmission line from Winnipeg to the US that will be required by about mid-2020. We're about to begin seeking public input to help identify and refine the most suitable route, taking into account impacts on people and the environment. At the border, the line will connect to the Great Northern Transmission Line, to be constructed by Minnesota Power, which will terminate in the vicinity of Duluth. This new line will provide enhanced access to markets for a surplus energy over its entire life, not just for the term of the committed export contracts. The new line will also strengthen reliability of supply, as I've mentioned earlier, in Manitoba through the ability to import electricity in times of drought or other emergencies on our system.

Exports are fundamental to keep electricity rates low and for ensuring a reliable supply in Manitoba. I'd like to address the misperception that some people have that we're losing money on exports, and, as a result, American utilities are being subsidized by Manitoba Hydro ratepayers. We have existing long-term export contracts that we refer to as firm energy. These contracts are at prices that are more than 50 per cent higher than the price charged to our

largest industrial customers in Manitoba, and that's the group that's sort of most closely akin to the export customers.

Revenues from spot market sales are often incorrectly cited as evidence that export markets aren't profitable. Revenue from short-term market-based sales which account for about 60 per cent of our total exports has declined for reasons associated with the slower US economy and competition from low-cost natural gas generation, and that's true. This has reduced revenues from exports, but we don't lose money on them. We—the—if we don't generate power with surplus water, we spill it, and the water rental cost is about 3 and a half dollars a megawatt. Our operating costs in the facilities are largely fixed, and even at the lower cost that we're getting today in the 27-, 28-dollar range for spot market sales, we're still making positive contribution. If the alternative is letting it go through the spillway, we're far further ahead to generate the power with it and get what we're getting today, and there's been an improvement over the past year.

So are we where we were five years ago or four years ago? No. Do I wish we were? Yes, but we do see that market recovering over time.

We've negotiated several new long-term export contracts with prices substantially more attractive than those in our existing firm export contracts. We continued—and that information is filed in the NFAT. It's confidential but it's available to the PUB and to the intervenor's council and to the PUB's expert advisor. So this is getting vetted, the economics of those projects are being based on what we've actually—sales we've actually got in the bag as we move forward.

I lost my notes again. Here we go. So the bottom line on exports is they've served us well and they've helped keep domestic rates low. Revenues from export sales will continue to help pay for our capital investments, the firm sales that we've got booked and ultimately that capacity into the future.

In addition the transmission required for exports, as I'd said, it acts—it provides access to markets for the surplus power that we will have as we expand the system in high water years and also to imports to improve reliability of our supply for Manitobans.

There's no doubt we'll need to attract and invest a large amount of capital as we face the simultaneous demands to renew infrastructure and develop new sources of energy. We plan to invest almost

\$20 billion in new generation transmission and upgrades and reinforcement of our existing distribution systems with capital investment over the next 20 years totalling as much as \$34 billion. And, you know, we self-generate currently about \$600 million a year through depreciation, so that's going to fund a portion of that, exports are going to fund a portion of that and then borrowings are going to fund the balance.

We're well-positioned to make these investments while maintaining reasonable and competitive rates for our customers and ensuring our continued financial health. In the past year, we continued to add to our equity base through the retention of earnings. The—slightly more favourable than planned ones that I talked about before. And, again, we're expecting that this year retained earnings stand at just over 2 and a half billion dollars, which is the highest in our history. Understandably, our financial position's going to be impacted by rising debt levels and interest payments as our capital program's implemented. It will improve over time when the new generation comes on-stream, and this is, again, typical. The bill—we've seen these cycles in our past. We—it takes five, six, seven years to build the facility. We're borrowing and capitalizing the cost, and the revenues start to come into play.

So the level—the amount of leverage in our business is going to increase over the next decade, and then as we bring the facilities online and our revenue base—generating base increases, we'll start to recover our balance sheet.

And as I said early on, from a ratepayer perspective, three factors are going to be critical as we move forward. First, increasing export revenues; second, containing our existing cost structure and managing that down where we can; and third, we're going to have to increase our rates as we move forward.

* (18:40)

We've implemented a range of cost containment measures to manage OM and A costs including constraints on external hiring, discretionary overtime, travel. We've looked at facilities consolidation, leveraging technology and workforce planning, and we'll continue to carefully examine all expenditures and reduce or defer these where possible. We're gaining synergies and cost reductions through process improvements such as the implementation of our new mobile workforce management system, which we have over 600 computers and trucks that

we can dispatch work to people in the field based on where they're located, reducing travel time and make more efficient use of our workforce as we move forward.

You've probably also read in today's paper about our rural office consolidation, and we've announced that by the end of the year and—start—commencing early January through March, 12 offices will be closed, another 12 will have their front offices closed to the public, and by 2017 we'll close the back office. We'll consolidate those staff and the operating activities into our customer service centres. We're expecting that will result in about \$2 million a year in operating cost savings. And for those 24 offices that in the near term we were going to have to invest in refurbishing those facilities, about \$50 million as we move forward, and the cost of carrying that 50 probably adds another 4 to 5 million dollars a year—would have added another 4 or 5 million dollars a year to operating costs prospectively that we can avoid.

So it wasn't a decision taken lightly. We're aware of our presence in rural Manitoba. We're very cognizant of our employees' needs. I think that we've got a very good plan worked out for how that—how we can deal with those folks, and not all the people will have to move either. As I'd said, this mobile workforce management system, we'll be able to keep some of our field resources in the towns that they live in. So some of the concerns of municipalities as they lose a good paying job in their community, well, they won't necessarily as we roll this forward because we can dispatch work remotely. There may not be needs in certain circumstances to have people physically move. They can continue to live where they're living and serve the communities because the service territory is still being served by the same people.

Over the medium term we're also looking at the demographic shift that's occurring in our workforce and looking at this as an opportunity. Nearly 900 of our employees are eligible for retirement this calendar year, full retirement unreduced. While we aren't expecting that many of our employees to move on, we've seen turnover of about 200—just over 200 people in recent years due to retirement and then about another 100 through other attrition. So—but we're exposed to that and it could be substantially higher. We're evaluating the vacated positions and determining whether we can change the way we work without sacrificing safety and reliability. But while this is an opportunity, it's also a challenge.

Years of accumulated experience and knowledge of the folks that are nearing retirement age and who have been a key contributor to the success of the company so we've got big knowledge-management issues as we move forward. Succession planning, recruitment and retention to effectively manage human resources is going to be critical to maintaining our levels of service and especially as we're renewing infrastructure and building new generating stations.

No one, including me, wants to pay higher prices for their electricity. Although I'd prefer to see us be able to avoid rate increases, this isn't going to be realistic given we need to invest to ensure that we can continue to meet Manitoba's growing need for power. Across the country every utility is going to see rate pressures going forward. Sister utilities, both Crown and investor owned, are facing a lot of the same challenges that we are. In recent weeks the news media reported on the potential 26 per cent rate increase for BC Hydro over the next three years. One—certainty across our industry, regardless of the generation technology be it gas, nuclear, coal or hydro, new generating assets can't be added at the same cost as the current low rates customers have enjoyed. Rates do have to—do and will increase across all jurisdictions. We expect our rate increases to be moderate and we can provide some predictability to our customers. So while our rates will go up, our competitive position, vis-à-vis other jurisdictions, I think we can preserve. I think that's pretty important. At least, that's what our commercial and industrial customers are telling me when I meet with them, is the relative positioning to their competitors who are operating in Québec or in BC or in Alberta. As long as they can continue to maintain a price advantage, that's going to be critical to them as they go forward, and I believe that we can do that.

When all the dust has settled, really this is what we're about: building and maintaining a reliable and economical supply of power for Manitobans to drive our economy and sustain the quality of life that we enjoy here. The foundations of our world-class electric system were laid more than a hundred years ago by Manitobans who recognized and harnessed the province's natural resources and who took the risk to develop the first hydro facilities here. In the '60s, major decisions were made to proceed with what, at the time, were controversial generating and transmission projects in remote northern Manitoba. For the past 50 years, these major investments have powered the development of our province and

resulted in the reliable low-cost systems that we have today.

We need to take the long view on investing in new energy infrastructure just like our predecessors did. We're at a critical point in renewing and expanding our system. We're mindful of our obligations to our ratepayers and those impacted by our projects. We welcome the scrutiny—financial, environmental and otherwise—of our plans and operations and believe that, ultimately, it produces better projects. Our objective is to provide a reliable, affordable, sustainable and clean energy system for Manitoba.

Thank you, Mr. Chair. I'll welcome any questions the committee has.

Mr. Chairperson: Thank you very much.

A couple of things I would like to say. Anyone, before answering questions and answers, kindly be recognized by raising hand, and secondly, put your mic on for the Hansard to record your comments and questions and answers.

So now that the floor is open for questions, Mr. Schuler.

Mr. Schuler: Yes, thank you very much, and check the time here. That was approximately a 40-minute presentation—a little less than last time, but not the half an hour that was promised.

I would like to take the committee back to our last committee meeting where, in April, I raised the issue of Manitoba Hydro not operating as other Crown corporations in their response to FIPPA's, with frequent late responses and no acknowledgement letters or extension notifications being sent of any kind. In fact, it was the minister—Minister Chomiak's committee response was, and I quote: "I don't think that's a problem"—meaning rectifying that issue.

My question is: Does Manitoba Hydro or the minister still feel that its current system of responding to FIPPA's is free from the problems that were laid out at that committee?

Mr. Chomiak: Yes, Mr. Chairperson. I believe we discussed some of the issues of FIPPA, and I think that, in my experience with FIPPA, it's a very important instrument, and the documentations are provided to a variety of individuals, mostly—often opposition offices and some publicly—some public organizations, and I think Hydro endeavours its best to provide that information. It's not blocked through

the minister's office, as that was the case when I was in opposition. It's—it goes forward to provide as quick a response as possible, so I'll turn it over to Hydro to deal with specifics.

Mr. Thomson: Yes, I believe that the acknowledgement letters were—we've initiated that.

So were there other points?

Mr. Schuler: Well, actually, my office sent five FIPPA's to the Manitoba Hydro on June 6th and never received a response until July 31st, a total of 55 days instead of the required 30. No warning or letter of extension was provided.

I'd like to ask the minister: Would this treatment be considered normal for average FIPPA requests to Manitoba Hydro?

* (18:50)

Mr. Chomiak: If the member's asking me if—about the provision to provide that information, I would say that two committee meetings in one year, numerous question periods in the House, FIPPA information, a free-flow of information, is far more information provided by this government to the opposition than any time during the 10 years that I was in opposition. And while there may be some time delays in programs, this, plus the CEC hearings, plus the Public Utilities Board, plus the provision of a 5,000-page NFAT of provision, as requested by the opposition, is a fairly good record of providing public information, I would think, to individuals and groups. And while there might be some delays in providing some FIPPA responses to the member, the member has to appreciate that he alone is not the only person in Manitoba concerned with getting information from Hydro, and there's a variety and hundreds of demands on Hydro's capacity and ability to respond with information.

Mr. Schuler: Always great to see that the minister props himself up on political rhetoric, but that actually does very little for this committee or for the process that we're engaged in. In fact, the Ombudsman, who we contacted, received an answer back from Manitoba Hydro, and they informed him that, and I quote: Due to a number of competing pressures on the time—the public body staff, including the need to complete the information request for the claim, Environment Commission proceedings for the Keeyask generation station, and the finalization of the submission for the Public Utilities Board, as well as staff vacations, the public body, Manitoba Hydro, missed the original deadline

without an extension letter being delivered to the applicant.

I would like to present for the committee, because I actually don't think the minister is quite aware of what was going on, if I could just have these handed out, perhaps one to the minister, and who else like—would like a copy on that side? I'd like to point to the minister that actually the FIPPA that was eventually received is a photocopy. Fifty-five days—

Mr. Chairperson: Mr. Schuler, would you like to get this documents tabled?

Mr. Schuler: I—it's clipped, so I don't think we need it.

An Honourable Member: Tabled.

Mr. Schuler: Tabled. Yes, I would like to table the document, thank you.

Mr. Chairperson: Thank you.

Mr. Schuler: I understood stapled.

The document that I tabled is basically a photocopy. And what I don't understand is how it is that it took 55 days to photocopy basic information that comes in to Manitoba Hydro. It seems like it would not be a onerous task, what we were asking for. And I'm prepared, if the minister would like, I can have copies of the freedom of information request, but I'm sure he has access through them—through his department. Basically, it was, please provide the annual program budgets and reports of offsetting programs for the TCN to Manitoba Hydro in 2009. And we asked for the same for '10, '11, '12—and I believe it was also for '13—in the TCN nation adverse effects agreement. And, basically, it's a report that is sent to Manitoba Hydro by the TCN First Nation. It had to be run through a photocopier. I believe my assistant—today, we decided we would hand out copies and test the system to see how long it would take. I think it took him five minutes to run it through a photocopier, and it took Hydro 55 days.

I know the minister always likes to look in the rear-view mirror. Certainly, that's how he and his government has run the last 12 years. I don't think we're overly interested in his historical musings. What we would like to know is how is it that it took 55 days to photocopy something that should have taken five minutes?

Mr. Chomiak: I think we've—I know the member's very happy with the revelation it took five minutes to

photocopy, but the fact remains that the member wants to ask a question, not do the comparative analysis, that's fine. He actually answered, in his last response, the very issues that I had indicated, why it took longer for FIPPAs, from my understanding, to go forward. If the member wants a direct question—wants to ask a direct question, he can get—ask a direct question or he can play the political rhetoric that he said I was playing and we'll end up just going back and forth all evening.

Mr. Schuler: I don't think the FIPPA process is rhetoric, and I think the minister should choose his words carefully. I think he used to take it serious. I take it he does not take it serious anymore. We do. It's a means by which opposition is allowed to access documents. We take that process serious and we don't believe it's political or rhetoric.

We did actually send this to the Ombudsman, and Manitoba Hydro, I'm sure, briefed the minister on it in that they sent a letter to us and I believe it would have went to Manitoba Hydro, in which they reviewed the case. We received a copy of it September 26th and it says at the end, while our office acknowledges the fact that Manitoba Hydro eventually did respond to the complainant by providing access to much of the information that was requested, the Ombudsman found that the publicly—public body did in fact exceed the 30-day limit in which it is required to respond to an application for access under subsection 11(1) of FIPPA. Based on the Ombudsman's finding, the complaint is supported.

