

Third Session – Forty-First Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Len Isleifson
Constituency of Brandon East

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-First Legislature

Member	Constituency	Political Affiliation
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CLARKE, Eileen, Hon.	Agassiz	PC
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CULLEN, Cliff, Hon.	Spruce Woods	PC
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**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS**

Monday, June 25, 2018

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Len Isleifson (Brandon East)

VICE-CHAIRPERSON – Ms. Janice Morley-Lecomte (Seine River)

ATTENDANCE – 11 **QUORUM** – 6

Members of the Committee present:

Hon. Messrs. Cullen, Gerrard, Pedersen

Messrs. Allum, Isleifson, Lindsey, Ms. Marcelino, Mrs. Mayer, Ms. Morley-Lecomte, Messrs. Teitsma, Yakimoski

APPEARING:

Ms. Marina James, Chairperson, Manitoba Hydro-Electric Board

Mr. Kelvin Shepherd, 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, 2014

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2015

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2016

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2017

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

This meeting has been called to consider the annual reports of the Manitoba Hydro-Electric Board for the fiscal years ending March 31st, 2014; March 31st, 2015; March 31st, 2016; and March 31st, 2017.

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

Mr. Tom Lindsey (Flin Flon): Would suggest 9 o'clock, and then review and decided whether we are finished or whether we want to go on from there.

Mr. Chairperson: Nine o'clock has been suggested, with a review. All in favour? Agreed? *[Agreed]*

Okay. So are there any suggestions on—as to what order in which we should consider the reports?

Mr. Lindsey: I suggest we go global.

Mr. Chairperson: Global? Anything else? Anybody else? We're okay with going global? Then global it shall be. Thank you.

Okay, as we get started, does the honourable minister wish to make an opening statement? And, if he could, would you please introduce the officials in attendance.

Hon. Cliff Cullen (Minister of Crown Services): I will. I'll be very brief. I know we have a presentation from Manitoba Hydro tonight, so I want to welcome everyone to the committee tonight. We've got, I believe, four reports to consider, from 2014 to 2017.

Certainly, thank staff that's joining us tonight. Grant Doak, as the Deputy Minister of Crown Services, is joining us. Also, at the table, we have Kelvin Shepherd, president and CEO for Manitoba Hydro, and, of course, our new board chair, Marina James. I do want to thank each of those individuals for their good work they're doing and their service to Manitoba Hydro and to the province in general.

I will say, from the outset, I know we do have some matters—legal matters that are pending, so it may be difficult for some members of the committee to address some of those issues. We certainly don't want to prejudice the proceedings as they move forward.

So, with that, I certainly look forward to a discussion tonight.

Mr. Chairperson: Great. Thank you.

Would the critic have a few words?

Mr. Lindsey: Yes. I guess, to start with, I should have asked how long the slide presentation is going

to be before we suggested how long the committee was going to be.

So, as critic, I want to thank the board chair and the CEO of Manitoba Hydro for their participation in tonight's committee hearing. These hearings are an important opportunity for Manitobans to learn about the activities of their most important Crown corporation and for their elected representatives to provide oversight and supervision.

We know that Manitoba Hydro has been plunged into a crisis of mismanagement of the Premier's (Mr. Pallister) own making. His refusal to engage the board of Manitoba Hydro and to discuss urgent governance and financial matters caused the mass resignation of the previous board of Manitoba Hydro in late March.

What's more, we know the Premier's shown no commitment to keeping Manitoba Hydro intact, shutting down Power Smart and peeling off its operations into Efficiency Manitoba. And the Premier's shown no commitment to keeping rates affordable for Manitobans, repealing an act which required Manitoba to have the most affordable home-heating and electricity bills in the country and advocating 8 per cent increases in hydro rates for many years into the future.

The Premier delayed the work of this committee for over a year and a half. We take our responsibility to preserve Manitoba Hydro as a publicly owned Crown corporation very seriously, one that is committed to keeping rates affordable, and that is why we are pleased to participate in this evening's proceedings.

I look forward to the comments of the president and CEO as well as the new board chair and hope the information they provide will help Manitobans become better informed of the activities of our most important Crown corporation.

Thank you.

Mr. Chairperson: And we thank the member for those comments.

So I do understand that the representatives from Manitoba Hydro do wish to make a PowerPoint presentation at this time as part of their statement or presentation tonight to the committee. So I do have to ask, though, if there is leave from the committee to allow the PowerPoint presentation. Agreed? Agreed? Opposed of any—none? *[Agreed]*

So, Mr. Shepherd, Ms. James, it's all yours. Take it away.

Ms. Marina James (Chairperson, Manitoba Hydro-Electric Board): Good evening, honourable ministers, MLAs, members of the public and media. Thank you for the opportunity to appear before you today to talk about Manitoba Hydro.

Since taking on my role as chair of the Manitoba Hydro-Electric Board three months ago on March 23rd, myself and the other new members of the board of directors have spent a great deal of time in orientation meetings and reading and assessing critical documents. I would like to thank Kelvin Shepherd and the management team and Manitoba Hydro for their briefings on the diverse issues facing the utility.

As our board leans into its governance role, we are focused and energized as we gain a thorough understanding of this large and complex business.

Manitoba Hydro is critically important to this province. Manitobans expect that the electricity stays on, the natural gas flows and that the employees of Manitoba Hydro are there to restore service when it is interrupted. Manitoba Hydro delivers on these expectations.

To be there continuously, meeting the needs of the citizens of the province and Hydro's customers, many components must be co-ordinated to work together. An effective board is one of those components. Critical to providing oversight and representing stakeholder perspectives relative to significant decisions undertaken by the corporation, Crown corporation directors perform a valuable public service.

As we broaden our understanding of Manitoba Hydro, our goal is to fulfill our mandate and objectives, ensuring systems are in place for fiscal responsibility, continuous improvement, accountability, balanced scorecard reporting, risk-management systems, collaboration and communication.

As we gain greater familiarity with the corporation and its management, we are focused on aligning strategic direction by monitoring performance, long-term viability and the achievement of objectives.

* (19:10)

I understand typically at these committee meetings the chair may answer a number of

questions related to policy, finances or other aspects to the corporation. For understanding on the part of the committee members, if I refer to Mr. Shepherd for assistance in answering your inquiries, seeing as I am very early in my role of learning the complexities of this utility business.

What I will say as I conclude my opening remark is that Manitoba Hydro is in capable hands. In our short time as board members, we have seen the dedication and care the employees of this company have for customers and the entity itself. It is admirable. While we are in a period of change, given a steady hand on the wheel, Manitoba Hydro will emerge from this period stronger, more agile and in a better position to serve Manitobans' energy needs efficiently, reliably and cost-effectively.

I speak for my fellow board members when I say that we are looking forward to the challenge before us and rebuilding the power of our province.

Thank you for your attention. I will turn it over to Mr. Shepherd for a presentation on the corporation, where we are today and some of our recent achievements. Thank you.

Floor Comment: Thank you, Ms. James.

Mr. Chairperson: Go ahead, Mr. Shepherd.

Mr. Kelvin Shepherd (President and Chief Executive Officer, Manitoba Hydro): Thank you, Ms. James, and thank you to members of this committee for the chance to appear before you today.

Seeing that it has been a while since we last appeared before you, I thought it might be useful to provide you with a short update presentation on Manitoba Hydro and, for those new to the committee, some background information which may be useful.

Manitoba Hydro is one of Canada's largest vertically integrated energy utilities, supplying electricity to domestic customers and wholesale markets in the US, Midwest and Canada. Over 573 customers across Manitoba rely on us for their electric power, and a further 279,000 in the southern portion of the province rely on us to supply them with natural gas for heating—water heating, cooking and industrial use.

A few key statistics reveal the breadth of our operations in more detail. Our service area is 650,000 square kilometres. Total assets are \$22.3 billion and growing as we complete major projects and continue to rehabilitate our existing

system by replacing and upgrading ageing assets. We have over 68,000 kilometres of electric distribution lines and over 10,000 kilometres of natural gas lines.

Corporate-wide, almost 20 per cent of our employees self-identify as indigenous, a figure that rises to almost 48 per cent of our employees in northern Manitoba, making us a leader in indigenous employment in this province.