Again, I think the question is fair. I think it's reasonable. What conceivably could it take 55 days for Manitoba Hydro to photocopy something that should have taken minutes?

Mr. Thomson: I'd—I'm not sure why that one took as long as it did. I wasn't aware that it had. But all I can say is that we'll endeavour to ensure that we make the deadlines as we move forward or seek an extension if we're unable to comply and we have the information.

Mr. Schuler: Another Hydro committee meeting and more commitments and—great. We would actually like them lived up to. We would also like to ask if the information is not going to be forthcoming within 30 days, that we get a letter indicating why. And all other Crown corporations actually send a letter of acknowledgement, and we'd like to understand why it is that we get none of that from Manitoba Hydro.

Mr. Thomson: I understood that we had started sending letters of acknowledgement after the last hearing.

Mr. Schuler: To the minister, actually, Manitoba Hydro hasn't.

In the letter that we received from Manitoba Hydro, it was dated July 23rd. It was sent by a single-day courier and took eight days to receive—be received in my office. In fact, from July 23rd, it took 'til July 31st, 2013, for that information to arrive in my office. I mean, not just do we struggle with photocopying in 55 days, which should take five minutes, it seems to take the same-day courier—single-day courier eight days to deliver documents. Can the minister explain why that might be?

Mr. Chomiak: I think that part of the difficulty, and I—it's been a problem the member's had for some time, is a lot of these documents deal with agreements between Hydro and a particular First Nation. And the member's refused to talk to the chief and the council members of that First Nation—and I say council members of that First Nation. And he could just as easily pick up the phone, and I've offered him many opportunities to—I will phone that community and provide those answers that very day on the telephone. The member doesn't have to photocopy. The member doesn't have to worry about Canada Post and delivery times and deadlines. The member can have those answers the very same day if he'd sit down and talk to the chief and council in those particular communities, because those tend to be the questions that the member's been inquiring about. And he has not taken me up on that. And failure to act, Mr. Chairperson, and then to blame a Crown corporation when you have a responsibility to act, I think is a problem that the member might be having, as well.

* (19:00)

Mr. Schuler: I know the minister struggles with relevance, and what we're talking about right now is about Manitoba Hydro and the FIPPA legislation that's been put in place. It was put in place for a reason. It's about accountability. It's one of the tools—the minister said he used it for 10 years. I doubt he faced the same kind of hazards that we have faced here, 55 days for a simple photocopy and eight days for same-day delivery service. I would suggest to the minister that things have clearly declined since the '90s. I'm sure we had one-day service and that was in one day.

I'd like to make it very clear that this is a concern. We asked straight-up questions of information that should be available. It's not top-secret information. We weren't asking for contracts of Manitoba Hydro with other Crown corporations. It was simple, an accountability that First Nations send a sort of a progress report on what they've done for the year. I don't think it was unreasonable.

And a question, certainly, that I would like to ask is: What does Manitoba Hydro plan on doing in the future to ensure that information is sent in a timely matter—manner and that it correctly provides warnings, acknowledgements and extension notices as necessary?

Mr. Chomiak: The president's already answered that they will endeavour to correct that particular aspect and response. He's already acknowledged that.

But I want to add to the member that all of the questions the member is referring to in this FIPPA access are all related to one First Nation and contracts offsetting programs, budgets respecting those particular First Nations, so Mr. Chairperson, it's not simply a question of continually slamming the Crown corporation in a one-sided arrangement or attacking the Crown corporation for not providing information. These are multi-partied agreements, and the information was provided. Probably more information's provided in these contracts, in these provisions, than any other time in Manitoba history.

The member's had three or four press conferences himself on the information that's been provided by these FIPPAs and, I'm sure, will continue to do so, and we're not afraid of providing the information. The president's already indicated he'd provide that information. But I do want to reiterate to the member, most of this information's relation to—is in relation to specific contracts between either Manitoba Hydro and a First Nation or arrangements between the First Nations and Canada that aren't even the subject of Hydro, and yet the member continuously asks for information from Hydro that have no relation whatsoever to Hydro's business.

So it is difficult sometimes on occasion, but the president has already indicated that he will provide, he will ensure that the acknowledgement letters and the extension letters are dealt with as quickly as possible.

Mr. Schuler: Actually, to the minister, maybe he should pay more attention to question period because

the information that we got from the FIPPA never made its way into question period—[interjection] I'm glad the minister is taken aback by that.

I'd like to ask the minister: Does he feel that it is appropriate that it takes 55 days to photocopy a basic document, eight days to have it couriered for same-day service? Does he think that is appropriate?

Mr. Chomiak: I think we've dealt with that, Mr. Chairperson. We ought to move on to some relevant matters instead of trying to give an opinion as to whether Canada Post can deliver something in eight days or not. It's not a subject that I can—if something put in the mail, it takes eight days. I can't hurry Canada Post along.

Mr. Schuler: It's very unfortunate that Minister Marcelino feels that this is a waste of time. Perhaps she'd like to put that on the record. We don't feel that it is a waste of time. We think this is important. This is one of the few tools that an opposition has to try to make a Crown accountable. We don't have a lot of tools; this is one of them. And for a minister of the Crown to actually—Ms. Marcelino to—referred to it as a waste of time is unfortunate.

An Honourable Member: Point of order.

Point of Order

Mr. Chairperson: Yes, Mr. Swan.

Mr. Swan: It's unfortunate that Mr. Schuler is misrepresenting what Ms. Marcelino said. We're all concerned that the member tonight is—has now received answers, that the CEO and the chairman of the board are here, ready to answer questions, and he wants to keep kicking around something that's been answered now nine or 10 times.

Mr. Schuler: Speaking of wasted time, that's not a point of order.

Mr. Chairperson: Well, I think it's not a point of order. It's a dispute over the facts. However, I remind that the question should refer to the reports under consideration and, also, let's not try to make it as a question period because this is a standing committee. We're talk—considering reports, and I'll request members to kind of focus in that area and not bring the debates which usually is done in the Chamber. Thank you.

* * *

Mr. Schuler: The Ombudsman clearly states that Hydro was wrong. Unfortunately, there seems to be no recourse, and one of the other ministers put on the record that Manitoba Hydro has endeavoured that

things will change. This is our second committee where we've raised this issue and we get the same response, and if the opposition is perhaps not that comfortable, it's because we've heard it before and we would like it to change. And it's about the only place where we have the opportunity to raise this issue and we would like Manitoba Hydro and the way they conduct their FIPPA's. If they could actually follow what they put in Hansard and what the commitment was last time by the CEO and this time by the minister, that would be much appreciated. Again, we don't have a lot of tools at our disposal; this is one of them. We'd appreciate it if those were treated with some respect and, unfortunately, there is nothing that the Ombudsman can do insofar as recourse goes other than to say the opposition was right in their appeal. And I take it potentially the minister and potentially the CEO and even the Chair has seen the Ombudsman's letter. If not, I can forward it to them and we'd appreciate if they would heed that letter.

Mr. Chairperson: Minister Marcelino, you had a question you want to ask.

Hon. Flor Marcelino (Minister of Culture, Heritage and Tourism): I think the ruling of the Clerk succinctly and substantively expressed my feelings.

Mr. Chairperson: Thank you.

Mr. Schuler: Well, if Ms. Marcelino wanted to be Chair so bad, she should have run for it.

I'd like to move on to—on October 18, 2012, Manitoba Hydro sent a letter to various organizations that said, and I quote: Manitoba Hydro has confirmed that a highly sensitive internal document has been distributed to unauthorized sources outside the corporation. As a result, a corporate decision has been reached that all top-secret information that has been distributed to any First Nations or its members or advisors in relation to the Wuskwatim, Keeyask, Conawapa and Bipole III projects is required to return to Manitoba Hydro forthwith. And just for the sake of the committee, we believe this is very important. It addresses some of the issues certainly that the CEO presented in his slide show although his slide show didn't necessarily follow everything that was in the annual report. It was an update, and so this is in response to the slide show.

My question is: Could Manitoba Hydro please confirm that all secret documents have been returned?

Mr. Thomson: We believe we received the copies that were on hand. I can't confirm whether or not other copies of those copies were made. We do understand that a copy that had been—that an unauthorized person had received found its way into an intervener's counsel's hand and had been forwarded to the PUB. We believe we've got all those copies back.

*(19:10)

So the document in question is quite dated now and subsequent documents have been updated that are before the PUB as part of the NFAT submission. So I don't think that there's anything that's—that the information is so old now that we don't believe it would be problematic for us.

But that said, we've taken further measures to ensure that if we do need to share information with our partners in the future, that they can view that information at our offices.

Mr. Schuler: The letter goes on to say that, and I quote: All of the above are requested to be complied with by the close of business on Tuesday, October 30th, 2012. My question is that can Manitoba Hydro confirm that all secret documents were returned by the above deadline.

Mr. Thomson: As I said, we can—we confirm that the one's that we're aware of were, but we don't know whether other copies have been made.

Mr. Schuler: Yes, the letter goes on to say the potential impacts of the unauthorized release of this information are ultimately detrimental to both Manitoba Hydro and its First Nation partners in proceeding with the above projects. Unquote.

Could Manitoba Hydro explain how a Manitoba Hydro internal document could be distributed to unauthorized sources, the contents of which could potentially impact \$20 billion in infrastructure? How does a corporation let something like that happen?

Mr. Thomson: The document in question had been furnished to our First Nations partners on the project, so that they could do their own economic analysis of it, subject to confidentiality agreements. And what we don't know is whether the document was stolen, whether somebody who was authorized to have it made an unauthorized copy, and we can't determine that. So, at the time, that—the document in question was a 2010 resource plan, and so we've done three since. So, as I'd said, the information is now dated and of less use because it deals with forecasts of

pricing information that's been updated, but there was some sensitive—at the time, sensitive information. We wouldn't want the 2013 resource plan to fall into unauthorized hands.

Mr. Schuler: A Manitoba Hydro spokesperson on July 24th, 2013, stated, and I quote: It does pose a serious risk in terms of our competitors. It would allow even our existing customers to look at information on which we base our prices and say either, we got a pretty good deal out of these guys, or, gee, there's money on the table. These current agreements that we have aren't cast in stone at the moment. Unquote.

Does Manitoba Hydro know: Were any of these secret documents sent to Manitoba Hydro's competitors?

Mr. Thomson: We're not aware that they were.

Mr. Schuler: Could this leak potentially have an effect on any of Manitoba Hydro's future agreements?

Mr. Thomson: Yes, it could, but we don't believe that the information has gone further.

Mr. Schuler: The CEO mentioned that they're not too sure if it was a document that was stolen or taken. Was this ever referred to law enforcement officials?

Mr. Thomson: No, our internal security group looked at it. We believe we know which copy of the document was leaked because they were stamped, and we compared the copies back to a photocopy that we had received from a third party. So we believe we understand where the source document for the copy came from, but we don't know how it was obtained there.

Mr. Schuler: And, again, I'm sure the corporation understands that Manitobans would be concerned about this. Obviously, they—Manitoba Hydro is loved dearly by its people, and we want to make sure that it is protected and we hope the assurances are the case that no competitors did get them. I personally have not seen a copy of it nor received a copy and we're also not actively seeking it. But it was obviously some concern to a lot of individuals that it was out there and one of the reasons why we raise it.

I'd like to move on to another set of questions, unless the CEO would like to comment to that.

Mr. Chomiak: I'm glad that the critic is concerned about the leak of competitive documents to—that

might harm Manitoba Hydro. I'm very appreciative of his comments because I was under the impression that the member might be seeking the information to—for other purposes. But I'm glad to hear that it's for purposes of protecting the corporation and the people of Manitoba, so I'm very heartened by that.

Mr. Schuler: Since mid-July, the IBEW, International Brotherhood of Electrical Workers, have been running advertisements in print and on the radio warning Manitobans that if the current NDP government broke its promise not to raise taxes, why would the NDP promise to not sell Manitoba Hydro be any more credible.

What does Manitoba Hydro think of the IBEW's advertising campaign?

Mr. Thomson: Well, I've had some conversations with the business manager at the IBEW and we don't think that it's helpful to the discourse that he's—that they're spending their money on that. But there's no plans to privatize Manitoba Hydro and we continue to carry that message to him, but he's obviously got his own agenda.

Mr. Schuler: Well, we're very pleased that Manitoba Hydro has no plans to privatize Manitoba Hydro. Our concern would actually be with the NDP government.

But my next question is: When did Manitoba Hydro first hear that the IBEW was unhappy with its business practices?

Mr. Chomiak: I just want to point out that we're very proud of our Crown corporation and we obviously have no intention to—in fact, we want to build the corporation and I hope that members will join us in such things as rate sharing and building Manitoba Hydro, building the bipole, building the dams for the future are important to all of the Manitobans. And I hope that between now and the next several years the member will support not be against the building of Manitoba Hydro and continuing to keep it a public, viable Crown corporation.

Mr. Vice-Chairperson in the Chair

Mr. Schuler: Well, I'd like to say to the committee I am proud of a—to be part of a political party that started Manitoba Hydro under the leadership of Premier Duff Roblin and the visionary that he was and the continued growth that took place under him and successive governments. It's been to the benefit of this province and the people who reside here, and

I would echo the minister's sentiment that it is something that should and must stay with the ownership of the people of Manitoba. Just there's a bit of a concern when high-ranking NDP insiders start to indicate that potentially Manitoba Hydro would be sold, and IBEW certainly was one of those groups that felt the NDP was preparing Manitoba Hydro to be privatized.

My question is: Why did Manitoba Hydro—what did Manitoba Hydro do initially after finding out that this advertising campaign was going to be run?

Mr. Thomson: I called Mike Velie and I asked him what it was all about.

Mr. Schuler: Frugal closings of rural Hydro offices 'outsource'—outsourcing work to private business owners, diminished services and increased 'electrical' rates are all items that the IBEW states is making Manitoba Hydro ripe for privatization. Those are their words; I was quoting them.

Can you please explain why the IBEW is so afraid of Hydro's decisions that they would have to resort to running the above advertisements since July?

* (19:20)

Mr. Chomiak: I'm sure the president wants to respond, but if the member wants to ask the IBEW as to what their intentions are he can phone the office any time and speak to them. I don't know if Hydro can necessarily reflect the interest of the bargaining unit at Manitoba Hydro.

So I just want to remind the member that he has asked this, and I'll—I'm prepared to help him as well to contact the business officer and sit down with the president, and he could ask him directly about the IBEW if he really is interested in knowing what the IBEW wants.

Mr. Schuler: I would like to remind the committee that the very first labour strike in Manitoba Hydro's 50-year history within this province was in fall of 2009 on this NDP government's watch. I might add where 3,000 IBEW workers picketed for higher wages, shorter contract terms and whatever else was part of that, it seems that not much has changed since the IBEW is still a voice calling out, warning Manitobans after four years that this NDP government is planning Manitoba Hydro for privatization, and I think it's a concern for Manitobans. These were ads that were being run on

radio, they were in newspapers, and people pick them up and they read it and they take it to heart. So hence why we're talking about it today, because it was out in the public discourse.

My question is what conclusions have been achieved between Manitoba Hydro and the IBEW in regards to this campaign?

Mr. Chomiak: I do know that there were meetings that took place between unions and that the very strong message with the IBEW is if you think there's problems, you should see what happens when Tories privatize Crown corporations, when hundreds and hundreds of people lose their jobs. That, I think, was one of the issues that came up dramatically, but, again, I'm prepared to sit down, as I said before, with the president of the IBEW and have a conversation with the member in terms of what their conclusion is, what their thinking was around their campaign, their—what I think was an ill-conceived campaign. Perhaps they were thinking about what might happen under a Tory government.

Mr. Chairperson in the Chair

But that—withstanding that, Mr. Chairperson, I don't think Hydro can answer the—answer for the—what the intentions were of the IBEW. There is a collective agreement that's been entered into that expires at the end of 2015 or 2014, I believe, with the IBEW, and as of this point the relations concerning all of the issues or the—I think the—Hydro has a very good relationship with its union representation, has had and will continue to have going forward.

Mr. Schuler: Well, and to that, what steps has Manitoba Hydro taken to ensure that its own employees and unions do not feel that the current NDP government will privatize their Crown corporation and resort to critical advertising? Because I would agree with both the CEO and the minister that kind of advertising is probably not helpful. Yet when individuals' collective bargaining units feel that their only recourse is to express themselves in such a fashion, obviously there is a problem there. And, again, we've seen the first strike in 52 years just recently took place in 2009.

So can the—can Manitoba Hydro tell us how they're going to deal with this?

Mr. Thomson: Well, yes. My initial comment was that I picked up the phone and I called Mr. Velie. I meet with the executive of each of our bargaining units a couple times a year. I've had—I've communicated to him that neither the company nor

am I aware of any plans that the government has to privatize the Crown corporation. I also do a quarterly video update to all of our employees that they get on our internal website, and when that campaign was initiated, I—as part of my quarterly update, I indicated that that, in fact, wasn't going to be happening, that ultimately the privatization or no privatization is at the shareholders' prerogative but we're not aware of any plans and we're certainly not preparing for. And I also did a print communication to all our employees to tell them that, in fact, we had communicated to the union executive following hearing about their campaign, that we're not doing any planning around privatization nor are we aware that the government has any plans thereof.

And I talked to the minister to confirm that that was the case and that was the assurance he gave me. So I felt comfortable in explaining to my staff that that wasn't the case, and I took Mr.—the union executive to task because I didn't think that it was appropriate and I thought it was stirring up trouble. I don't think we've heard too much more about that issue from him recently and, in fact, I think that the relationship that we have with all our unions is quite good and I think that there's been an improvement over the past while with the IBEW. I think that they all—all of our union executives handled themselves professionally, that had any impact from the rural office closings, and I think that's a credit to the improvement in the relationship that we've tried to achieve and, obviously, the union executives represent their members and have their own perspectives on things, as they should. But I think that they conducted themselves well and they were respectful of our need to communicate with the employees first; they didn't break the story. So I think that the relationship's pretty good.

Mr. Schuler: Mr. Chair, and I don't want to do this as a point of order, I just—if you could please wait until members on this side of the table have finished asking the questions before you switch off our microphones and switch over? It would just be appreciated if we could finish our questions and then, obviously, we'd like to hear the answers. If you could just wait 'til we're finished.

My next question is can the CEO please elaborate more clearly on the effects of the office closures, and I know he mentioned them in his Power presentation. Are these only the customer service operations in the 24 branches, or are the maintenance yard facilities also potentially going to be closed?

Mr. Thomson: The front offices, the customer serving counters that accept payments in the 24 offices will close early next year. The back office operations and facilities won't for the 12 that are being—that we will be executing on over the other three years. Those activities—when we close an office completely those activities will roll into the customer service centres. The—in effect, they're hubs. Some of the employees' jobs will be relocated in those hubs immediately, the front-office employees. Over time, through attrition, those jobs may be eliminated altogether. But the demands in the offices—and one of the reasons why we've moved down this path is the number of customer visits in some of the offices has fallen way off and, in fact, it costs us more to collect the revenue than the revenue that we get. So it really—it wasn't making a whole lot of sense to incur the costs of keeping the branch open.

And so, yes, ultimately the operations in those 24 locations, all activity that's based there will cease. But the mobile operations in the regions will carry on, and as I'd said, some of the employees will likely continue to live in the communities that they're living in today. All of them are within commuting—reasonable commuting distances. Granted, it's not going to be—they won't be able to go home for lunch. You know, I think that's one of the benefits that some of—some folks enjoy living in a very small community. They—they're two or three minutes away from work, but—and some of them will have a—if they choose to continue to live in the community, they'll have a longer drive, no question. But we'll have programs that will help with them with that transition.

Mr. Schuler: And certainly that's what the news release says, 1st of the 10th of 2013, in which it says, and I quote directly from your news release: "As part of an ongoing effort to modernize operations which began in 2007, Manitoba Hydro is consolidating rural staff in southern Manitoba into Customer Service Centres to improve customer service and reduce costs."

* (19:30)

In contrast, I understand that there is an email that went out from Manitoba Hydro which paints a clearly different picture. It's quite stark in comparison, in which it says, and I'd like to quote a few sentences: Manitoba Hydro is facing a number of financial pressures. We need to move forward with significant investments. To ensure we can make

these investments while also maintaining affordable electricity rates, all areas of the corporation are being asked to find ways to responsibly reduce spending.

I guess the question is: Is this an exercise in modernization of district office model, or is it that Manitoba Hydro is facing a financial crunch and has to close offices?

Mr. Chomiak: Yes, Mr. Chairperson, I think it's the tradition of this committee, if the member is going to read from a letter, he ought to table it.

Mr. Schuler: Absolutely, I'd be more than prepared to table the press release that was put out by Manitoba Hydro. I can do that if that is the will of the committee.

Mr. Chairperson: Thank you.

An Honourable Member: Mr. Chairperson, just for clarification, it's not the press release I was referring to. I was referring to our long-standing rule that when you read from a correspondent, you should table that correspondence.

Mr. Schuler: I have one more quote out of here and then I will pass it on. I only have one copy.

We will continue to review district operations in southern Manitoba to identify further opportunities for optimizing operations and reducing costs.

That's part of the memo and it's—also speaks to the news release. That consolidating rural staff in southern Manitoba, is this only something that's impacting southern Manitoba?

Mr. Chairperson: Mr. Schuler, just to clarify, your—the documents you are going to table, you have given the copies to—*[interjection]* Okay, thank you. Just wanted to make sure. Yes, Mr. Schuler.

Mr. Schuler: Yes, the minister asked for the document to be tabled and I've done so and I believe the Clerk's office will be photocopying it because I did not have extra copies and probably should have done so. I did not realize that the minister would want copies of his own documents, but we'll make sure we do that.

Mr. Chairperson: Thank you. Thank you.

Mr. Thomson: If I got that right, you had two questions. One was—the first one was around cost containment and modernization, and the answer is, yes, it's both. The—we're doing what we can to reduce ongoing operating cost pressures and this is one of the actions that we're taking to try and reduce our

ongoing costs. The PUB directed us to find \$20 million in cost savings in the last rate hearing. You can see how challenging it is when we're facing these things, and so that's—this is an action, but one of the reasons why this does both is some of the office locations have one staff member working in the office taking payments, so if that person needs a vacation, they're sick, they have training, we close the front office. People come to our office; it's closed for a variety of reasons. They can't file for permits if no one's there. And so what we're trying to do in order to improve operations is—and modernize things, when we refer to modernization, is taking advantage of the technology that we've deployed and getting the best use out of it, but also providing a more consistent level of service to the—through the customer service centres, because there's going to be people there when customers come in, so we can provide more consistent service to those folks.

The second part of your question, I believe, was, is this focused on southern Manitoba, and, yes, the offices that we're consolidating into the customer service centres are all in southern Manitoba. And if you plot these on a map, you'll see it looks kind of like a spoke and hub situation, so the offices that we're shutting down are ones that we can consolidate their operations into these centralized customer service centres that are situated in east and west—southern east and west Manitoba, and they're—some of the staging of the closures is because we've got to do some renovations to the CSCs in order to accommodate them so we can't move as quickly on those facilities. But, ultimately, it's going to save on the cost of renovating those facilities because they're—we've—you know, we've been thinking about this for a while, so that's one capital cost savings as we move forward as well as the operating cost savings that we can get immediately. So we're trying to do the right thing and we're trying to do it in a way that's humane to our employees but also has the least disruption on our customers.

Mr. Schuler: I guess the question then is, is this a program that's going to be targeted for the entire province?

Mr. Thomson: We've looked at—like, the northern operations and offices are so remote that we have service standards, we're responding to emergencies, those kinds of—but we need people in the field close to where our customers are to be able to respond. So we've looked at—the northern locations don't lend themselves to this kind of consolidation. The population density isn't there. There are other offices

in southern Manitoba, I think, that, you know, this is phase 3, now, the initiation of a third phase of our activities around this, and we'll look at how this model's working and there may be opportunities in the future to do more of this. At this point I don't know.

Mr. Schuler: Yes, thank you very much. In the email that is currently being photocopied, there's another quote in there and it says that exactly, that within southern Manitoba there might be other—and I'm going by memory—other such efficiencies being looked at as well. And I guess the question is, is southern Manitoba being targeted with these efficiency programs?

Mr. Chomiak: Yes, I just—I don't—the president said phase—this is the third phase. The first and second phase was Winnipeg, and Winnipeg had the offices consolidated, and now this further consolidation is taking place south of No. 1, so it's hard to—it's because it's been a staged process. It's been going by region, and Winnipeg was done first.

Mr. Schuler: And, again, can southern Manitoba look at potentially having more of these offices closed and more consolidation? And I don't have the email in front of me; evidently, it's still being photocopied so I can't quote exactly, but is it the intent of the corporation to do more consolidation in southern Manitoba?

Mr. Thomson: Not at the present time. Like I said, I don't think—we're going to look at what makes the most sense for the corporation as we move forward and we'll respond to future events as they unfold.

Mr. Schuler: And one of the other comments that I'd made, and the CEO referenced it, and that had to be that there seemed to be two documents and both seemed to be fairly different in tone, and the news release doesn't actually have the same kind of tone as the email does, which paints a slightly more grim picture of the financial position of the corporation, whereas the press release seems to indicate that this is a modernization. That was the point that we were trying to make—was contrasting the two messages, one to individuals who got the email and the press release for the general public.

I'd like to move on and ask the corporation: Between Bipole III and the dams for Keeyask, Conawapa and Wuskwatim, how many First Nations protester blockades have been recorded by Manitoba Hydro?

Mr. Thomson: Sorry, I was trying to read the memo that you were referring to before that I didn't get a chance to read, so could you repeat the question?

* (19:40)

An Honourable Member: Just takes a few minutes to photocopy.

Mr. Schuler: Well, the minister mentioned that it takes a few minutes to photocopy. It's a good thing Manitoba Hydro wasn't tasked with it. We would have sat here for 55 days, so if members of the committee want to spend a bit of time to read the memo, I understand. I'll restate my question.

Between Bipole III and the dams for Keeyask, Conawapa and Wuskwatim, how many First Nations protests or blockades have been recorded by Manitoba Hydro?

Mr. Thomson: I don't know the number off the top of my head.

Mr. Schuler: Which 'firsch'—which First Nations specifically have had groups protest or erect blockades? Does the corporation know?

Mr. Chomiak: While the specifics are looked at, I can indicate to the member that there's been literally hundreds of meetings between Manitoba Hydro and First Nations in order to resolve some of the issues with respect to communicating and dealing with the First Nations, literally hundreds and hundreds of meetings, whether or not blockades or roadblocks—I'll let the president answer whether or not he can, but I want to assure the member that one of the new ways of doing hydro has been, as the president indicated, not to spend, as was done by the previous governments that flooded First Nations and ended up having to pay up to a billion dollars in reparations, rather, trying to deal with First Nations on a—having them be part of the discussion. That 'remeans'—that means hundreds of discussions. That means sometimes sitting down and phoning the chief and discussing the issues with the councillors. And I think Hydro's developed a very good culture of doing that. So I think I can turn it over to the president now.

Mr. Thomson: I'm advised that early on there were two blockades at Wuskwatim, the road to Wuskwatim. And there've been a number of threats around the Keeyask project, but they were ultimately quelled. And we didn't have disruptions. There may have been one on the Keeyask road, a short duration blockage on the access road.

Mr. Schuler: To how many of these protests or blockades did Manitoba Hydro send a representative?

Mr. Thomson: All of them.

Mr. Schuler: How many of these protests resulted in the protestors providing Manitoba Hydro with a list of demands or a negotiation item list?

Mr. Thomson: I believe all of them.

Mr. Schuler: And how many of these demands or negotiations resulted in Manitoba Hydro agreeing and siding with the protestors or agreeing to their demands, however you want to word that?

Mr. Chomiak: Mr. Chairperson, I'm not sure I understand that question. The member's asking how many demands or occasions did Hydro agree to side with the protestors? Is that what the member is asking?

Mr. Schuler: How many of these demands or negotiations resulted in Manitoba Hydro agreeing to meet? I'll make it simpler for the minister; he does better with those.

Mr. Thomson: I believe we met with—the initial meetings took place with representatives at the protests and 'subs'—there were subsequent discussions with the band leadership around all of them, and relations were normalized.

Mr. Schuler: How many of these protests involved the RCMP or legal counsel for Manitoba Hydro?

Mr. Thomson: We would have had discussions with the RCMP in all cases—don't know that they responded in all cases. And we certainly would have had discussions with our internal legal counsel respecting all of them.