Our electricity system is one of the greenest, most renewable systems in the world. Ninety-nine per cent of our energy comes from renewable resources, including 97 per cent from our 15 hydroelectric stations. Our generation resources also include 450 megawatts of thermal electric generation in Brandon and Selkirk, used for backup reliability purposes, and 10 megawatts of isolated diesel generation from four plants in Manitoba's North. Our total generating capacity is approximately 5,700 megawatts.

We currently have power purchase agreements with two privately owned Manitoba wind farms and 555 megawatts of seasonal diversity arrangements with US-based utilities, allowing us to access their capacity in winter, when our load peaks, and providing access to our capacity for them in summer, when their loads peak, helping meet demand in both markets more efficiently and with enhanced reliability.

Manitoba's past investments in hydroelectricity, right from the development of Pointe du Bois in the early 1900s through to recent investments in Wuskwatim completed in 2012, have served our province well. A 99 per cent greenhouse-gas-free power system is indeed an enviable position to be in as the world moves away from carbon-based generation for electricity production. At the same time, our residential customers enjoy the second lowest electricity rates in Canada and our industrial customers benefit from the most affordable electricity in the nation. In addition to electricity, natural gas offers customers in areas with service affordable options for reliable, affordable space and water heating.

This map shows the distribution of our generation and high-voltage DC resources. Our oldest plants are on the Winnipeg River, while our largest plants are located on the Nelson River in northern Manitoba. You can also see the location of our remote diesel plants and our thermal-electric facilities. The red and black lines running north to south are our high-voltage DC bipoles associated

with our Nelson River HVDC system. This system brings energy from our northern generating facilities to southern load centres. Currently, approximately 70 per cent of all electricity generated by Manitoba Hydro flows over bipoles I and II. Bipole III, which you'll hear more about shortly, will be joining them soon, bringing significantly improved energy security and reliability to our system.

At Manitoba, our mission is to create value for Manitobans by meeting our customers' expectations for the delivery of safe, reliable energy services at a fair price. We support that mission through focusing on four key 'stricher'-strategic priorities: restoring financial stability, delivering an excellent customer experience, engaging our employees as we transform into a leaner organization, and respecting and supporting indigenous peoples in all aspects of our business.

These priorities themselves are supported by four foundational principles or values: safety, environmental leadership, respectful engagement with our stakeholders, and respect for each other as employees.

Key to that respect for each other is working safely. This has always been and will continue to be a top priority for Manitoba Hydro. This year we have set a new internal target to achieve a 20 per cent reduction in workplace incidents over the next 12 months. To support that goal, we've launched a new human error reduction initiative to increase employee awareness of the importance of safety and provide our leaders with the tools they need to effectively improve safety performance.

Last year, in anticipation of our human error reduction initiative, we launched an enhanced safety communications program to create a sharper focus on safety as a corporate priority. Nobody should be injured at work, and our goal is to ensure that each and every employee goes home safely at the end of each day.

Moving on to some of our more recent achievements over the last 12 to 18 months, construction on our Bipole III transmission reliability project, comprising the third HVDC line in our Nelson River HVDC transmission system and two new converter stations, Riel and Kewatinook, is complete and commissioning of the system is now under way. Bipole III provides a major mitigation of risk associated with a transmission failure that could affect bipoles I and II by providing an alternative path for electricity to flow from northern generating

stations to southern Manitoba as well as additional transmission capacity.

What you're looking at now are shots of the final phases of insulator hardware installation on one of the new HVDC towers on the left and contractors installing a thyristor bank on the right. Thyristors are the equipment that performs the actual conversion from alternating current, which electricity is generated as, to direct current for transmission south over the bipole and then back to alternating current for distribution into the AC grid.

All 3,076 towers on Bipole III are now up and the wires are strung. Electricity is now flowing as we test the various components and ensure everything is operating as it should as part of our integrated system. We're on track to meet our in-service date early this summer and costs of tracking to come in lower than the \$5-billion control budget.

Some information on employment created by our work on building Bipole III: Project has resulted in just short of 14,300 hires as of May 31st, 2018, with 77 per cent of all hires being Manitobans and 36 per cent of all hires being indigenous Manitobans. That's a significant generator of indigenous employment and, indeed, employment for all Manitobans. This has been one of the key objectives for us on this project and one we're proud to have accomplished.

The Keeyask Generating Station is our other major project and is currently under construction on the Nelson River in northern Manitoba. We're developing Keeyask in partnership with four northern First Nations; Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and the Fox Lake Cree Nation. What you see on the slide here is the completed Keeyask spillway structure.

*(19:20)

Couple of other pictures of Keeyask to show you the progress so far: On the left is a shot on the powerhouse interior showing one of the turbine pits that will eventually house one of Keeyask's generating units. At bottom right is an exterior shot showing work on the powerhouse. You can see how we closed off the one end of the powerhouse temporarily to allow work to continue inside during the winter months. This has allowed us to improve productivity and achieve some significant construction milestones during the 2017-18 construction season. These include

completing the spillway, getting the first three generating units enclosed in the powerhouse and continuing with the various required dikes and earthworks needed at the site.

This year we'll see the diversion of the Nelson River through the spillway as we've been getting construction on the south dam across the Nelson River. In addition, we will enclose two more generating units this season and place an additional 105,000 cubic metres of concrete.

This is our peak construction year at Keeyask, and we will see significant progress over the course of the next few months. We currently remain on track to achieving our P50—that's probability 50 per cent—control budget of \$8.7 billion. In addition, we are tracking approximately six months ahead of our control schedule for bringing unit 1 into service in 2021.

That being said, it's important to point out that we are only halfway through construction. Four more years of work remain. What that means, there are still significant risks ahead of us, 'cluding' weather, geotechnical and 'pontential' loss of site access. We are working as hard as possible to address those risks and have active measures in place to help mitigate them, but they remain real risks and should not be discounted. Certainly our project team remains intensely focused on doing everything they can to manage, reduce the key risks and bring in the project on or ahead of the control plan.

The economic impact of Keeyask in Manitoba, particularly as it relates to services procured and employment, can't be understated. For example, of the 17,531 total project hires as of May 2018, 70 per cent have been Manitobans, over 30 per cent of all hires have been indigenous Manitobans and 21 per cent of all hires have come from our Keeyask Cree nation partner First Nations. We are proud of our engagement with our partners on employment, procurement and other business opportunities related to the project and look forward to it continuing through to project completion.

Keeyask and its associated export contracts requires to license and build new international transmission, which is beneficial to us but also important to neighbouring US jurisdictions which will benefit from our virtually emissions-free hydroelectric power. Manitoba Hydro, working in co-operation with Minnesota Power, is working to bring the Manitoba-Minnesota transmission project

and its counterpart in the US, the Great Northern Transmission Line, into fruition.

The goal of the second 500 kilovolt interconnection to the US is to double our import capacity, improve grid reliability, emergency response and energy security. It also provides us significantly increased access to the US market and will allow us to generate new revenues from exports.

On the US side of the border, the GNTL is fully licensed and transmission line construction is well under way. On the Manitoba side of the border, Manitoba Hydro participated in a Clean Environment Commission environmental assessment process in 2017, and, subsequently, the CEC has recommended an environmental act licence be granted.

Manitoba Hydro's actively engaged in a federal National Energy Board process with a public hearing process recently undertaken, and, in fact, I think it wrapped up last week. We still anticipate timely issuance of licences for Manitoba and the federal government which would allow construction to begin on schedule later this year.

As I noted earlier in the spring of last year, we communicated four—pardon me—four strategic priorities for Manitoba Hydro, with one of those being restoring the financial sustainability of the corporation. We took a multi-faceted approach to making progress towards achieving this strategic priority, including filing a general rate application with a 10-year plan to reduce our debt, which I'll talk more about momentarily. We recognize that this wasn't simply a matter of asking our customers to pay more, but also taking more steps within our direct control to streamline our organization and enhance our revenues.

In early 2017, we reduced our executive structure by 30 per cent and subsequently announced a voluntary departure program with a goal of reducing overall staff complement by 900 positions over a three-year period. Our voluntary departure program achieved its intended results with well over 800 employees choosing to depart the corporation between June of 2017 and January of this year. The remainder of the required reductions are anticipated to occur through normal attrition.

We're simultaneously continuing to engage in discussions with our export customers to extend existing contracts and develop new, mutually

beneficial contract arrangements for our renewable hydro power.