Mr. Schuler: How many of these protests were resolved by Manitoba Hydro meeting the demands made by the protesters?

Mr. Thomson: We were able to disperse the blockades, and there would have been negotiations in all cases so—but we've resolved them as we move forward. I mean NCN is our partner on Wuskwatim. We've got a good relationship with them.

Mr. Schuler: Last April, I asked committee if I could be given the amount of money for independent advisory costs, lawyers and consultants, for First Nations affected by Manitoba Hydro's upcoming major projects: Bipole III, Keeyask, Conawapa and Wuskwatim. In September 23rd, 2013, response,

Manitoba Hydro replied that \$85.9 million was the grand total for the projects. And just on that one, considering that committee was in April, a September response was a little late.

My question is, is this amount correct, \$85.9 million total for lawyers and consultants on the projects?

Mr. Thomson: As I understand it, as of the date of the—that the response was given for, it is.

Mr. Schuler: In June 2013 the Canadian Taxpayers Federation, through FIPPA responses to Manitoba Hydro, released that the amount is actually \$224 million spent on lawyers, consultants and other services for First Nations affected by Hydro's development plans.

Why are the total amounts given to each of us so vastly different: \$224 million in June and then only \$85.9 million in September?

Mr. Thomson: I believe it wasn't all the same costs. If you can—if you've got some documents, I can probably get it reconciled. They weren't asking for the same things.

Mr. Schuler: So some of the advisory cost items were missing from the total that I was sent?

Mr. Chomiak: I think Hydro—to move this debate along—I think Hydro specifically answered the responses that were made by the member at committee. With respect to the Taxpayers Federation and their FIPPA, I suspect and—I suspect there was different questions asked, a different breadth, because it clearly is—are different sums, they're dealing with different matters, so it's not a question of Hydro giving out misinformation. It's a question of different questions and different answers being asked. I have known several occasions the Taxpayers Federation have gotten information incorrect, have gone publically with incorrect information by misinterpreting the information. But I'm sure that it's different questions that have been asked.

Mr. Schuler: I don't know if throwing the Canadian Taxpayers Federation under the bus by the minister is important for this committee.

Perhaps what we could do is ask Manitoba Hydro to do a comparison between those two responses, and is it possible we could get that in a little less time than five months, like the last one?

My question to the corporation is: Why is Manitoba Hydro refusing to provide the public with

any details on its spending on northern bands involved in development discussions?

Mr. Thomson: Well, I believe we've provided information on our expenditures that we're in a position to provide that isn't covered by confidentiality agreements.

Mr. Schuler: I can get back to the minister but I don't believe—I can get back to the CEO but I don't believe that's the case. In fact, can I be provided with the total basic breakdown of how much money was spent on advisory costs for Bipole III, Keeyask, Conawapa and Wuskwatim? We are talking about vast sums of money that the public has no idea where or what it is being spent on. The response that I got from Manitoba Hydro is about three postage stamps large and it gives a global figure, and we don't obviously—we're not asking for a detailed line-by-line. What we're actually looking for is a basic breakdown. Is that possible?

* (19:50)

Mr. Thomson: We'll endeavour to do that. I'm referring back to the response and your question had been: How much has been spent on lawyers and consultants for Keeyask, Wuskwatim and Conawapa, and we broke it out by project. You didn't ask for any more detail than that, but—and we can provide the reconciliation you had requested between the FIPPA response and the response to your question.

Mr. Schuler: I look forward to seeing that. Thank you to the CEO.

Moving on, how is the low price of natural gas in the United States affecting Manitoba Hydro's plans for the future, and the CEO did mention it in his report. Could he give us a little bit more in-depth information on how that's going to impact future development?

Mr. Thomson: It—we built in the costs—natural gas costs affect the export price forecast and so those export price forecasts have been revised down from where they had been in previous years. We've included that in our economic evaluation of the development options, and it's modified. It has had some impact on planned schedule as has the load forecast. It hasn't changed our basic assessment that harnessing the hydro potential on the Nelson River at this point were the two projects that we're planning. The economics still favour that. It's not as overwhelmingly favourable as it had been, but it stills results in a lower cost projection for our customers. So that continues to be what we're seeing

and we're also seeing a recovery in the price of natural gas as we move out in real terms, again, not to the levels that we experienced five, six, seven years ago. So we don't anticipate that the current price of natural gas will stay that way. It 'simp'—you can't produce the stuff and make money on it at these prices.

So we also see some continuing expansion and demand for transportation and, ultimately, the LNG export projects that will move us from kind of a regional pricing model. I don't think overnight we're going to move to a global pricing model for natural gas, but I think that that increased demand will start to bring pressure on it, and the forecasters are seeing—are showing prices coming up. If that doesn't play out over the next three, four, five years, we have to make a decision on whether or not Conawapa proceeds on the timeline that we've got planned by about 2018 so—to protect an in-service date of 2026.

If gas prices stay at \$3 five years from now and the outlook is a lot lower, that's probably going to impact on the decision whether to proceed with Conawapa at that time, defer the project or shelve it indefinitely. So—but today, that the lens that we're looking through, it's still—the two hydro projects appear to be the best ones.

Mr. Schuler: Already many states are putting their own nuclear pursuits on hold and are constructing natural gas plants within their own states that are providing local employment while moving closer to becoming energy independent. With this scenario becoming quite common, how does Manitoba Hydro compete against it in the long term?

Mr. Thomson: Well, ultimately, our brief is to serve the domestic demand for the province of Manitoba and look at the resources options that we have available to us. We don't have appreciable quantities of natural gas to generate electricity. So we're importing natural gas from the west and now some from the south for our gas service to our customers. We believe that the resource that we have available to us is—continues to be competitive. Nuclear is very expensive, and so if you look at the jurisdictions that are shifting away from coal and nuclear, they don't have water. They can't produce hydro. They have wind. Some of them in the midwest have wind resources available and some have very good wind resources, but you still need a backstop when the wind doesn't blow. So their options are somewhat limited. And, you know, our primary markets are served by coal, natural gas and wind, so they don't

have their own hydro resources to develop. So I think that we're still competitive as we look forward because they want diversification. They want a backstop against carbon taxes going forward.

And, at least, the deals that we've done with Minnesota Power and others, they're telling us and they're speaking publicly about the—their resource plans and that having a chunk of hydro in their resource portfolio helps them diversify their risk, so they're interested in us.

Mr. Schuler: Does Manitoba Hydro believe that the US market will continue to purchase Manitoba-generated electrical power when electricity can be generated less expensively in the future by—within state natural gas generating plants?

Mr. Thomson: Yes, we do and we do believe that because our customers that we're doing contracts with are telling us that they're still interested in having hydro. There's a—you can't get—you can produce natural gas right now. The spark spread is such that you can generate electricity with natural gas quite cheaply, but you can't buy a 20-year contract for natural gas. The—you can't get much beyond five years. And if you look back at the historic volatility in natural gas, you'll see that, you know, it moves around an awful lot. All we've got to base our future plans on is the best information that we've got available, and we look at industry forecasters and they're showing modest increases in the price of gas over the next five to 10 years.

But I think that one of the reasons why Minnesota Power is interested in our product—and others that we've done deals with—is because they're concerned about a price on carbon going forward. They're concerned about shifting all of their eggs from coal to gas, and so we are competitive.

And for our hydro system, in years when—we build for the available—the known available supply of water, but in most years, we've got some excess water available at times, so we need an outlet for that power as well, and there's a big demand in the midwest US market, so there's a 100,000-megawatts capacity demand draw from that. We can sell whatever we can produce. Now, obviously, we want to shape that supply so that we're selling it firm because we get the best pricing on that, and that's what we're endeavouring to do where we've got firm capacity available, but there—the market will always be there.

Mr. Schuler: And further to that answer, with natural gas prices plummeting from \$13 per million

British thermal units in 2008 to near \$4 today, and factoring in the USA's massive shale gas reserves, how has this affected contract negotiations with buyers in the United States?

Mr. Thomson: Well, we've got contracts signed and we're—we've got term sheets in place which will turn into contracts, and our customers that we're negotiating with continue to be interested in our product.

Mr. Schuler: I'd like to move on to hydro rates, in that what renewal provisions are in place for—oh, one moment. The minister has a comment he'd like to make.

Mr. Chomiak: I just wondered, if you're just moving on to another section, maybe we should take a health break for five minutes for people who've been around the table.

Mr. Chairperson: Is it agreed? [*Agreed*]

We'll be back in five minutes.

The committee recessed at 7:59 p.m.

The committee resumed at 8:08 p.m.

Mr. Vice-Chairperson in the Chair

Mr. Vice-Chairperson: We're back.

Mr. Schuler: What renewal provisions are in place for dams built in the last century and amortized over many decades? And one of the concerns is that export customers are not tethered to Manitoba Hydro, so what are the renewal provisions? And I know the CEO did touch on it in his presentation, but can he just sort of talk to us about age of the some of the dams and what are the provisions in place?

Mr. Thomson: The facilities on the Winnipeg River are the oldest, and then—and we're in the process currently of refurbishing the Pointe du Bois Spillway, rehabilitating that and putting a new spillway in. There's currently a long-term plan to look at rebuilding the powerhouse in about 2032, I believe it is, initiating something in 2032. We do ongoing maintenance on that facility. The rest of the—and that's the oldest one. There's a couple of generating units that are actually over a hundred years old there in the powerhouse.

Mr. Chairperson in the Chair

* (20:10)

The balance of the structures on the Winnipeg River are in pretty good shape, and there's some modest rehabilitation that's being planned, but there aren't any big projects under way. The first of the northern stations we've done some rerunning on turbines but there's nothing major in terms of refurbishment requirements in the foreseeable future, for, like, in the next 20-year planning horizon there. And then, of course, the more recent facilities, the turbine units last about 30—anywhere between 30 and 35 years, 40 years, before they need to be replaced, but the civil works are usually good for—we amortize them over about 70 years. But, as I'd said, most of them, they're good for a hundred and then, you know, plus minus. So the Pointe being the oldest, I think that the next oldest was about 10 years newer and we—those facilities on the Winnipeg River seemed to be built about every 10 years back in the day and then everything else is relatively modern. So it's just powerhouse upgrades and refurbishment that are in the longer term plan in generation.

Mr. Schuler: My colleague from Lac du Bonnet had a few questions which would tie-in where the CEO made his comment. So, if I could defer to the member for—

Mr. Chairperson: Mr. Ewasko.

Mr. Wayne Ewasko (Lac du Bonnet): A question on Pointe du Bois. What was the tendered awarded price for Pointe du Bois and what is also the timeline for completion on that?

Mr. Thomson: The—we expect to be complete next year. The tender—it's not all one tender, but the project budget that we're working to right now is—I believe it's—subject to check, I believe it's \$560 million.

Mr. Ewasko: And that's to—and that's—it's on track to hit the \$560 million, and by next year you mean by the fall, by next winter, summer?

Mr. Thomson: Next fall.

Mr. Schuler: If future hydro rate increases were held to more than an—to no more than inflation, how would Manitoban Hydro's 20-year financial forecast look?

Mr. Thomson: I don't think it would be tenable. The cost associated with the capital developments, 2 per cent, wouldn't support that.

Mr. Schuler: What is the estimate in staff increases over the next 10 years? And the CEO did sort of touch on this in his presentation, somewhat talked

about that there was a staff freeze. I've been around here long enough to notice that staff freezes usually mean an increase, it's just a matter of how much. So what would Manitoba Hydro's employees, the numbers, be 10 years from now as compared to today?

Mr. Thomson: We haven't projected out 10 years a staffing plan. I don't anticipate they'll be higher. We've got currently about 6,300. The— and approximately 2,100 full-time equivalents are devoted to capital-related work. So we'll do a lot of—the major project work will be tendered through contracts. It'll create a lot of employment but it won't be our people for—you know, we're not going to staff up for the major project development, so we'll be looking to utilize labour that—through contractors that for the most part is Manitoban. The—you know, and we'll be looking to take advantages outside of the demographic shift in our company over the next decade to manage the workforce and to take advantage of technology opportunities to do business differently. So I'm not planning on building more buildings to house employees.

Mr. Schuler: The Minister responsible for Manitoba Hydro has stated many times in the Chamber that over \$30 billion worth of contracts have been secured for Manitoba Hydro for export.

Could Manitoba Hydro give us an estimated breakdown of who and how much and for how long the \$30 billion that the minister has actively mentioned would be?

Mr. Thomson: We can provide an outlook of our revenue forecasts. I can't give you that tonight.

Mr. Schuler: We look forward to seeing that, again, preferably not in five months. As soon as possible would be nice.

How many rate increases has Manitoba Hydro implemented since 2007?

Mr. Thomson: Just give me a moment to refer to—we've—yes, we've sought to increase rates each year through the—for electricity through the general rate application process. Because of the nature and timing of that process, we've, in some years, received interim rate adjustments that were ultimately made final with a decision of the PUB. And last year, at the initiation, we had sought an interim rate increase of 3 per cent; that was denied. Initially, a 2 per cent rate adjustment was granted in April of last year, of '12. And a subsequent further interim adjustment was granted in September, if memory serves, which had

the effect of doing what a 3 and a half per cent rate adjustment would have done at the beginning of the year. But it was done in two stages. So in that time frame there was—there would have been one each year plus the two last year that were done on interim basis.

Mr. Schuler: Are Keeyask, Conawapa and Wuskwatim being built with the idea that the power produced by the dams are designated for export until Manitoba needs the energy for domestic use, or is it the other way around?

Mr. Thomson: The Keeyask and Conawapa will be developed for domestic purposes. But when they initially come on, there will be some surplus capacity, so that's what we're marketing in terms of firm sales in the early years of those projects. I believe that when it was first conceived, Wuskwatim was thought to be an export facility, and the partnership arrangement that was put in place, but because of load gross changes, like, we need—we're using Wuskwatim for domestic purposes today.

Mr. Schuler: So, of the other two dams, the CEO mentioned that some of the hydroelectricity would initially be used for export. Would that be some as in 50 per cent? Would that be some as in 30 per cent? Is there a percentage of what the corporation thinks would initially be used for export sales?