The revenue generated from exports is used to help pay the cost of running Manitoba Hydro, which reduces electricity rates for Manitoba customers. Exports generated \$2 billion or approximately 21 per cent of the corporation's revenues over the last five years.

As mentioned, our recent general rate application filing was part of our plan to restore Manitoba Hydro's financial sustainability. The 10-year plan we put forward to the Public Utilities Board included higher rate increases at the front end of the plan to improve our cash flow and materially reduce the debt carried by the corporation, less reducing exposure to risk faced by the corporation including rising interest rates, a prolonged drought or a major system failure.

This general rate application was the most extensive rate review in the corporation's history with over 40,000 pages of evidence filed by Hydro through the course of the process and over 2,000 interrogatories, that is, requests for information answered by the corporation.

From application to order receipt from the PUB, the process took over a year, requiring extensive focus and staff dedication to the process. Cost of the process and ultimately to customers has been assessed at approximately \$15 million.

In their order issued May 1st granting a 3.6 per cent average rate increase, the PUB denied the corporation's request for a 7.9 per cent increase effective April 1st, 2018. The decision means Hydro's debt will continue to grow, and there remain risks of higher increases in debt or the need for future higher rate increases should certain risks or events materialize.

As ordered, we have implemented the PUB's directives including the 3.6 per cent average rate increase. However, in accordance with the PUB process, Manitoba Hydro filed a Review and Vary Application citing concerns of theirs of fact or law on several aspects of the PUB's ruling. We look forward to participating in the PUB's technical conference which we are hopeful will provide additional clarity to the corporation on financial targets and rate setting moving forward.

In addition to all the progress and efforts I've outlined, we continue to invest in renewal of our aging infrastructure to further secure our service and

ensure public safety. To address our electrical system capacity risks in Winnipeg, we are on track to meet our targets of fewer than 20 per cent of our stations being overloaded by the year 2020 and fewer than 5 per cent by 2030.

The new Adelaide station, which opened in September 2016, is indicative of these efforts and provides much needed capacity in our downtown core. The 66 kilovolt gas-insulated facility features state-of-the-art technology to make our electrical grid more reliable. The station can be expanded as load increases, and the construction of Adelaide permits the decommissioning of obsolete equipment in our King substation.

We also completed a successful undertaking of the Slave Falls Creek spillway conversion. At nearly 90 years old, the spillway showed signs of deterioration and leakage that posed a safety risk. Construction of the project began in January and was completed in October on schedule and approximately \$4 million under budget.

We were pleased to open a new compressed natural-gas station just outside the city of Winnipeg. This allows the corporation to respond rapidly to natural-gas outages, critically important particularly in winter, recognizing the extensive reliance on natural gas for heating in southern Manitoba.

As part of our LED roadway conversion program targeting 130,000 street light conversions by 2021, we were pleased to reach 69,000 street lights converted in excess now of more than halfway to our target. The street lights contribute to enhanced visibility and consume substantially less power, resulting in lower operating costs for cities, towns and municipalities responsible for their operation.

Our affordable energy program delivering program to assist lower income Manitobans was proud to reach a milestone of completing energy efficiency improvements on 20,000 homes, reducing bills and electric consumption by about 28 gigawatt hours and natural-gas consumption by 9.3 million cubic metres.

And on the note of additional energy achievements, we were recently recognized through the ENERGY STAR Canada program, administered through Natural Resources Canada, for the 2018 promotional campaign of the year for our Power Smart bill credit rebate campaigns. This was Manitoba Hydro's eighth award through the program since 2005.

* (19:30)

In April of this year, we concluded our two-year Solar Energy Pilot Program. The 1,100 applications to the program substantially exceeded our initial forecast, with many customers choosing to take advantage of the \$1 per watt incentive offered through the pilot program. Manitoba Hydro's learnings through the program will be transferred to Efficiency Manitoba for their consideration in future programming and offerings.

To remain an industry leader, Manitoba Hydro must continue to modernize and enhance our customer experience. In 2017-18, we completed the consolidation of 36 district offices and a closure of cash counters. Since 2007, we've seen a steady decline in customer transactions at rural district offices and a corresponding shift to using larger customer service centres or completing bill payments online or by phone.

For customers, a consolidation enables us to redeploy our resources towards other customer service activities. At the same time, technology innovation has allowed the enhancement of our web-based service tools, including our recently launched online outage reporting tool and map, which has received very significant utilization and positive feedback from our customers.

We're particularly proud to offer a great place for people in this province to grow and build a livelihood and career. We continue to receive recognition externally through Canada's top 100 employee-employers project; this time for the eighth consecutive year.

We've worked successfully through significant challenges and change, and our employees continue to demonstrate their resilience and commitment to the corporation and our customers. Our focus remains on delivering safe, reliable service and, while doing so, increasingly enhancing our customers' experience as they interface with Manitoba Hydro.

We continue to advocate for investments and decisions that protect our customers' interest over the long term. Over our history, investments in new infrastructure have served the corporation and our customers well, and I'm confident that the decisions and actions we're taking today will continue to serve us well into the future. Our board, management and staff are up to the challenges and opportunities in

front of us. We look forward to continue to serve Manitobans.

Thank you and—

Mr. Chairperson: Well, thank you very much, Mr. Shepherd and Ms. James, for your presentation. And, with that, the floor is now open for questions.

Mr. Lindsey: Thank you very much for your presentation.

Certainly, Manitoba Hydro has a lot to be proud of over the years. So this question goes to the board chair. You've been board chair for about three months. Can you tell the committee how many board meetings have taken place in that time?

Ms. James: Thank you for the question. I think we have met approximately five times thus far, and we've had one board meeting and we're about to have another one this week.

Mr. Lindsey: How many meetings have taken place between the board and the Crown Services Minister since your appointment?

Ms. James: I believe—thanks for the question again—I believe we've met four times with the minister, and we've met once with the Premier (Mr. Pallister).

Mr. Lindsey: Okay. Thank you very much. How many meetings have taken place between individual board members such as Wade Linden and the minister of Crowns?

Ms. James: I'm not aware of any. I'd have to defer on that question to the minister.

Mr. Lindsey: So you have no idea why Mr. Linden would need to meet with the minister rather than the whole board meeting with the minister?

Ms. James: I'm sorry. I don't know anything about that.

Mr. Lindsey: To the minister. On April 26, 2018, you had a meeting with Mr. Linden. What was the subject of your meeting?

Mr. Cullen: It was more of an introduction meeting. That was my first opportunity to meet Mr. Linden, so it was an informal discussion and meeting.

Mr. Lindsey: So you only met with Mr. Linden and not the entire board to introduce yourself or—meet him.

Mr. Cullen: Yes, we'd met other members of the board previous to that, and Mr. Linden wasn't available for the earlier meeting with the board.

Mr. Lindsey: So that was the sole intent of the meeting—was just to meet each other. There was no discussion about anything to do with the board or Manitoba Hydro or things of that nature?

Mr. Cullen: Just an informal meeting, a chance for us to meet face to face. And that was the meeting.

Mr. Lindsey: Back to the board chair. So you said you've had a meeting with the Premier (Mr. Pallister). Do you think it's necessary for you to have the possibility of engaging the Premier more often to perform your duties on urgent matters of governance?

Ms. James: Thanks for the question.

I would say that we'll be meeting regularly with the minister. From time to time, we may meet with the Premier if conversations were so required. But mostly we meet with the minister.

Mr. Lindsey: So you said you'd met with the Premier once to—could you tell us a little bit about what was the purpose of that meeting and what was the outcome of it?

Ms. James: The purpose of the meeting was to sit down and discuss my appointment and my role as chair of Manitoba Hydro and to welcome me. And it was a very informal conversation. And we were wished well as a board on our pursuits to govern the organization. And that was the extent of it.

Mr. Lindsey: How long was the meeting for? How long did it last?

Ms. James: Approximately 30 minutes.

Mr. Lindsey: So really, you haven't met with the Premier to discuss any matters concerning the board or Manitoba Hydro other than just the brief welcome-to-the-board type meeting? Is that correct?

Ms. James: That would be correct.

Mr. Lindsey: Do you think, as the chairman of the board, that you should meet the Premier every now and again to discuss such issues?

Ms. James: We're getting what we need from the minister and the Premier as required, so not at this time.

Mr. Lindsey: So you've said that you've met—I think it's five times, you said, with the Minister of Crown Services (Mr. Cullen). Could you tell us what the subject matter of those meetings was?