Mr. Thomson: For Keeyask, which is a 695-megawatt facility, we're seeing a peak demand increase based on our load forecasts of close to 80 megawatts a year. So we'll grow into the requirement for Keeyask over a number of years. So—but we need to shape it like a—our customers don't want one year of power, so we look at our existing facility. Keeyask, we—is currently projected to be required for energy in 2023. Again, the more recent pipeline expansion projects that are coming through the province could accelerate that need, actually, because of the increased demand that they build new pumping stations. That's going to create accelerated load, and it's fairly significant load. So this does move around somewhat.

* (20:20)

Mr. Schuler: PUB expects that Wuskwatim will not be profitable for the next 10 years and quite possibly years after that. Is that a fair analysis?

Mr. Thomson: Based on—we've put in place a limited partnership model with that, and the revenue stream that's tagged to that limited partnership model is around our composite US pricing that we're

achieving. So that will change the amount of revenue that's received by the partnership as the composite US revenues change. As the new contracts roll in that will change the amount of revenue per—for the energy produced. So on an isolated basis, currently, it—the fixed costs are high at the beginning of a new project like that, and as it's depreciated they—the financing component of that comes down.

So, yes, based on what we currently see I think that it's quite likely that over the next decade that partnership would lose money on operations. But it's—that's not unlike any major dam that's coming into a portfolio, that the initial up-front costs are high and the back-end costs are low, and we fully expect the project itself to be profitable over its life.

Mr. Schuler: The PUB order states that the current rate increases are required to meet the operating losses for Wuskwatim. Would that be an accurate reflection?

Mr. Thomson: Well, it's—it all goes into the same bucket. It's one of the—it's not the operating loss per se, but the cost of running the facility, the portion of that that we include in our operations contributes to the revenue requirement overall, but we have a total revenue requirement; we have a total revenue base. So there's a portion, though, of the loss that's absorbed—the partnership loss that's absorbed by the—our First Nations partners right now.

Mr. Schuler: Is Manitoba Hydro looking at asking for further rate increases above and beyond the ones already forecast?

Mr. Thomson: Not based on our present outlook.

Mr. Schuler: Present, I guess the CEO means today?

Mr. Thomson: Yes, we're—we've—in our—in—each year we update our outlook and forecast and our operating assumptions. So we'll be going into an integrated financial forecast later this year, early January, when we anticipate publishing that. So—and that's an amalgam of a whole bunch of inputs across the corporation, the resource plan, the load forecasting. We're updating all of those things now, and it'll go through the model and then we'll update our outlook and we'll publish that and file that.

Mr. Schuler: As Manitoba has only one major high-voltage line connecting us to central Minnesota and there's not enough transfer capability to meet Manitoba Hydro's need to connect into the market,

would Manitoba Hydro describe Manitoba as transmission constrained?

Mr. Thomson: I wouldn't characterize us as transmission constrained in our capability of delivering our firm commitments. There are times when we can—could produce more power and, ultimately, without additional transmission if we build more Hydro we could have bottled surplus generation. We're not—you know, we can meet all of our firm commitments to our US customers today.

Mr. Schuler: From Minnesota to Wisconsin into Illinois, the northern US has no transmission grid that was designed for such large transfers of power. In order for many of Manitoba Hydro's potential contracts, there must be a way to move this power once it is in the US. Who's going to pay for that grid and infrastructure?

Mr. Thomson: Well, currently the contract that we have with Minnesota Power will obligate them to build transmission facilities to meet that requirement for the 250-megawatt contract that we have. So that will be new transmission and new sales, new firm sales going to the US. We're working with them to build a bigger line than a—it's a 230-kV line—we're looking at them building a 500-kV line, which would give us a 750-megawatt transfer capability. That would allow us to make more sales to Wisconsin which we're in the process of negotiating today, and further firm sales that would, once Keeyask is built, we would be able to furnish, and, ultimately, Conawapa. That would give us more outlet capacity for those sales.

Mr. Schuler: Is it correct that the first 230-kV line would be paid for by the United States, but if the line was built to handle more capacity for later on down the line, Manitoba Hydro would have to participate in paying for some of that line? Is that correct?

Mr. Thomson: Yes, we will pay the Canadian portion of the line in—whether it's a 230-kV or a 500-kV line. Minnesota Power would pay for the construction of a 230-kV line. We wouldn't have to contribute to that. If a bigger line gets built, initially, we'd be looking at being a partner in that line. Ultimately, I wouldn't see us holding that asset long term. Once we've sold the generation—sold the firm capacity that we'd have available and that line becomes fully subscribed, we would anticipate basically selling the line at that point in time. Our NFAT filing doesn't necessarily contemplate that sale so—but that's an opportunity to monetize that asset as we move forward.

Mr. Schuler: So has Manitoba Hydro made a decision? Is it going to be a 230- or a 750-kV line?

Mr. Thomson: Yes, 230- versus 500-kV line will depend on regulatory approvals that are being sought currently. The Minnesota Power is filing a certificate of need later this year so whether they can—we anticipate that they'd get regulatory approval for that. That's—that is our—part of our preferred development plan is to have a larger line in place. It allows us to both sell more power but also access, as a further source, to import power in drought years. So that would be our preferred outcome of this. If they don't—for a variety of reasons, if they weren't able to obtain approvals and a smaller line was built, we will likely know the outcome of that prior to the end of the NFAT proceeding next spring.

Mr. Schuler: So, conceivably, Manitoba Hydro would own hydro lines in the United States?

Mr. Thomson: We would—a corporate structure hasn't been finalized, but we would anticipate being a minority owner in an entity that owned a power line in—a transmission line in the US.

Mr. Schuler: Even Manitoba Hydro's own David Cormie states, and I quote: The transmission system has been built for continental transfers of natural gas; it hasn't been that way for electricity.

How do you get that electricity across the regions? The question is, what role will Manitoba Hydro play in the dispersal and distribution of power in the United States from state to state and not just the Minnesota-Wisconsin-Illinois line?

Mr. Thomson: We wouldn't anticipate playing any ownership role. We'd look to US utilities to build infrastructure in the US.

Mr. Schuler: And that leads me to my next question. Will the different states pay the full amounts for transmission lines that will move Manitoba hydro power or will Manitoba have to provide capital? And the minister has referenced numerous times in question period where \$30 billion worth of contracts that are laying out there, he speaks of them as if they're low-hanging fruit. Will some of that low-hanging fruit come with a price tag of Manitoba Hydro having to partner with capital to build some of the transmission lines because currently they don't exist?

* (20:30)

Mr. Thomson: We would only envision becoming involved with Minnesota Power on the line transfer

from the border to Duluth. There is transmission capacity. What we'd be selling would displace other energy.

Mr. Schuler: In the US electrical infrastructure technical conference dated July 15th, 2013, Manitoba Hydro stated that an objective of theirs is to sell power to California and, unfortunately, no transmission grid exists to allow this transfer. Manitoba Hydro would likely have to develop the transmission grid to allow these inter-regional transfers. And that comes from page—make sure I have that correct—that comes from page 30 of the NFAT technical conference.

Again, does Manitoba Hydro plan on spending ratepayers' dollars to make this happen to develop an over-the-border grid?

Mr. Thomson: I wouldn't mind actually getting a copy of what you're referring to and having an opportunity to look at it. I—the bit about us selling power to California doesn't ring true. But the—as I'd said, the only thing that we're contemplating doing in respect of any US transmission line is a minority interest in a deal with Minnesota Power.

Mr. Schuler: And we will make sure that we get that to you. I have a researcher who's probably way too bright for his own good to the borderline of being dangerous. He's very good at research. We will get all that to you, and then if I could get a response at some point in time? *[interjection]* Excellent. I'll make sure that he does that.

Mr. Thomson: Can—if it's on the record what the question was, I was hoping to see it tonight and be in a position to respond to you tonight.

Mr. Schuler: I do not have the document. I only have quotes from it with me. There's unfortunately only so much I can bring with me. I will endeavour to get all those documents to you, and we'll see if we can do that tomorrow.

Mr. Chairperson: Mr. Thomson, are you not sure about the question or you wanted to clarify the question or—

Mr. Thomson: Yes, let's clarify the question, and we'll look at the documents and if we can respond to it we will.

Mr. Schuler: At the US electrical infrastructure technical conference dated July 15th, 2013, Manitoba Hydro stated that an objective of theirs is to sell power into California. Yet, if you go to the document, Manitoba Hydro's Needs For and

Alternatives To preferred development plan technical conference, which was Manitoba Hydro—same conference, I quote out of there: So the transmission system was never developed for Manitoba Hydro to sell power into California, and that's now the objective, is to develop that transmission grid to allow these inter-regional transfers And that comes right out of the—it was held at Manitoba Hydro, 360 Portage. So—

Mr. Chairperson: Mr. Minister.

An Honourable Member: Question—I wasn't finished yet.

Mr. Chomiak: It's hard to tell.

An Honourable Member: The question is if the transmission system was never developed for Hydro to sell power into California and that's now the objective, how would—or who would pay for that grid? That was the question.

Mr. Chomiak: I'm glad the member clarified the very un—shaky nature of that question. There's a lot of issues at play here with respect to transmission. The president's already indicated that \$315 billion is necessary to upgrade the electrical system in Canada alone. Part of that, a huge part of that is transmission and transmission capability, a transmission system that was built a long time ago that needs renewal. Much is contemplated with respect to transmission capacity both east and west in Canada and north and south between Manitoba and United States.

So I think the leap the member's made on the California initiative is just that. It probably's in the larger context of regional inter-grid discussions that take place on a regular basis because of some of the failures of the transmission system, particularly in the United States, to transport power particularly east-west, which was part of the difficulty that occurred in the California situation. So these are interesting speculative questions, but they're not actually, I believe, fact-based in the—in terms of actual initiatives.

But I'm glad the member's cognizant of the fact that the transmission capacity—actually, transmission issues are the fundamental issues that affect power and stranded power across North America, and it's an important part that Manitoba Hydro can play in the North American power scheme because of our location, geography and the fact that we have an abundance; we're a hydro province, and not everywhere's a hydro province. And where there are

hydro provinces, as the president has indicated, the rates are the lowest in the country.

Mr. Chairperson: Thank you, Mr. Minister.

Mr. Schuler: Actually, I don't know why we always have to go here about what's fact and what isn't fact. This was a quote out of a document and which was an issue that was raised, and so I'll—we'll make sure the document is—

Mr. Chairperson: Mr. Thomson.

Mr. Thomson: And I guess my only comment would be, it might be context. We're not planning on selling power to California. It may have been simply, we would love to be in a position to access high-priced markets. We, even in—within MISO, you know, the—getting down into the lower peninsula of Michigan would be much more lucrative, but there are capacity constraints so we can't access the pricing in those markets today. We're not planning on building transmission capacity in the United States; the Americans will build the transmission capacity, and to the extent that we can take advantage of it, we will. But I'll wait for the document itself and if—and respond.

Mr. Schuler: In the NFAT summary, Hydro indicates one of the benefits of these sales is to displace fossil fuel generation in export markets. It's on page 14. Can Manitoba Hydro comment further on this? What direct and demonstrable benefit does this bring for Manitoba Hydro ratepayers?

Mr. Thomson: The—in the case of Minnesota Power, they're migrating away from coal, and so the—by taking—which is a fossil fuel, so it will—by us selling into that market, we will displace coal generation, that'd be retired. So that'll—the benefits would be several fold, (1) attractive pricing, and will help underwrite the cost of some of our capital build. We won't—they'll be generating less greenhouse gas emissions, which the border doesn't play a role in their transmission, so if there's less being produced, there's less affecting the climate in Manitoba, so I guess that's the other benefit of it.

Mr. Schuler: At the recent Manitoba chambers breakfast you indicated, in the Q & A section, that the NDP-chosen western route for Bipole III was required in the new export sale agreements with Minnesota and Wisconsin. Could you elaborate on this? If this is in fact the case, what part of the contract or US legislation requires that the Bipole III route goes the western path?

Mr. Thomson: I didn't say that. I think the—either the context was—or my response might've been misquoted. I didn't indicate that the US contracts require the line to be built down on the west side of the province.

Mr. Schuler: Well, we will certainly check our notes and confirm that. But in either case, thank you for clarifying that, and we'll go through our notes and if need be, I'll just send a letter out.

An Honourable Member: Or phone.

Mr. Schuler: The minister says I—or I could call. Only problem is I don't ever seem to be able to snag a phone number. I seem to get phone numbers for everybody else but Mr. Thomson. So it's not very likely that I can call him, so—I want to move on to the western Canada power grid, something that the 1981 election campaign was run on. And MP Steven Fletcher has publicly stated Manitoba Hydro should be investigating power sales to the western provinces. Is Manitoba Hydro considering this?

* (20:40)

Mr. Chomiak: I think the member referenced the 1981 election; the member talks about rear-view mirrors.

Mr. Chairperson, we have an agreement with Saskatchewan, an MOU to sell power to the province of Saskatchewan. We've been in discussions with Saskatchewan and other jurisdictions for some time. We've been in personal discussions with Mr. Fletcher, when he was minister, about the provision of an east-west grid in order to move power in the Canadian context to deal with some of the issues that are being experienced with respect to some of the criticism of the—of Canadian energy production.

And the Premier (Mr. Selinger) has, together with the other premiers at the federation of the provinces group, the Premier together with Premier Redford of Alberta and with the Premier of Newfoundland have been tasked, and that task has been sent down to the respective energy ministers, with putting together an energy plan for Canada. And, in that context, we've had discussions both with the federal government through Mr. Fletcher and others with respect to expanding the western and eastern transmission capacity.

In my discussions with Mr. Fletcher, we've kind of agreed to disagree on the—one of his contentions, and I admire his pioneering work in this area, and also the member for Elmwood (Mr. Maloway) has assisted us in some of these discussions. The—there is

one potential of a direct-current transmission line from the north of Manitoba into Alberta which has been the proposal mainly put—Mr. Fletcher's favourite. I've—in my discussions with him, I've favoured the southern—a southern incremental route, which has been a suggestion of Hydro that, rather than tie up a tremendous amount of capital on a DC transmission in the North, we could have an incremental distribution from the south and an incremental build of a transmission line and transmission capacity.

So that's where the discussions have been flowing around, is—as I said in the House, the minister responsible in Alberta, the Honourable Mr. Hughes, is all on this idea, and my counterparts in Saskatchewan are on it. There are discussions that are occurring.

It's very difficult to do transmission of any kind in this country right now. We're kind of transmission stuck, be it oil, natural gas or hydroelectricity, and I think we can assist in the Canadian context, and Manitoba has been very forthright in coming forward and saying, we want to help out now.