Ms. James: We've had orientation meetings where we've met to discuss our role in governance, where we've been made to feel very welcome.

I'd—I have to confer with Mr. Shepherd.

Mr. Chairperson: Sorry, folks, just one moment, please. Communications.

Ms. James, just if you could repeat your answer, please.

Ms. James: So our original meeting was an orientation meeting. We would have been presented with a mandate letter which was already in existence from Minister Schuler. We went through conversations and we have quarterly meetings to go through a series of reporting mechanisms. And the conversations went well. It was a good conversation for the benefit of the—myself and the organization.

Mr. Lindsey: So you have quarterly meetings to discuss ongoing issues related to Manitoba Hydro? Can you give us any kind of sense of exactly what kind of items you discuss at those meetings? Is there, like, an agenda or is it just a quick get together to say, hey, how's it going? Or is there a formal structure to those meetings?

* (19:40)

Ms. James: The—being new in the role, I haven't seen an agenda as I recall.

I would say that we did go through topics at hand. I can defer to Mr. Shepherd if further detail is required.

Mr. Lindsey: Certainly, if Mr. Shepherd can supply some of the details about what those meetings are, I would appreciate it.

Mr. Shepherd: So, as a matter of course, I've worked with Crown Services and we typically would have a formal quarterly meeting between the chair and the minister. There is an agenda. The agenda, though, is developed from meeting to meeting and it's dependent, of course, on the topics at hand.

I think the first meeting was two and a half or three hours long. The deputy minister and myself attended along with the minister and Ms. James and we simply went through a number of issues ranging, as you would expect, from normal kind of reporting on progress on key projects, financial discussions and other issues of interest. I won't get into the specifics but you get the general idea.

Mr. Lindsey: So what sort of direction then, I guess, has the Crown's minister given either yourself as president or board chair? What sort of direction do you get from the minister at these meetings as to ongoing business affairs of the Crown corporation?

Ms. James: Well, we would discuss matters at hand, and we'd be—I mean, we set the direction as the board of directors. The government is—the Province is a shareholder. We come well informed from management and discussions with the board thus far, so those conversations have been collaborative if necessary, but we do come as the board, and we do have the responsibility to govern, so—

Mr. Chairperson: Mr. Lindsey.

Mr. Lindsey: Okay. So have you ever had any discussions with any of the former board members?

Ms. James: Myself? No, I haven't spoken with any of the former board members.

Mr. Lindsey: How about you, Mr. Shepherd? Have you spoken to any of the former board members since they resigned?

Mr. Shepherd: Not formally for business, but certainly from time to time I've had informal discussions. You run into people, it's a small town, so yes. In fact, the chair sits across from me at the Jets game, so I can't avoid him even if I wanted to.

Mr. Lindsey: I would certainly not suggest that you should avoid him necessarily.

As the new chair of the board, have you got any concerns with why the previous board resigned and how that may impact your abilities to do your job as the board chair? *[interjection]*

Mr. Chairperson: Ms. James.

Ms. James: My apologies. I don't have any concerns.

Mr. Lindsey: Are you fully aware of why the previous board resigned?

Ms. James: I am not fully aware, other than what I have read.

Mr. Lindsey: Might be useful information to have, I would think, as the new board chair, to find out why the previous board chair and the entire board, save one, resigned. Wouldn't you think?

Ms. James: Well, what I can tell you is that the corporation faces certain risks and challenges and we'll be making our way through those as the new board, and we'll be exercising care and due diligence as we move forward.

Mr. Lindsey: I would certainly never suggest that you would not. I just thought it might be helpful to have as much information as possible to guide you in making decisions going forward.

If there was something that was really a sticking point with the previous board that caused them to resign, I would think it would be good business to know what that reason was so that you could either mitigate it or convince the government of why it shouldn't be mitigated.

To not know what took place previous seems risky to me. So do you think it might be worthwhile getting better information as to why the previous board resigned?

Ms. James: As I mentioned, I've read lots of documents on why. I've spent time with management. I believe I was asked if I'd spent time talking to the past board members; I have not. What I have done is I've oriented myself to documents, conversations with management and certainly an understanding of all aspects concerning the corporation, including rate applications and the situation at hand that, as noted in the public, resulted in their resignation. I have not spoken with the previous board, however.

Mr. Lindsey: When did the government first approach you to consider your participation or appointment to the board?

Ms. James: The—I believe—and—I believe the board resigned on March 23rd; it was a Wednesday—correct me if I have the date wrong—and I spoke with Boards and Commissions that afternoon at approximately 1:30.

Mr. Lindsey: So when they asked you when the minister—I'm assuming it's the minister that first approached you. Is that correct?

Ms. James: The—I was approached by a Mychelle Houde in Boards and Commissions.

Mr. Lindsey: Okay, thank you.

So, the afternoon that the board resigned—be it March 23rd or whatever date it actually was, which I don't have in front of me either, so we're good with close enough—that same afternoon, they approached

you to become a board member or to become the chair of the board?

Ms. James: The original conversation was to come onto the board, and then it progressed where conversations went to, would you consider becoming the chair or the vice-chair? And then it went through a series of back-and-forth conversations.

Mr. Lindsey: So, at what point did you agree to first be on the board and then to be the chair?

Ms. James: That day, but I had to go back to my own employer to make sure that it was within the possibility for me to do so with their support.

Mr. Lindsey: So can you describe how you understand the mandate of Manitoba Hydro?

Ms. James: The mandate is to provide governance to the largest Crown corporation in the province, ensuring safe, responsible utility services to the public in the province of Manitoba and to govern the organization with integrity, providing fiscal responsibility.

Mr. Lindsey: Did you get a mandate letter?

Ms. James: I have the mandate letter from Mr. Schuler. The mandate hasn't changed thus far.

Mr. Lindsey: Can you provide us with a copy of that, please?

Ms. James: I believe that can be provided to you.

Mr. Lindsey: Thank you.

Have you developed a roles and responsibilities record for the corporation?

Ms. James: One was—one has already been developed in conjunction with Crown Services, I'm advised.

Mr. Lindsey: Can you provide that to us, please?

Ms. James: I can.

Mr. Lindsey: Okay. So have you developed a business plan for Manitoba Hydro for the current fiscal year?

Ms. James: I believe that we are seeing that this week.

Mr. Lindsey: Will it be substantially different from the previous board's business plan for the coming year?

Ms. James: I'd confirm it—not substantially, I'm informed.

Mr. Lindsey: In any of your meetings with the minister or the Premier (Mr. Pallister), has there been any talk about privatizing all or part of Manitoba Hydro?

Ms. James: None whatsoever.

* (19:50)

Mr. Lindsey: Do you see it as your mandate as board chair to ensure that Manitoba Hydro stays a public corporation?

Ms. James: I do.

Mr. Lindsey: Can you describe the current skill set of the board of Manitoba Hydro? What are its areas of strength and what areas that could be strengthened, please?

Ms. James: Well, we developed a skills matrix based off Institute of Corporate Directors governance protocols. I don't have that with me, I'm sorry. But I would say that, like most boards, you look for a series of skills: finance; strategic planning; in our case, engineering; in our case, human resource experience with large workplaces, large unionized workplaces with collective bargaining; and—but we could provide you with the skills matrix if you would so like.

Mr. Lindsey: Certainly, I would appreciate that.

So, in, I believe it was April, you wrote a letter to the Minister responsible for Manitoba Hydro requesting additional appointments to the board of Manitoba Hydro specifically in some of the areas that you've talked about: the finance, human resources and engineering.

Why did you feel it was necessary to write to the minister to make that request for additional appointments?

Ms. James: I think we'd be remiss on our part if we didn't ask for a broader skill set on the board of directors because it is a very complex business, and while I'm fully confident in my fellow board members' ability to govern the company, it's always helpful to have specialists, especially in the areas of strategic planning. And, of course, I was the only one on the board who had a designation for any form of financial, like, M.B.A. with specialization in finance, and we really needed a CPA, so that would be a gap. And I think it's just good management to ask for a skill set, the broadest skills, to provide adequate oversight to the corporation.

Mr. Lindsey: So the minister responded the same day, I believe, to your communication.

Have you received any further update from his office, from him, from the government since that time regarding your request?

Ms. James: I'll defer to the minister for comment.