Most of our power is tied up in either firm sales or in term sheets or potential contracts, as I have indicated many times in the House, into the US, but, certainly, there's capacity to provide power to the west and perhaps there is capacity to provide additional—I know, for example, that Saskatchewan's growth rate is comparable to Manitoba's. You know, 80 megawatts a year, that's a lot of power. Alberta needs 12,000 megawatts of power. The United States needs 100,000 megawatts of power, so there's the possibility of long-term power transfers from north and, in fact, further developments beyond Conawapa into other jurisdictions, but that, at this point, is rather speculative.

Where we're at right now is ongoing discussions with Saskatchewan, discussions at the federal and provincial level with respect to transmission capacity and Manitoba being—assisting the Canadian energy concept and, of course, our sales to the United States that are continuing. So there's a blend of a number of policy issues that we're working on with Hydro and with the other provinces based on energy.

Mr. Schuler: The minister mentioned that a MOU had been signed with Saskatchewan. Has that proceeded any further?

Mr. Chomiak: I think the member will recall, when the Premier of Saskatchewan was here in the

summertime, he indicated a very favourable reaction with respect to developments.

Mr. Schuler: So has the negotiation moved any further than an MOU?

Mr. Chomiak: I think some very high-level discussions have taken place further to the MOU.

Mr. Schuler: I'd like to move on. I have a different topic, and I appreciate the answers so far.

There's been a lot of discussion over the years about burying hydro lines, whether they be smaller ones or larger ones. What is Hydro's policy on burying hydro lines?

Mr. Thomson: In suburban areas, new developments, we were—we've been burying the cable. It—in other areas, it depends. If it's cost prohibitive to bury, we have a preference to go over—overhead's cheaper where we can do it. We certainly, in outlying areas we'll go overhead. Sometimes in urban settings you have to go underground, and we'll do that, too. But retrofitting underground is very disruptive and expensive. So that's generally how it breaks out.

Mr. Schuler: And I was speaking more about transmission lines rather than just residential lines. Is—does Hydro have a policy on burying transmission lines? Is it even possible?

Mr. Thomson: It's technically possible and does happen, but it's much more expensive. So we have a preference for overhead lines.

Mr. Schuler: And I know the—Manitoba Hydro is—has had the concern raised that when hydro lines go through it impedes, for ins—in agricultural areas because there's a no-fly zone, for instance, for crop dusting and that kind of stuff, and that's where these questions [*inaudible*] is in some areas, would it make sense to bury transmission lines, and that's where the question comes from. So has Manitoba Hydro looked at any of that? Is that—had they developed a policy? Is this something that perhaps the board has discussed? As we talk about a lot more transmission lines criss-crossing the province, that does impact a lot of individuals and the way they do commerce and so on and so forth. So that's why the question. I was wondering if there's a policy development, or is it just—it's an economic argument.

Mr. Thomson: It's really an economic argument. It's—it would be cost prohibitive to bury cable, you know, trenching that. It's more disruptive. Aerial spraying is—crop dusters fly very low to the ground

to tight tolerances. As a pilot, I know that they can get quite close to facilities and be safe. So—but broadly speaking, we can't, you know, it's costly enough as it is to build transmission. At—that added cost would, I believe, make it cost prohibitive to go through hundreds of kilometres of farmland and bury the cable.

Mr. Schuler: I'd like to move on to the Keeyask adverse-effects agreement. My question is: How much has been spent by Manitoba Hydro on training in the North with First Nations?

Mr. Thomson: With respect to the Keeyask adverse effects or?

Mr. Schuler: I'll add a bit more onto the question to make it a little bit more understandable. How many First Nations people were represented in total by the 224 or 85.9 million in independent advisory costs? Was the training included in that?

* (20:50)

Mr. Thomson: The training wasn't included in the cost that you referred to in terms of consultants, advisers and those sorts of activities. We had the program, I believe it was called HNTEI, which was a northern training initiative that we did in conjunction with the federal government. It wasn't just the Keeyask First Nation; it was all First Nations. And I believe 60—roughly \$60 million was spent through that program.

Mr. Schuler: Does Manitoba Hydro plan on making or renewing a compensation agreement with the Town of Grand Rapids as the dam's 50-year contract is ending?

Mr. Thomson: We have an—we had an arrangement—have an arrangement with Grand Rapids. The relicensing of that isn't directly linked to the arrangement with the Town. I'd have to confer internally to give you a broader response than that.

Mr. Schuler: If Mr. Thomson could, that'd be appreciated.

Like to move on to first lake—Fox Lake First Nation. Regarding the Fox Lake First Nation, when did the chief and council give notice to Manitoba Hydro that they were changing their program proposal from a \$3-million Fox Lake community gathering place to a housing and infrastructure program?

Mr. Chairperson: Mr. Thomson.

Mr. Thomson: Just a moment, Mr. Chair. I'm—just have to refer to notes here.

It was in or around 2010 that the band decided not to go forward with the gathering centre and they wanted to redeploy the money to other offsetting programs, so we didn't make the payment for the gathering centre. Initially they had indicated that they wanted to direct it to housing, but that, as I understand it, that—they're contemplating other uses for that money, possibly in addition to or instead of. So they're still considering it, and ultimately there'll be discussions between Hydro before finalizing the use of that—of those funds.

Mr. Schuler: Is it possible that the committee could be provided a copy of that proposal?

Mr. Thomson: It doesn't exist as of yet. But suppose we could provide that when it does.

Mr. Schuler: Because, clearly, some kind of notice that they were going to switch it to a housing project, there would've had to have been some kind of a rationale. We're just wondering if that—*[interjection]*

Mr. Chairperson: Mr. Thomson?

Mr. Schuler: —if it would be possible to have that provided.

Mr. Thomson: We'll look to see if there's—if I can provide—put hands on a document, if one exists. I'll look into that to determine whether there's any confidentiality issues on disclosing that document, and if there are none, we'll provide it; if there are, we'll advise you so.

Mr. Schuler: I thank Mr. Thomson for that.

Along with the original proposal for the Fox Lake community gathering place, Manitoba Hydro provided \$7,155,000 for programming. Have all these funds been changed as well through proposals and reallocated to housing and infrastructure?

Mr. Thomson: I don't believe so, no.

Mr. Schuler: So what is the status of the youth wilderness traditions program? It was a one-time payment of \$240,000, March 31st, 2010, and then \$1.5 million for 15 years, starting March 31st, 2011. Is that program up and running?

Mr. Thomson: I'll have to inquire.

Mr. Schuler: What is the status of the Cree language program, which was \$200,000 over 10 years, starting March 31st, 2011? And these all would have been part of that \$7.1 million. Is that Cree language program—program up and running?

Mr. Thomson: I don't have that information at my fingertips either, and if there are others, just tell me what programs you want because I don't know.

Mr. Schuler: I'll run through the list. What is the status of that gravesite restoration, \$315,000 on March 31st, 2009, and \$900,000 over 10 years starting March 31st, 2010? Also what is the status of the alternative justice program, one-time payment of \$100,000, March 31st, 2010? And what is the status of the crisis centre and wellness counselling program, a one-time payment of \$200,000, March 31st, 2012, and \$1 million over 10 years starting March 31st, 2012? And also what is the status of the lateral violence and where do we go from here program, \$2.7 million over nine years starting on March 31st, 2009?

Mr. Thomson: I'll let you know.

Mr. Schuler: Thank you, and preferably not in the next five months. As soon as possible, I would appreciate that.

I'd like to ask a few questions about the War Lake First Nation. What is the status of the War Lake distribution centre for the community fish program that Manitoba Hydro agreed to fund and implement for \$100,000?

Mr. Thomson: I'll have to take that on notice as well.

Mr. Schuler: Could the committee be provided with the proposal War Lake provided Manitoba Hydro for the War Lake distribution centre?

Mr. Chomiak: The member's going through a series of agreements between Manitoba Hydro and various First Nations. I'm sure Hydro can provide that information, as the president indicated, subject to confidentiality provisions and regular provisions, as they pertain to that. They could, as well, easily be provided by a conversation with the First Nation. I can—I'm prepared to expedite a conference call between the chief and the council and the member if he'd like to ask the specifics of the First Nation who are responsible—delivering these programs as a—in order to accommodate and get to the facts.

Mr. Schuler: As I am the critic for Manitoba Hydro, Energy and Mines, this is my role, and hydro ratepayers would like to know what's happened to this money. These are important monies, and I think First Nations would like to know as well. I have to restrict myself to what it is that's within my mandate, and my mandate is to sit here and ask questions of

Manitoba Hydro and ask where these programs are. I don't have further authority to do anything other than that.

I have one more question. And what is the status of the War Lake museum and oral history program that Manitoba Hydro agreed to fund and implement for \$25,000, and would it be possible to have a copy of that proposal?

Mr. Thomson: Yes, we'll look into that and, subject to confidentiality provisions, we'll provide it if we can.

Mr. Chomiak: Insofar as it's nearing 9 o'clock, I'm wondering what the will of the committee is, how long we might go. I know there's probably lots of—there may be other questions that might be asked of members.

Mr. Schuler: I know that we have a few more questions. In fact, my colleague from Brandon would like to ask a few questions, and then I have a little bit more left to go, then I understand that the member for River Heights (Mr. Gerrard) had some questions as well. Could we move the committee to 10 o'clock and then revisit if—depending on how far we are?

Mr. Chairperson: I would leave that question after 9 o'clock to the committee to find out. So let's finish—*[interjection]* Is it the will of the committee to extend from 9 to—what period?

Mr. Swan: Mr. Schuler is suggesting that, if they need to go until 10 o'clock, so be it, and we'll revisit then.

Mr. Chairperson: Ten o'clock is the wish?

Mr. Schuler: Well, seeing as that it's now 9 o'clock, let's sit 'til 10 o'clock and then revisit if there is a little bit more time necessary, but we'll revisit at 10.

Mr. Chairperson: Is that the will of committee to go up to 10 o'clock? *[Agreed]*

* (21:00)

Mr. Reg Helwer (Brandon West): There has been some—doing some—preliminary work is occurring now with Bipole III, and landowners are seeing Manitoba Hydro employees show up on their land, sometimes with permission, sometimes without, but there is a great deal of concern out there about biosecurity and contamination.

Does Manitoba Hydro have a plan for decontamination of their trucks and of their quads and that type of thing, and is it written?

Mr. Thomson: We're working on some protocols in conjunction with MAFRI. We—we're—we don't have any equipment in the field right now. There are some land surveyors that are working in the field. They're not going in on quads. They're walking in. They're using booties, removable, so they're protecting the fields and then dispose—using disposable foot coverings at this point. But we are working on protocols that are consistent with the ones that the Province use. And, ultimately, that information would be available.

Mr. Chairperson: Yes, Mr. Helwer—sorry.

Mr. Helwer: Thank you, Mr. Chair. So there will be a 'britten'—written biosecurity plan available then. Will landowners get an opportunity to comment and make contributions to that plan?

Mr. Thomson: Well, it's an internal work protocol right now. I'm not aware that we're going to the public with it. It—they're internal work procedures and policies.

Mr. Helwer: Well, presumably, any entry into the land would be per—with the permission of the landowner, and should not that protocol then be shared with that landowner, how their land is going to be treated?

Mr. Thomson: I suspect that we can make that available when there's something that we can table with them. As I'd said, currently, the work that's—the investigation work that's going on is with licensed surveyors and so—and they are taking steps to protect the fields and the crops.

Mr. Helwer: Has—have any test holes been drilled on any of these fields?

Mr. Thomson: I'm not aware that they have. As I understand it, we're in the process of doing survey work right now.

Mr. Helwer: One would assume that you'll be taking core samples for structural integrity of the soil if you're putting towers on this land. And when you're boring these test holes, would those holes then be sealed in a proper fashion?

Mr. Thomson: We'll—I'm sure that we will take steps to apply appropriate engineering standards to the construction.

Mr. Schuler: Further to my colleague's questions, just to be very clear, clearly there are a lot of farmers that are concerned about biosecurity. I don't know if the CEO or anybody else at this table—we often think

of hog farms as being less than clean, yet it's actually the hogs have to be protected from humans, and if you want to visit some of these facilities you have to shower as you go in and often you shower when you come out, just to make sure there's no biohazard that's being introduced. And the same thing would go for land.

And I think the corporation, you know, probably has some understanding that individuals would be concerned that something could be transported on a vehicle. Some of these vehicles could be coming in from out-of-province, and there are various things that could be brought onto a farmer's field that could be detrimental. And I think what producers would really like to know is, (a) you know, will they be consulted, and, clearly, would they be able to see what kind of a plan is been put into place and will Manitoba Hydro agree to halt any preparatory work until landowners and their representatives agree to the procedures?

I—if one thing that I've learnt, and I'm—I straddle sort of suburban and rural communities, is farmers are very good stewards of their land, are very good stewards of their property. Their livelihood and everything they are depends on that, that they be good at what they do. And for somebody to come in and bring something unknown to them, because, really, most of us probably wouldn't even know that in the underside of your vehicle that you transported from somewhere else you could be bringing something into a farm that could be detrimental. So I—they have a stake in this and—

Mr. Chairperson: Mr. Minister.

Mr. Schuler: —that would sort of—I'm not done.

Mr. Chair, I've asked you, you know, could you please let me finish?

Mr. Chomiak: Careful, Ron. Careful.

An Honourable Member: Well, I've been cut off several times, so—

Mr. Chomiak: You don't ask good questions.

Mr. Chairperson: It's okay. Continue.

Mr. Schuler: I have the floor.

I think these are reasonable questions. I don't think anybody's being unreasonable or raising something that's fictitious in nature. I think the

committee appreciates where these individuals are coming from and we've had some feedback from the corporation, and that just sort of gives a fuller context on where individuals are and I decided it would be important to put that on the record. Thank you.

Mr. Chomiak: I'm very pleased that we have a Conservation Minister that understands these issues and, in fact, one of the provisions of the licence that was issued to Manitoba Hydro with respect to construction of bipole is that provisions must be made for all the equipment and—that's being utilized in this service. So I'm glad the member recognizes that our Conservation Minister's taken a stand on this and actually put it in the order.