Mr. Lindsey: I'll just ask you once more before I turn over to the minister: Have you received anything back from the minister other than that letter you got the first day?

Ms. James: We've had assurances that board members—or additional board members are going to be appointed.

Mr. Lindsey: Any timeline for that?

Ms. James: In the next few weeks, I believe.

Mr. Lindsey: I'll ask the minister, then: Is there a plan to appoint more board members? If so, when can the board expect to see those?

Mr. Cullen: Yes, there is, and the board will see those in the very, very near future.

Mr. Lindsey: So will the board see the specific skill set that they've requested?

Mr. Cullen: We believe they will.

Mr. Lindsey: You believe they will and you expect to see these positions filled very shortly, but you're not sure if they'll receive the skill set that they've requested?

Mr. Cullen: I believe they will.

Mr. Lindsey: A simple yes or no, I think, would clear up any confusion.

Will the board be getting the skill set they've requested or not?

Mr. Cullen: Well, ultimately, we'll leave that up to the board, but we believe we've met the skill set that the board has asked for.

Mr. Chairperson: Just before we go on, if I may, as well, I know there's some great questions going on and some great dialogue back and forth, but we are here to discuss the reports from 2014, 2015, 2016 and 2017. So, if you wouldn't mind kind of just bringing it back to those reports rather than present day, if possible, I appreciate it.

Mr. Lindsey: Well, just to clear up any confusion, the questions we're asking all relate to the ongoing performance of Manitoba Hydro, and they all do

stem from the reports that are before us and going forward, so that—they're all interrelated. So to just ask a specific question about one of these reports is not necessarily in our best interests, I believe, but the overall global discussion that we're having is probably the best way to proceed.

Mr. Chairperson: Okay. Thank you very much for your clarifying that and—

An Honourable Member: Challenging the rule of the Chair?

Mr. Chairperson: No, no, no, it's good. It's just, again, we just want to keep on track, so I appreciate that.

So, Mr. Lindsey.

Mr. Lindsey: So, just to get back on track here, the minister—let me see; where am I now? So that was April; it's now—what is it—June now, and the minister, he hasn't given you a firm timeline as to when you can expect to see these board appointments?

Ms. James: No firm timeline.

Mr. Lindsey: So was the government representative, the member from 'emerson'—Emerson—excuse me—aware of the gaps in the current board's skill set, and did he support or participate, perhaps, in drafting the letter to the minister requesting additional appointments?

Ms. James: I believe we all reviewed that at a meeting, and we all had the discussion at one of our orientation sessions, and we all participated.

Mr. Lindsey: So are the areas identified as gaps in the skill set of the current board areas that are necessary to the proper establishment of Efficiency Manitoba?

Ms. James: I don't believe they're related. They're to broaden out our board to ensure that we have the greatest expertise to provide oversight to Manitoba Hydro.

Mr. Lindsey: So a Manitoba Hydro spring 2018 briefing note states the transition of demand-side management responsibilities to Efficiency Manitoba will be a significant and complex undertaking. Many DSM activities are integrated within Manitoba Hydro's core operations.

Would the addition of the board members with expertise in financial, human resources and engineering aid with the performance of this significant and complex undertaking?

Ms. James: Defer over to Mr. Shepherd.

Mr. Shepherd: I'd be pleased to try to answer Mr. Lindsey's question.

Certainly, the transition to Efficiency Manitoba will have some complexities. It involves the transition of some pretty important services over to a new Crown corporation, and there are a number of issues associated with that.

But, generally, it will be a task that's assigned to management to accomplish, and the board will provide high-level oversight but not involved in the details of that. That will be a more detailed discussion which management will engage with Efficiency Manitoba with the support of Crown Services to accomplish.

Mr. Lindsey: Just before we leave Efficiency Manitoba, so a Manitoba Hydro briefing note from the fall of 2017 indicates that if Efficiency Manitoba's not begun operations by September 2018, there will be a gap in Manitoba Hydro's ability to communicate its energy efficient programming.

So I guess I'll ask you the question, sir. Does Manitoba Hydro anticipate the Efficiency Manitoba will begin operations by September 2018?

* (20:00)

Mr. Shepherd: I would answer that in two parts. First, to explain the concern about the gap, it's primarily related to our Power Smart branding. Power Smart is a licensed trademark. It's licensed from BC Hydro. And we've had notice for some time now—years—that our licence to use the Power Smart brand will expire beginning in September of 2018. After that period of time, we'll have a number of months where we can continue to use the resource but in a more limited manner. So, effectively, what that means is we will start to have some restrictions on our ability to promote using that particular brand.

Clearly, you know, with the transition plan to Efficiency Manitoba—and my expectation is that that will happen. It won't be fully in place in that time frame. Our target is to have, as we understand it, Efficiency Manitoba to be operating by January 1st. Clearly, because of the transition, we wouldn't want to invest substantial dollars in an interim branding strategy.

So we've had discussions with Crown Services in the interim about that, and we've scaled back certain advertising activities because of that. And my expectation is that Efficiency Manitoba now has a

board in place; we'll ramp up and develop a new branding strategy which will replace the licensed Power Smart brand.

Mr. Lindsey: So do you see this gap in when it was well known that the licence would run out and when you anticipate the actual Efficiency Manitoba up and running? Do you see that strictly as a money-saving—or proposition, that there's a gap in there that you won't be able to spend money on advertising for Power Smart or Efficiency Manitoba programs? *[interjection]*

Mr. Chairperson: Mr. Shepherd.

Mr. Shepherd: Pardon me.

No, I don't see it related to an attempt to save money at all. I think when you go through these transitions, it's unfortunate that it just happens that there's this licensing issue with the Power Smart brand. But it is. And so the reality is is we're going to transition to a new organization with a new brand. Yes, there's going to be some—I would call it temporary—you know, impact from that. But it's temporary, and I'm fully confident that Efficiency Manitoba will take over and develop a new brand and ability to advertise programs in the market in a timely way.

Mr. Lindsey: So have Manitoba Hydro officials received any information from the provincial government on any of the following issues: the date when the Efficiency Manitoba leadership team will be in place?

Mr. Shepherd: I have no direct information related to that. There is an interim CEO that's been appointed, there's been a board that's been appointed, but I have no direct information on when they will appoint managers.

Mr. Lindsey: How about a date when Efficiency Manitoba staff will be in place?

Mr. Shepherd: Again, I don't have a direct date for that. We're engaged in early—we've been engaged in transition discussions, and we're certainly engaged in some relatively early discussions now that the new board is in place. But I don't have the details as to when they would anticipate staffing being in place.

We're operating under the basis that Manitoba Hydro will continue to deliver these programs with our staffing until there's a transition.

Mr. Lindsey: So do you have a date—or has anybody given a date when the current Manitoba Hydro

Power Smart staff will be notified of opportunities—or what opportunities will be available for them to apply for positions at Efficiency Manitoba?

Mr. Shepherd: No, I don't have a date. And I would expect that until leadership is in place at Efficiency Manitoba and we can move forward with the transition plan that it would be premature to provide staff a date. But I am confident, in due course, they will be provided a date.

Mr. Lindsey: So do you have a date when the first programs offered by Efficiency Manitoba might be available for Manitobans?

Mr. Shepherd: Certainly, my understanding is that the target—and I think it only a target, but I think it's a target people are working towards is that Efficiency Manitoba will be operating by January 1st of next year.

Mr. Lindsey: So does anyone have an idea what the size of the budget for Efficiency Manitoba would be?

Mr. Shepherd: I haven't discussed Efficiency Manitoba's budget with staff, but I think an initial proxy is certainly that the—overall, Efficiency Manitoba will want to deliver equivalent or more programs than what we're currently delivering and there is a budget for that, but I think that's an activity that will be undertaken by Efficiency Manitoba leadership and approved by their board. So it's not something that I necessarily would expect to have direct knowledge of.

Because of the way Efficiency Manitoba will be funded, I do expect, in due course, we'll have that discussion because Manitoba Hydro will, of course, be collecting from customers revenues to support the delivery of programs, as we do today, and those programs will be delivered by Efficiency Manitoba—primarily Efficiency Manitoba. I don't think all of the details of the service delivery have yet been worked out, and so, at some point, there will be a discussion on the budget, but I haven't had that specific discussion as of this point.

Mr. Lindsey: So it's getting close to the end of June 2018. We don't have a date for when there will be a leadership team; we don't have a date when there'll be staff; we don't have a date when staff will be notified; we don't have a budget for what Efficiency Manitoba's going to do. We have a target that says—initially it—I believe the target according to a briefing note was—it was going to be operational in December 2018, and now the target date is January 1st, but we still don't have any of the information that

would be required to get that new entity up and running. So how do we see that panning out?

Mr. Shepherd: With all due respect, Mr. Lindsey, I'm not responsible for Efficiency Manitoba. My responsibility is to effect a transition to Efficiency Manitoba. So you would have to ask people responsible for Efficiency Manitoba those questions. I can simply answer what I'm aware of, but it's certainly my interest and my desire to see a very effective and seamless transition to Efficiency Manitoba. They're there to deliver important services to Manitobans and certainly have my assurance that Manitoba Hydro and the staff that work for Manitoba Hydro will do their very best to help facilitate that.

Mr. Lindsey: So let me ask that question to the minister, then, because I believe that probably is his responsibility.

We have no date when the Efficiency Manitoba leadership is supposed to be in play—place; we have no date when Efficiency Manitoba staff will be in place; no date when Power Smart employees will be advised what opportunities, if any, will be available for them to transition to Efficiency Manitoba. We have a moving target as to when Efficiency Manitoba's actually going to be up and running. We have no idea what the budget for Efficiency Manitoba would be.

Can the minister fill in some of those missing pieces of information so that people that hopefully will work for Efficiency Manitoba will have some idea of what it is they're going to be working, theoretically, by the end of this year?

Mr. Cullen: Well, we covered this ground in Estimates a few weeks ago, but I'm prepared to go over that same ground and try and help the member out. This is a transition, as you have heard. Certainly, Crown Services has been working directly with Manitoba Hydro over the last number of months in terms of what this program will look like, what Efficiency Manitoba will look like and, you know, moving forward.

We now have the board of directors in place, and we've had an acting CEO for a number of months. That CEO is still acting in that capacity. We've also provided the board a corporate secretary to help them over the short term until the staffing is in place. Clearly, one of the first things the board will be doing will be to acquire a CEO. We're hoping that will happen in the very near future.

* (20:10)

And, clearly, the questions you're asking are exactly the things the board of directors will be undertaking. That is the role of the board of directors, to determine what staffing levels they would require, what the budget will be, and that's something that we're—we've asked the board of directors to do. And we certainly have faith in that board of directors in accomplishing that. We look forward to having that occur.

If the member remembers the legislation we passed in terms of Efficiency Manitoba, a part of the legislative framework talks about having dialogue with Manitobans and having dialogue with stakeholders in the industry on the efficiency side of things on the demand-side management aspect. So part of the board's responsibility will be to engage with those stakeholders to determine what programs work, which programs haven't worked and potentially what other programs in other jurisdictions work.

So, once that work is determined, you know, that will help in terms of determining which programs will be in place and vis-à-vis which—what type of funding and what type of budget will be required to achieve those outcomes for those particular programs.

Mr. Lindsey: Could the minister provide us with a list of who's on the board and when they got appointed to the board of Efficiency Manitoba?

Mr. Cullen: Yes.

Mr. Lindsey: Just off the top of the minister's head, does he know when the board got appointed?

Mr. Cullen: No, but I will get that information for the member.

Mr. Lindsey: Thank you for that.

Who is the chair of the board—you haven't selected that yet, it's just a acting chair, or if there is a chair?

An Honourable Member: I can tell you, Cliff.

Mr. Cullen: Yes, I'm having a—

An Honourable Member: She ran against me in Fort Garry-Riverview.

Mr. Cullen: Yes. [*interjection*] Jeannette Montufar.

Mr. Lindsey: I thank the minister for that.

And, I guess, what qualifications does she bring to the table that would make her the ideal candidate to be the chair of that board?

Mr. Cullen: I will provide the member her background.

Mr. Lindsey: Thank you for that.

So let's see, back to the chair—just don't want you to feel left out here. Can you provide an update on the corporation's attempts to enter into long-term contracts for the export of electricity to partners in the United States, for example?

Ms. James: I'd like to defer to Mr. Shepherd on that.

Mr. Shepherd: Certainly, there are a series of contracts in place with customers in the US. You know, they all are, I guess, what I would call commercially sensitive, but it's a matter of public record what the contracts are and when they end. And we're in discussions with those customers, the majority of which contracts extend for some period of time, but for any customers that have contracts that are expiring in the next five to six years, we're in continual and active discussions with them with a view as to understand their requirements and to either extend them or to find other new opportunities.

Mr. Lindsey: So has Manitoba Hydro signed a new long-term fixed export contract for electricity sales since May of 2016?

Mr. Shepherd: Give me a moment, Mr. Chair. I'm searching back in my memory.

The last major export contract we signed was a 100-megawatt sale to SaskPower. It doesn't kick in until mid-2020. So I believe that was the last one we signed. Whether that was announced before or after May 2016, I'd have to go back and check my memory banks.

What I can tell you is we have ongoing discussions with a number of customers, some large, some small, and we continue to work towards ensuring that, you know, we can deliver surplus energy. As you know, we have surplus energy in most years, because as a hydro utility, we designed the system in Manitoba for reliability, which means designing it to operate in reasonably lower waters.

Most years we have average or high waters, so we're always going to have some surplus, and we continue to export that surplus, either through long-term contracts or on the opportunity market, the

spot market, to ensure that Manitobans receive the most value and benefit they can from that electricity.

Mr. Lindsey: So I have it on reasonably good authority that the contract you're talking about with SaskPower was signed sometime prior to May of 2016. So really, since that time, there hasn't been any other long-term contracts signed with either Saskatchewan or any other entity that you're aware of?

Mr. Shepherd: Thank you for the question, Mr. Lindsey. Long-term contracts, by their very nature, they're not like car sales. They're not completed in a day or a weekend. They take a long time to negotiate, and the timing of when they're put in place is dependent on when the customer needs the power.

So we're in regular and ongoing discussions, both with existing customers who obviously have their own timeline as to when they might want to extend contracts. We're in discussions with—regular discussions with Saskatchewan about whether there's additional opportunities there, as we are with other customers.

And I think there's this misconception that if you just put more effort into sales, you would sign more contracts, and what I can tell you is that we have a regular, ongoing and dedicated team working with customers, and I'm confident that when the timing is right, we'll be in a position to announce additional sales.

But, you know, the fact that we may not have signed or announced anything since May of 2016 is more indicative of when customers need power than any lack of effort on our part to actually enter into new arrangements.

Mr. Lindsey: To the board chair, do you believe it's a priority for the board to seek out long-term export contracts for hydroelectricity?

Ms. James: We'll take a balanced approach to making sure that we review existing contracts and fill in where necessary.

Mr. Lindsey: So I didn't hear you say that you thought long-term electricity sales were a priority for your board. Is it a priority or not?

Ms. James: It's a priority.

Mr. Lindsey: Thank you. Is it part of your mandate to actually pursue those kind of long-term contracts that we're talking about?

Ms. James: It's part of our mandate to pursue those contracts.

Mr. Lindsey: So is Manitoba Hydro presently engaged in any conversations with Saskatchewan about increasing the export of non-fossil fuel electricity from Manitoba to Saskatchewan, recognizing that Saskatchewan still gets 75 per cent of its electricity from fossil fuels?

Ms. James: I'll defer to Mr. Shepherd on that.

* (20:20)

Mr. Shepherd: We have been in regular discussions with SaskPower, amongst other potential export customers, and we continue to have those discussions. And as I was saying, the requirement for a customer to enter into a long-term contract is also dependent upon their own plans, and the timing has to match.

So, yes, we're going to continue to have those discussions. And where there's both opportunity, but I might also suggest, where there's value for Manitoba Hydro and our customers, we'll enter into those types of contracts.

Mr. Lindsey: Let me just get my notes in order here very quickly, because we kind of skipped around a little bit. Can you provide me now, or perhaps at a later date, if needed, some background data on the history of the Power Smart program from 2000 to 2016?

Mr. Shepherd: Thank you. I mean, certainly, I think that information's publicly available.

Mr. Lindsey: Could you give us thought on how many megawatts of demand capacity were reduced by the program?