With respect to the issue, the president has indicated that protocols are being developed with respect to the changing nature of these matters and, at present, the surveyors are the ones who are going on the land; they're actually taking provisions to make sure that they're feet and shoes are uncovered. And I've had several discussions with the—with one of the—a couple of the backbenchers, pardon me, a couple of MLAs with respect to passing on information back and forth to Hydro because this is in all of our interests to make sure that we do this and that we don't get alarmist, like some might suggest halting all progress without perhaps reading the order of the clean environment—the order issued by the Minister of Conservation. So I appreciate the member putting it into context.

Mr. Schuler: I'd like to move on to the annual report. I have a few questions, and my first question is: What collective agreements are currently under negotiation or are expected to be under negotiation within the year?

Mr. Thomson: We concluded agreements with all the unions and believe they've all been ratified now. So we don't have any collective agreements coming due in the next year. In fact, I believe, the next one—the IBEW's will expire first at the end of '15.

Mr. Schuler: Agreements has—if agreements have been signed, and the CEO indicates they have, can he tell us the total annual impact on Hydro staffing costs, including annual increases in salaries?

Mr. Thomson: Not off the top of my head, no.

Mr. Schuler: Is it possible to get that?

Mr. Thomson: Yes.

Mr. Schuler: If any, which real estate properties have been sold by Manitoba Hydro this year and what is the amount of the money received by Manitoba Hydro for those sales?

Mr. Thomson: We'll endeavour to get back to you on that.

Mr. Schuler: On page 17, there was an equity-ratio drop this year. What would've caused that?

Mr. Thomson: The increased borrowings. So our—the amount of our capital structure that's financed with debt has gone up; the equity piece hasn't gone down.

Mr. Schuler: On page 19, what caused both customer satisfaction with overall service and system reliability to fall this year?

Mr. Thomson: The level went from 8.9 to 8.8 year over year, and be a number of factors based on the tracking rates come into play as part of that.

Mr. Schuler: As a former critic for Workers Compensation Board, I'm sure I don't have to tell this committee that safety in the workplace is of utmost importance to Manitobans. In 2011-2012 there were two high-risk accidents at Manitoba Hydro reported as occurring. What caused these accidents to occur to these employees, and that would be page 51 of the 2012 annual report.

* (21:10)

Mr. Thomson: The one incident that I'm more familiar with was an electrical contact—a PLT trainee—it happened two weeks after I started. He had a contact with a 12,000-volt line and so he was electrocuted and burnt. There were a couple of contributing factors to his injuries, but the structure that they were working on shifted. There was a bucket—they were in a bucket lift and it was against one of the support structures and it got displaced from that and it contacted his neck, so he—it went through his neck, down through his clothing, underneath his protective garments and then out through a buckle on his hip. So work practices were the underlying 'cau'—in non-compliance with work practices, established work practices in that instance. I don't know the details of the prior incident; they happened before I arrived.

Mr. Schuler: Were any charges laid or legal action pursued?

Mr. Thomson: No.

Mr. Schuler: Have steps been taken by 'manitahydro'—Manitoba Hydro to ensure that these kinds of accidents won't happen again?

Mr. Thomson: Yes, they have.

Mr. Schuler: Can I be sent a list as to who received community development initiative CDI payment amounts that were supposed to be provided to municipalities and communities and who received these payments? This would be for the last annual report.

Mr. Thomson: Sorry, the 2013—

An Honourable Member: Yes, sir.

Mr. Thomson: —report? What page are you referring to?

Mr. Schuler: I do not have the page. It's the CDI community development initiative payment amounts.

Mr. Thomson: As far as I know, we haven't made any disbursements yet.

Mr. Schuler: We'll be asking next year. 'Electricity'—electricity operating and administration costs continue to rise significantly, a jump of almost 12 per cent from last year and totalling \$469 million. Is this growth sustainable in 10 years? And that comes on page 49.

Mr. Thomson: There are a number of contributing factors to that. We brought the Wuskwatim facility online. The cost of pension benefits escalated because of a change in the discount rate for valuing the pension obligations. So the cost impact of that is—was significant and affected operating costs in the year. The—we've had a number of reductions in the discount rate on the pension plans that have made 'signif'—have had significant revaluation adjustments, which then get amortized into rates over the remaining service life of the employees.

We're now using a discount rate of 4 and a quarter per cent, I believe, which is the Canadian Institute of Actuaries, it's in conformance with their standards. And it's driven off of the cost of corporate debt, high-grade corporate debt. So I believe that it's likely that discount rates have bottomed out, so I don't anticipate seeing further negative 'obli'—valuation adjustments on the obligation of the pension plans, because those costs are incorporated into our rates, I think that they're likely to levelize. We won't see sustained escalation of those as we go forward.

Mr. Schuler: Could you also explain why your amortization and depreciation costs increased almost 12 per cent as well? That would be page 49.

Mr. Thomson: Yes, we brought Wuskwatim into service so we start depreciating that asset, so that has a step function adjustment to depreciation, and then just the addition—the roughly \$500 million that we invest in base capital each year that comes into service, we start depreciating that. So as we add plant, our amortization costs will—or depreciation costs will increase each year. We're replacing old, fully depreciated or largely depreciated plant with new assets at current dollars, so that's going to have an effect on that.

Mr. Schuler: With the current \$636 million for interest on Manitoba Hydro's debt, what is the projection for that interest in 10 years? That would be page 77.

Mr. Thomson: That information is included in our integrated financial forecast, but I don't have that with me.

Mr. Schuler: Was that sent to us as well?

Mr. Thomson: It's in the public domain in the NFAT filing.

Mr. Schuler: Why are Canadian investments so low in 2013 as compared to 2012, \$58 million compared to \$129 million? That would be on page 79.

Mr. Thomson: We were—we liquidated some of those to satisfy sinking fund obligations, so they were paid off and—or—

Mr. Chairperson: Mr. Schuler.

Mr. Schuler: Mr. Chairperson, \$9 million more were spent this year on computer software and application development bringing up the total to \$210 million, which, compared to 2010, is significantly higher. What developments have made this past year for that amount of money to be spent? And that's on page 79.

Mr. Thomson: We can provide some information on what built up the amounts that were spent there, but software licensing and—this is a bunch of small items.

Mr. Schuler: I'm looking at my next question. I hope I wrote this out correctly, but almost \$10 billion was advanced from the Province of Manitoba this year, represented by the debenture debt of the Province. This number is almost \$1 billion more than the last year. Could you please explain this large rise? And that's on page 81.

Mr. Thomson: We have borrowing authority granted each year to fund our capital—largely our capital expenditures for growth assets, so the amounts that we're spending on capital projects that we can't internally fund get funded through the debentures that we—and the funds that we reserve through provincial debentures.

Mr. Schuler: How much have costs for Hydro's preferred development plan increased due to the PST increase?

Mr. Thomson: I will have to see if I can provide a breakdown of that.

Mr. Schuler: Will these cost increases be attributed to the management reserve fund?

Mr. Thomson: Or contingency.

* (21:20)

Mr. Schuler: If so, how much more can the costs of a project increase without affecting the total price of the project?

Mr. Thomson: Well, I think that, if I had heard you correctly, if the costs increase, the costs of the project are going to go up.

Mr. Schuler: We—my next question—we seem to have a little dispute over what was said at the breakfast, so I, with some hesitation, ask this question. But I still would like to put on the record, at a recent Manitoba chambers breakfast you indicated that Bipole III is needed to transmit power to the new Keeyask generation station. In the past it had been stated that there is sufficient capacity in bipoles I and II to transport Keeyask generation. Is that the case?

Mr. Thomson: We will—and then that question didn't come up at the chamber meeting. I'll have to get the—I'll have to get an answer for you on that.

Mr. Schuler: Yes, I'd like to move on to my second last set of questions, and it has to do with the Nigeria project. In Nigeria last year, MHI was awarded a contract to run the country's public transmission company, or TCN—and just for the committee, for this section when we refer to TCN, what we're actually talking about is the transmission company, not to be confused with another TCN. For three years, MHI was awarded \$23.7 million for the contract. The state of the contract has been in flux several times over the last year. What is the current state of the contract?

Mr. Thomson: We're meeting our milestone deliverable terms and being paid in accordance with the contract. It's in good standing overall.

Mr. Schuler: Being contracted to operate in Nigeria as TCN utility, can you please elaborate as to what that might mean, the extent and what roles Manitoba personnel play in that?

Mr. Thomson: We have eight contract employees on the ground in Abuja. They provide management oversight services to the corporation. So they're working with people. Basically, they're the executive leadership team and they're also training the Nigerians to—in—and updating and bringing sort of best practices into play there so that ultimately they can turn over operations back to the local management.

Mr. Schuler: Other than the eight contract employees, are there any Manitoba Hydro personnel in Nigeria currently?

Mr. Thomson: As we speak today, I don't think there are. We do have a Winnipeg-based senior management that do travel over there from time to time for meetings.

Mr. Schuler: Does Manitoba Hydro own any part of TCN or its assets and operations?

Mr. Thomson: No, we don't.

Mr. Schuler: Is it the plan that TCN is to be privatized?

Mr. Thomson: Not that we're aware of. The generating assets of—within the system was broken up. It was all a national entity and a number of the generating stations were being privatized. The transmission system, being the backbone of the system, is—continues to be owned as a—in effect, a Crown corporation by the Nigerian government, and, as far as we're aware, that's not in the plans.

Mr. Schuler: Has Manitoba Hydro invested any capital into TCN or has it purchased any real estate in Nigeria?

Mr. Thomson: No, we've just purchased some chattel, like, some vehicles and whatnot for staff working there and leased accommodation, that kind of thing.

Mr. Schuler: Does Manitoba Hydro see itself managing TCN on a long-term basis past the three-year contract?

Mr. Thomson: There's provisions, there's options for two one-year extensions that were in the original contract, with escalated pricing. We won't—we'll get notice of whether the Nigerians want to extend, I believe, in the third year of the contract, I mean, if it's a profitable engagement for us. So if they want us to stay, we likely would.

Mr. Schuler: Has MHI ever assumed control over TCN bank accounts?

Mr. Thomson: I believe we do now have power, like, signing authority over those, but the funding comes through the government, so through the ministry of BPE, I believe it's called. So, yes, from an operational standpoint, we have signing authority over.

Mr. Schuler: Has MHI ever had Nigerian government revenues routed through those accounts?

Mr. Thomson: No, just the contract revenues for running the—

Mr. Chairperson: Mr. Schuler.

Mr. Schuler: Were you done?

Is MHI running TCN currently without board supervision?

Mr. Thomson: There is a—there's a board of directors of TCN, and one of our contract employees is on that.

Mr. Schuler: I don't know if we asked last time, but is it possible to get a list of who's on that board?

Mr. Thomson: You did, and—sorry, you didn't, but I—yes, I believe we can provide that information.

Mr. Schuler: How many system collapses has Nigeria experienced with MHI at the helm?

Mr. Thomson: I don't know. I'm not involved in the day-to-day operations of that entity.

Mr. Schuler: Do any employees that sit on the TCN board sit on multiple boards at the same time?

Mr. Thomson: I don't know, but we don't have any employees—we have a contractor who's—is operating as the president of TCN that's on the board.

Mr. Schuler: Does Manitoba Hydro know any of the contract employees that sit on the board of TCN, do they sit on any other boards at the same time in Nigeria?

Mr. Thomson: Not that I'm aware of.

Mr. Schuler: Can Hydro ratepayers be assured that MHI is staying out of local Nigerian politics?

Mr. Thomson: Yes.

Mr. Schuler: Thank you, I'd like to move on to my last line of questions. I know my colleague from River Heights keeps looking over my shoulder wondering how many more, so I'll get on with it.

Recently, a big moose hunting event in the Bloodvein First Nation was cancelled by the provincial Department of Conservation. Is that in fact the case that Manitoba Hydro funds a moose and goose hunt each year?

Mr. Thomson: Not in Bloodvein.

Mr. Schuler: Are chartered airlines by Hydro ever used to transport people for moose hunting?

Mr. Thomson: We run—we do run some access programming as part of adverse effects up north, and we assist resource users to get in and out of traplines and, I believe, to hunt.

Mr. Schuler: What would be the costs of that?

Mr. Thomson: We'll have to provide the access programs; that's some of the information that you'd asked me for before, I believe.

Mr. Schuler: And how many people are flown on these airplanes, on a yearly basis?

Mr. Thomson: I'll have to 'pru'—look into that.

Mr. Schuler: Is it a policy of Manitoba Hydro to provide all-terrain vehicles, trucks and other vehicles free of charge to First Nation communities in northern Manitoba?

Mr. Thomson: It's not a policy of ours, no.

Mr. Schuler: Is it ever done?

Mr. Thomson: We provide compensation to communities, and I suspect that they may use some of that for that.

Mr. Schuler: A council member of the Split Lake First Nation has asked for details on past Hydro expenses in their community related to dam negotiation expenses. Has Hydro provided those to Split Lake First Nation council members?

Mr. Thomson: I believe that the Split Lake council knows what we paid them.

Mr. Schuler: This was a direct request to the CEO. Has she received anything at all from you, or—

Mr. Chairperson: Mr. Minister.

* (21:30)

Mr. Chomiak: I believe the member's referring to someone who's a prolific writer, who writes on a regular basis requesting information and has accused—made a number of quite drastic statements that the member's actually reflected in the House. There's been a good deal of correspondence. This individual I think the member's referring to is on the council and has disagreements with the council, but that's between the council and the councillor. It's a matter outside of Hydro's jurisdiction, whether or not that particular individual is—has difficulty with a council member.

So that individual's had several press conferences with the member and information's been provided, and there is a dispute. And I said—as I said in the House, there's a disagreement as to how some of that funding should be utilized in the community. That council member has taken exception to some of the 'spenditures' and made some accusations that are made on an almost daily basis against the auditor, the provincial auditor, Hydro, the present council, the past council, all the ministers, the MLAs and virtually everyone in the system. And that's that person's right, and the information has been provided to the extent possible.

As I've indicated many times in the House, when looked—when I had to look at the matter, I had to look at the annual report that was provided about that community, and the auditor gave a—the auditor did not find a difficulty in terms of major issues presently with that council. It's a new council; it displaced the previous council, and the auditor gave, effectively, except for some accounting procedures which were made public, the auditor gave a relatively clean bill of health to that community and their expenditures.

I'm not sure how else that matter can be resolved because of the internal nature of the dispute between that councillor and the council.

Mr. Schuler: Well, the committee thanks the minister for that filibuster.