Mr. Shepherd: Certainly, we can undertake to provide it to you, but I believe, again, it's publicly available in the last DSM program that was published and is available on the Manitoba Hydro website. But, if you want me to do your looking up for you, I can certainly do that.

Mr. Lindsey: Yes. How many gigawatt hours of electricity saved and the value of those savings between 2000 and 2016?

Mr. Shepherd: Again, I believe it's in the report, and I'll—I can undertake to show you on the Manitoba Hydro website where the report's publicly available.

Mr. Lindsey: How many Manitobans participated in these savings?

Mr. Shepherd: Any information you want about our Power Smart DSM program is publicly available in our report on the website, and I'm happy to show that to you.

Mr. Lindsey: Are Manitoba Hydro's current Power Smart programs still operational?

Mr. Shepherd: Yes, the majority of the programs are operational; however, as with any program, there are always changes as you go forward. So, for example, I mentioned in my presentation, the solar pilot program; that was a two-year pilot program. It ended in April of this year, and so it would've been in the program for two years as a pilot, but it's no longer, obviously, operating. But the other programs are being delivered.

Mr. Lindsey: So the government has ordered Manitoba Hydro to stop advertising all Power Smart programs. What effect has this had on the uptake by the public of ongoing programs offered by Power Smart?

Mr. Shepherd: You know, with respect to advertising, as I've said, I view that as a temporary issue as we work through the transition. So there's some timing impact, but I don't think there's any real medium- or long-term impact to take up our customer participation, but, certainly, if we can't advertise our—using our Power Smart brand, that will have some modest impact on certain programs that we deliver.

Mr. Lindsey: So how many staff were working at Power Smart before the government announced Efficiency Manitoba would take over, and how many are still on staff there, and what is the vacancy rate?

Mr. Shepherd: I don't have the details of that off the top of my head. What I can tell you is that as we went through our voluntary departure program, there's obviously been a number of people throughout the corporation that have taken advantage of that. There would be some from our Power Smart area, but we have also continued to ensure that we have staffing in place to deliver the programs; in some cases, that's been delivered through temporary or contract staff because of, obviously, the transition arrangement we're in. But there hasn't been any substantial change directly as a result of the transition to Efficiency Manitoba.

Mr. Lindsey: What is Manitoba Hydro's projection for annual natural gas consumption for space heating in Manitoba? If we have more and more buildings hooked up to natural gas each year, that should mean

we're burning more natural gas for heating. Is that correct?

Mr. Shepherd: Thank you for the question. I will have to look up the precise details, but what I can tell you is that that's not correct, that, in fact, there's a slight reduction in natural gas, not because people aren't using it, primarily because of the efficiency initiatives. But there's also some demand-related activities, you know, varies with weather and those kinds of things, but natural gas consumption has been relatively flat due to the combination of those things.

We do report on consumption and certainly happy to provide you more details on that if you want it.

Mr. Lindsey: Certainly, I would be interested in more detail on that.

Do you think that Efficiency Manitoba's mandate to reduce natural gas consumption by 0.75 per cent annually will be—overall natural gas consumption for space heating go down? Will it stay the same, do you think? Where do you see that consumption going once Efficiency Manitoba's in place?

Mr. Shepherd: You know, natural gas usage in the province is really driven by two things. The first is generally population or housing growth in areas that are served by natural gas, and industrial consumption. That's offset, to some extent, by efficiency initiatives and new technology.

My belief would be that if you achieve that 0.75 per cent annualized reduction in natural gas through efficiency initiatives, that would likely keep consumption flat or perhaps decrease it unless there was some sudden change in either industrial consumption or population growth that's in excess of what would be in the current forecast.

Mr. Lindsey: So Aki Energy and BUILD are just two examples of social enterprise that are doing really good work to reduce utility bills for low income people, as well as providing new employment opportunities at the same time.

What's the status of Manitoba Hydro's partnership with these two organizations?

Mr. Shepherd: Clarification: Aki Energy I heard. The second organization?

Mr. Lindsey: BUILD.

Mr. Shepherd: So I believe we continue relationships with both those organizations. Aki Energy has been involved extensively in some geothermal—primarily geothermal and other activities and has been a key partner in delivering services to some of our First Nations customers. We still have a relationship with them. I would have to, you know, follow up to get the details on the level of activities with each of those organizations. I don't have them off the top of my head, but we continue to engage with these organizations to help deliver programs.

An Honourable Member: I'll turn the floor over to—

Mr. Chairperson: Sure, the Honourable Mr. Gerrard.

Hon. Jon Gerrard (River Heights): Let me start with a question from my colleague, the MLA from Kewatinook. She asks: Why did Manitoba Hydro fly in and out of Little Grand Rapids at a cost of \$3,600 per day while restoring power when they could have stayed at the Little Grand Rapids Lodge at a cost of \$2,600, saving Hydro \$1,000 a day for the three weeks?

I know that Manitoba Hydro's looking carefully at all expenses, and she's just pointing out an area where there could have been some savings perhaps, and let me ask, probably most appropriately, to Mr. Shepherd.

* (20:30)

Mr. Shepherd: Thank you for the question, Dr. Gerrard, and first just let me say that I think our staff that responded to this emergency in Pauingassi and Little Grand Rapids [*phonetic*] have done an excellent job, beginning with our emergency management operations staff and then, ultimately, our logistics and support staff, and then, finally, our construction people on the ground that undertook to restore service in a, I think, a very expedient manner, but also with due regard to safety and to ensuring that customer safety was also foremost, because with this type of damage, you can have live wires. And so we worked very carefully to ensure that.

As you know, the staff—most of the staff did go in and out on a daily basis. And that's largely because we do not believe—that we believe that was the most effective way to mobilize staff. Staff changed, so you didn't necessarily have the same people every day. It allowed us to augment staff and bring them in. And, quite frankly, services on the ground were pretty limited in Little Grand Rapids. There was no power;

there was no water, really, during the emergency, and so it was much more effective for us to do that.

I respect that your colleague believes there was a cost saving there, but I think, operationally, we chose to use what we believe was the most effective means to restore service in a quick and safe manner.

Mr. Gerrard: One of the things in looking at aspects of fire prevention that—currently, most of the approach to addressing fires focuses on preventing damages to homes and in communities, but it would seem to me that given the importance of Hydro lines and keeping that intact in terms of when you get people back in, that a pretty strong case could be made to have fire plans which—also focusing on the—well, the utility lines like Hydro lines so that when a community is—a community can get back and up sooner.

Mr. Shepherd: Thank you, Dr. Gerrard, for that question.

And I—it's something that Manitoba Hydro focuses on. We have a plan. It—first, it starts with a vegetation management plan. So we have a regular plan to control vegetation and manage the amount of growth underneath or near Hydro lines. Of course, if you have a very large fire, you know, it's—as you know, a fire can jump large distances, and so it is difficult to totally mitigate. But we do have a regular program and we have—enter into regular activities to do that.

Secondly, we do have an emergency management plan, and we ensure that if there is a situation where, you know, infrastructure is damaged, that we are well equipped and positioned to respond. And so that may include everything from simply having a correct stockpile of components to having staff that are trained to work in situations like that.

Furthermore, our emergency management organization co-ordinates closely with the Province, and to the extent that there is a threat to major infrastructure, the Province works with us to try to prioritize fire resources, where appropriate, to protect that infrastructure.

So I can assure you that we work closely with our provincial counterparts, that we have a professional team on board, that we have activities both preventative and restorative in place. And I think this particular fire, which obviously resulted in, you know, a significant burned area and evacuation of a community—the infrastructure damage was

responded to and restored in a very timely manner. And I don't believe that there's something that really could have been done in this case to somehow prevent the damage. And I believe that we had the plan and the people in place to respond and restore it.

Recognizing the remoteness of the area, the fact that equipment had to be airlifted to Bissett, I believe, and then helicoptered in—so there's a large logistics component when you have this type of a problem in a remote area, but I think we have a good plan in place and we're always concerned when there is an outage and look to restore it as quickly as we can, but this was a difficult situation and, still, power was restored in a pretty timely manner.

Mr. Gerrard: Yes, so follow up: I gather there's an emergency plan in place that would be there for each community which presumably would be shared with the Province and the community and perhaps with the federal government.

Mr. Shepherd: No, I would say that we—on those types of issues, we don't have individual community plans, but what we do have is a system plan. So we ensure that we have reasonable stockpiles of material properly positioned for emergency restoration. You know, those range all the way from, in this case it might be distribution poles and transformers, all the way to, for example in the case of our bipole line, we have spare towers that are positioned throughout the province.