The next question is how much was spent to date on the Keeyask and Conawapa dams, not just negotiation costs but also clearing of trees, purchase of materials, et cetera? Does the corporation have a number for that?

Mr. Thomson: We do have a number for that. I don't believe I have it in my notes with me.

Mr. Schuler: How much preparation work was done for Bipole III, tree clearing, et cetera, before the CEC gave their final approval?

Mr. Thomson: We have a tree-clearing centre?

Mr. Schuler: I'm speaking too fast because I'm trying to get the honourable member for River Heights—his questions out. How much preparation work was done for Bipole III, tree clearing, et cetera, before the CEC approval came through?

Mr. Thomson: We had entered into some discussions with potential service providers to do clearing work. We didn't—haven't done any field work on it prior to—and, in fact, we haven't done any clearing yet. We're still in the process of negotiating contracts primarily with First Nations and Metis organizations to do that work.

Mr. Schuler: How many untendered contracts has Manitoba Hydro awarded over the past three years with the value of a hundred thousand dollars or more?

Mr. Thomson: I'd have to see if I can find that out for you.

Mr. Chomiak: I think that information's in Public Accounts.

An Honourable Member: No.

An Honourable Member: No, it's not.

Mr. Chomiak: Okay.

Mr. Schuler: I don't think it is, and appreciate it if we could have a look at it. Public Accounts probably be a good place to have it though.

At this point in time I'd like to pass over the floor to the honourable member for River Heights.

Mr. Chairperson: Yes.

Hon. Jon Gerrard (River Heights): Let me come back to the question of the impact of the shale gas situation in the United States and, of course, to some extent, in Canada. You showed us a graph which dealt with export sale prices, and the opportunity exports prices that Manitoba Hydro was getting plummeted from 2009 to 2010.

Was that primarily due to the substantial availability of lower cost shale gas, or were there other reasons for that?

Mr. Thomson: It was certainly significantly influenced by that. The fact that the US economy

tanked in and around 2008 and the ripple effects of that, that industrial demand dropped off, as well. So it was a bit of a double whammy: (1) you've got lower natural gas pricing, which allows you to produce the electricity at cheaper rates, and then the demand itself had fallen off, so both of those factors influence that.

Mr. Gerrard: The question of what happens with shale gas and shale gas prices is obviously critical to any future cost scenario in terms of what we can—what Manitoba Hydro can sell power to the United States. You know, I've seen estimates that there's a hundred years of shale gas supply. On the other hand, I have seen more carefully considered work which suggests that some of those estimates are grossly over-inflated and that within a relatively short period of time we may get some drastic revisions of those estimates downward, and with the resulting pressure on gas prices and change in the circumstance could be contributed to by investments in new power plants getting—using gas and some of the things that you referred to of gas being sold—liquefied natural gas being sold elsewhere.

So can—obviously, this is critical to what happens in the future. And I would be very interested in your perspective on this situation in terms of how things are likely to work out.

Mr. Thomson: Yes, I think that you kind of—there's some risks and uncertainties in terms of the availability of that resource longer term. There's some environmental perspectives on the development of the resource as well, particularly where there's potential for water—underground water contamination. So the forecasts that we look at in terms of pricing is sort of based on—it factors in the long-term estimates of availability and the costs of production. I think that there are some, I'll call them risk factors, but I think that they're—in terms of things that could impact on the availability of that resource, which would actually be good for Manitoba Hydro in terms of the cost of power, that we'd be—in the markets that we'd be selling into, if the supply comes off or the demand escalates dramatically because of new industrial demand in the US and the displacement of coal more rapidly. And legislative changes could influence that, too, south of the border. I think that that has the potential to increase—to put more upward pressure on the price of natural gas as we move forward. That will actually work to our benefit as a hydro producer selling into those markets.

Obviously, the flipside of that coin is our gas users in the province are going to pay higher prices for that energy. So there's quite a savings, as I—on one of the other slides, I showed you of—that our heating load that's served by natural gas is actually a lot cheaper for our customers than it has been in both nominal and real terms over the past decade. So it—if the resource is abundant, continues to be abundant, that's priced into our forecasts that we're using that underpins the—our outlook and our economic evaluation. If pricing comes up—I think it actually is—it's better for us as a producer and exporter of electricity. And because we don't produce electricity with natural gas, we're not at the vagaries of the—that as a—you know—that's not a risk that we're absorbing, but it could help our competitive position as we move forward.

* (21:40)

Mr. Gerrard: Just when you're looking at increasing rates at which you sell power, you've got residential customers and residential rates on the one hand and you've got commercial customers and commercial rates on the other hand. I mean, you have a choice of increasing one more than the other with residential-commercial or increasing both in 'synchrony'. Can you tell us what comes into the decision making around whether will they both go up at precisely the same amount or whether one goes up more than the other?

Mr. Thomson: There's a—sort of a basic underlying regulatory rate-making principle that—of cost causality, so we do cost-allocation studies and, broadly speaking, we look at all of the underlying cost drivers and attempt to allocate the costs—the actual costs that are being driven by the different customer classes. And we try and create customer classes that are of like characteristics so that, you know, those pools of customers—you talked about residential—we've got smaller commercial, large industrial users, and they place different demands on our system. So first we go through that process and we look at—we then apply the revenue requirement—the revenue need of the corporation against the underlying cost drivers.

In our history, we have proposed different allocations of rate adjustments across customer classes and sometimes we look at rebalancing the rates just because of the underlying cost drivers. My understanding is that over the last number of years the PUB has allocated the rate increases kind of rateably across all of the customer classes. One of

the conservation things that have been—has been applied in a number of jurisdictions is stepped rates, so the—they're—as a cost signal to the market, the—sort of some base layer of energy is sold at one rate and then anything above that is sold at another rate, so—at a higher rate. And in a—we—the two-edged sword of having the lowest cost of electricity or amongst the lowest cost of electricity, it—there's not as great an incentive for ratepayers to conserve the use of their energy. So, you know, one tool that can be applied in the tool kit is employing stepped rates. We've kind of looked at that in terms of some of the customer classes, we're not proposing that at the present time but it's not something that's beyond the realm of possibility looking at as we move forward and, again, to try and encourage conservation.

Mr. Gerrard: In one of the graphs, I think it's on page 4, there's a reference to noncontrolling interest. I just wondered if you can explain what that reference is?

Mr. Thomson: That's the allocation to the minority holder on Wuskwatim. So there's—because that—the limited partnership is incurring a loss, that's the share of the loss that's being allocated to the minority shareholder—or equity holder.

Mr. Gerrard: Yes, I note in the presentation that you have an estimate for Bipole III of 3.28 billion. What sort of confidence do you have in that estimate, that it—that's what it's actually going to come in at?

Mr. Thomson: That's currently the plan that we're working to. I think that two significant tenders are going to be let this year, one for the converter equipment to go into the converter stations, and that's on the order of 600 million-plus, and the other is for conductor, the actual wire. We're going to have a greater degree of cost certainty once we've got the market response to those tenders, and as we lock in the pricing for different significant components of the project, our confidence level will go up. But our working estimate continues to be the 3.28.

Mr. Gerrard: The—I think you provided a cost estimate for the power from Wuskwatim of about 7.2 cents per kilowatt hour. What's your current cost estimates for power coming from Keeyask and Conawapa?

Mr. Thomson: Gee, I thought you were going to ask about Wuskwatim again.

You know, I'll get that information for you. We—we've—we had provided a management reserve estimate when we updated the costs for both

Keeyask and Conawapa, and I know we re-ran the numbers. So it's—we can produce that, but I don't have it at my fingertips. I know—I believe that directionally Keeyask is pretty consistent with Wuskwatim and Conawapa is lower.

Mr. Gerrard: Yes, one of the things which has been discussed from time to time is the—having pricing which reflects when there is greater or lesser demand, presumably slightly higher pricing when there's greater demand and lower pricing when there's slightly less demand. And I think that's been put forward in the past as a way of encouraging people to use more electricity when there is lower demand and have—kind of evening things out. Is that something which Manitoba Hydro is considering?

Mr. Thomson: Contemplating that for high-use industrial customers, it's a method of putting price signals into the market which, as you said, it encourages customers to utilize the power when it's—and better price domestically the value of the power and the value of the alternatives. We can do that fairly easily within high-use industrial customers because the metering is specific to a customer.

On the mass market, that would require use of AMI technology for meters and there's pretty significant cost involved in that. We're not contemplating smart meters—deploying smart meters in our mass-market customer base at this time and in the foreseeable future. But it's not something that we might not look at down the road.

Mr. Gerrard: Would that depend on what the pricing of such a—smart meters were if those prices came down in the future? Is that what you're suggesting by the way you answered that question?

Mr. Thomson: Yes. I mean, I think that there's—obviously, if you can use AMI technology for meter reading you can—you don't have the cost of running equipment around the province, vehicles and that sort of thing. So there could be a business case for—at the right price. The other issue is what's the age of the fleet of the existing meters that you've got, and timing of that can be influenced if you—if the meter fleet is relatively current. You don't want to throw away your investment in meters that actually function and replace them with new meters, and that's always kind of a tricky element in that equation, too.

Mr. Gerrard: Would it be possible, for example, to provide circumstances where people who convert to

new meters could get a differential type of pricing at some point in the future so it was applied for those had new meters without having to replace all the old meters instantaneously?

* (21:50)

Mr. Thomson: Again, I think from a planning—it's not something that's imminent, but it's certainly something that I think, ultimately, would be—we would look at. I'm not sure the practicality of having kind of multiple situations. You don't get the economies—you want to do neighbourhoods or regions in blocks if—as you deploy the technology, to avoid some of the—to actually achieve some of the cost savings of meter reading. The other benefits associated with it, you actually—I think you need a significant enough block of your customers that you're going to influence their use of power, that you can actually capitalize on it and make use of it when it's valuable to you. But it's not off the table; it's just not imminent.

Mr. Gerrard: Now—thank you—I'm just trying to get an understanding of the—of what's involved in decisions around that. One of the things that, when your predecessor was here, I remember a reference to run of the Red River turbines that would not necessarily require building a dam, but I presume would sit in the river and generate power. I mean, what's the status of that sort of technology, and is that something which is being looked at or considered?

Mr. Thomson: It's generally small-scale generation. It's not something that we're—I'd love it if it was located close to the four communities that we serve with diesel generation right now. If we had an adequate resource that we could—that was reliable year-round close by, that could be a—you know—that would be something that we'd look at for that. It—run-of-the-river has been deployed to a reasonably significant degree out west on—in sort of coastal communities. We don't have a—that much opportunity to capitalize on it here. So there isn't a lot of activity going on in investigating that here.

Mr. Gerrard: One of the things that you said earlier was that the—for Wuskwatim, the power was being used in Manitoba. And at another point in the discussion earlier tonight, you mentioned that the agreement with Nelson House Cree Nation was actually on the basis of the costs or the pricing for export power. Can you explain how that works, how you're actually selling it to one market but you've got the pricing based on another market?

Mr. Thomson: Yes, the—at a high level, the—at the time that the agreement was entered into, needed a pricing model to—and I suspect that our partners probably felt that the revenue stream would be higher. At the time, it was pretty attractive, the export pricing. And that was what was negotiated, but it was by agreement. You don't actually colour-code the electrons and the flows follow the path from a—I'm not an electrical engineer, but so—but if you look at the overall demand for the power, it's getting consumed here, and at times of the day, I'm sure that the actual electrons flow across the border, too. So it was a business construct that was put in place.

Is it the right one? It's the one that we put in place and agreed to, and there's some challenges associated with it simply because it's an arrangement that we've got with a partner who really, ultimately, can't tolerate the kind of equity risk that a traditional equity investor would make in a commercial project. So, you know, we're trying to work something out there that makes sense, and—but it's still equity-like.

Mr. Gerrard: Yes, when the wind farm, the St. Joseph, was built, my understanding that Manitoba Hydro either lent money to—for to allow that construction, or backed or guaranteed a loan. Can you provide an update on terms of what the status of that loan or loan guarantee is currently?

Mr. Thomson: It—my recollection is that it's—that the term of the loan is consistent with the term of the initial contract demand. It's amortizing over that term, and we're getting payments 'un'—we're effectively getting the recovery of that loan according to the terms. So it's coming down each year.

Mr. Gerrard: So what you're saying is that it's working out as was initially planned. Is that essentially right?

Mr. Thomson: Yes, it is.

Mr. Gerrard: I have an interest in preventive health and preventing things like diabetes, and you've been talking earlier on about support for First Nations communities for all sorts of things. I'm just curious as to whether there's any dollars going to First Nations communities for preventing diabetes and related activities.

Mr. Thomson: Not that I'm aware of directly. It's—health isn't one of our core competencies, but I know that generally speaking, and not being a 'medi'—a

health practitioner, I know, generally speaking, when people's economic situations improve, their health tends to improve along with it. So I think what we're trying to do is support the economic development in the communities and hopefully a by-product of that will be healthier communities, but not specific diabetes-directed funding.

Mr. Gerrard: I wasn't trying to imply it's either good or bad; I was just curious as to whether—what the policy was with respect to that.

That's the questions that I have. So thank you very much.

Mr. Chairperson: Any more questions?

Seeing no further questions, I have a question to the committee.

Annual report for the Manitoba Hydro-Electric Board for the fiscal year March 31st, 2010—pass.

Shall the annual report of Manitoba Hydro-Electric Board for the fiscal year March 31st, 2011, pass?

Mr. Schuler: Yes, thank you very much, Mr. Chair, and we still have some issues that we would like to see resolved with that annual report. So we would not, on this side of the table, be supporting that that annual report pass.

Mr. Chairperson: So the report, March 31st, 2011, is not passed.

Shall the annual report of Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2012, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Schuler: I thank you very much, Mr. Chair, and there are issues involved in that annual report that we still believe need to be clarified. So at this point in time we would not like to see that report pass.

Mr. Chairperson: The report is not passed.

Shall the annual report of Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2013, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Schuler: Yes, thank you very much, Mr. Chair. There are issues that are still outstanding from that particular annual report and, until those are clarified, we would like that report not to pass.

Mr. Chairperson: The report is not passed.

If some reports don't pass, please—I request the members to leave these copies on the table for future meetings.

Now, this concludes the business before us, and the hour being 9:59, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Rise. Thank you. The committee rise. And thank you very much for coming.

COMMITTEE ROSE AT: 9:59 p.m.

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