So we have a system response plan and we have essentially a plan that would call for the activation of an emergency operation centre with people that are familiar with the area and know how to access resources in the corporation and co-ordinate with the Province to restore service.

I think you could understand that for a utility our size with the number of locations, it would be practically impossible to develop a plan for every community. So you have to have a more generic response plan that is flexible enough but able to be activated dependent on the situation that you face.

Mr. Gerrard: Yes, one of the things which you talked quite a bit about was the safety record and the emphasis on safety. Now, Manitoba Hydro has a certain number of employees, but I think many of the employees who are involved in the project were actually employed by contractors or subcontractors. Is that correct?

Mr. Shepherd: That is correct. We have, as of today, about roughly 5,300 employees, but when you

look at major projects—so I would use, you know, say, Keeyask, which I'm more familiar with. We have a camp at Keeyask; roughly peak staffing at the plant is 2,300 people. There would be a few hundred at most that are directly employed by Hydro and the majority are employed by contractors.

Mr. Gerrard: So just in the example for—of Todd Maytwayashing, who died January 17th of this year, he worked for a contractor or subcontractor, but the accident I believe occurred in the Manitoba Hydro's limestone yard. And what would be the relative responsibility in terms of safety and safety management by Manitoba Hydro versus the contractor or subcontractors?

Mr. Shepherd: Yes, thank you, Dr. Gerrard. I'll try to, you know, answer that question, you know, as, I guess, comprehensively as I can and I'm going to contrast that with, say, Keeyask.

So Keeyask is a site where Manitoba Hydro is the prime contractor and under our provincial legislation, regardless of whether a subcontractor is working on the site or not, Manitoba Hydro is responsible, ultimately, for the safety compliance and the safety systems of the entire site.

That is in contrast to most transmission projects, and so when you think about a transmission line construction here, it's not at a site and in that situation we—most often the contractor who is doing that work is considered the prime contractor and they are responsible for their own safety management and safety of their employees.

* (20:40)

Now, that does not mean that Hydro doesn't take a substantial number of sites—or steps to ensure safety. It simply means that at the end of the day, they are considered the prime contractor, and if there is an incident or an accident related to the job, they are responsible and have to engage with workplace health and safety.

But to give you a sense, we go through a very extensive process with all contractors, but on that case, a contractor like Forbes Bros., when we award the contract, we set up a—so first of all, we require, in the contract, that they meet all of the applicable safety requirements provincially, at a minimum, and that they meet all the requirements that Manitoba Hydro has.

So there's a contractual requirement they do that. They are the prime contractor, but we require

that they meet all those requirements. But, upon awarding the contract, we meet with the contractor and we discuss safety requirements, environmental compliance; obviously, things related to the project, the schedule, technical issues. We discuss indigenous involvement, because we often will have an indigenous component.

Prior to construction starting, we hold pre-construction meetings, and those are typically done at the appropriate site location. And, you know, we, again, look at the local conditions. So we look at—perhaps there's local details or aspects of the work that the—we have to deal with.

We talk about, you know, their supply of material, where they're going to get the material from. In this case it was from a depot at Limestone. We discuss the impacts of their work on property and landowners and we have a significant number of requirements around that. And we also review their work plans, a component of which is their safety plan.

Once construction starts, at least on a weekly basis, we meet at site. We review safety, environment, you know, obviously, the schedule of work, any issues they may have. During the construction period, a contractor like Forbes is required to hold weekly safety meetings for all their staff, and we have representation at those meetings.

During the construction, we'll have inspection staff assigned to each contract or work crew, and they're going to monitor construction, ensure that safety and environmental compliance requirements are being met. We also, in most cases, have environmental inspectors on site to monitor environmental compliance.

And so I guess what I'm trying to explain here is that even though we have a contractor, we are not an absentee manager here. We are involved on a regular basis, but if it is a contract where the contractor is the prime, they are responsible, ultimately, for compliance with safety and the safety of their employees.

We will monitor. If we see issues, we have the ability to stop the work. If we see issues, we have the ability to request that they conduct a safety work plan review with us. That is different than a site like Keeyask where we are the prime contractor and we have all those accountabilities and more, but it doesn't substantially change the fact that even

where we have a subcontractor, we have an active engagement on safety.

Mr. Gerrard: Yes, I mean, that would apply even though that, for example, that Limestone yard was, I believe, a Hydro yard. And let me give you an example. One of the safety requirements, I understand, for workers like Todd at such a yard, was that there would be, sort of, grip aids that fit on the bottom of boots to make sure that—I guess they call them traction aids—and that would be part of the safety requirement, as my understanding.

Would that requirement be Hydro's, to make sure that was happening because it was a Hydro loading site at Limestone, or would it be the subcontractor's?

Mr. Cullen: I appreciate your line of questioning in this regard here. I think, you know, there is an investigation under way, and we're getting right into the details of this particular incident, and just—I'm just cautious that we don't go there until the investigation is complete, because we're getting right into the details of the situation, and I don't think it's maybe prudent for us to be speculating at this table. And so I just throw out that caution.

Mr. Gerrard: Without getting into details, but, I mean, is it possible to give me a little bit more understanding of—at a Limestone staging site, you know, where the responsibilities were located?

Mr. Shepherd: In a situation like the situation at Limestone or another situation where a contractor comes on to a Hydro location, the responsibility for the employees' safety ultimately rests with the contractor in that case; they are performing the job. Now, they are required to comply with all the site safety requirements.

Mr. Lindsey: You're done?

An Honourable Member: No, I have a couple more questions.

Mr. Lindsey: Okay, and I have a couple more questions.

Mr. Gerrard: Okay, one of the, you know, key factors in terms of being able to run a corporation is to understand and mitigate risks, and one of our jobs as MLAs is to have some understanding of the risk and the mitigation. I think, back in 2003, there was significant risk related to a drought, and what my concern is that we may well have another drought at some point, and it could be more than one year. How

well is Manitoba Hydro positioned now compared to 2003 to be able to mitigate the risk of a drought?

Mr. Shepherd: I have to admit I recall, in 2003, a drought followed shortly thereafter, so your very question makes me nervous. However, what I will tell you is that there's two aspects to that question. One is the operational aspect of maintaining service to customers and ensuring that service is reliable. And we are extremely well equipped to deal with that. We will be better equipped to deal with it with Bipole III coming into service here shortly because that will eliminate one of the system risks or help mitigate one of the system risks. We'll be even better equipped down the road when the MMTP and GNTL line is in place because that will double our import capability, which is going to help us further mitigate the risk.

But I would tell you I'm confident that today, if we entered into a period of drought, we're well equipped to ensure that service to Manitobans is maintained. The major risk associated with a drought is financial, and the reason it's financial is twofold. One is that we, first of all, in the event of a drought, won't have that opportunity energy to export. So last year there was over \$200 million of revenue come from export energy on the opportunity market; without water, you can't generate that energy, so there's an immediate financial impact. Furthermore, if the drought is prolonged or extensive, we may have to suspend other export activities, which further impact your financials. We have the ability in most of our contracts to undertake actions where required. And then the third thing is that—and this is another impact—is that we—if we get to the stage where we have to meet—generally to meet peak requirements, we either have to generate that electricity by running our combustion turbines, our natural gas turbines. Up until this year, we will have had the coal unit in Brandon available, but that unit is going to be shut down at the end of this year, and so we will rely on imports from the US market.

* (20:50)

So all of those things—it's the combination of lost export revenue plus the cost to import that impacts us financially and can have a fairly significant financial impact in the event of a prolonged drought, but I'd reassure you that operationally, we have the capability and plans in place to ensure service continuity to Manitobans.

Mr. Gerrard: I'm going to hand the question back to the MLA for Flin Flon, but I hope we might be able

to go a little bit more than 9 o'clock, and I would have a few more questions.

Mr. Lindsey: As it is 10 to 9, perhaps maybe we could explore with the committee if there's agreement to extend at least until 9:45.

Mr. Chairperson: What is the wish of the committee? Does this committee agree to sit 'til 9:45 and review at 9:45?

Does the committee agree? *[Agreed]*

So we'll review it at 9:45. Yes.

Mr. Lindsey: Thank you for that.

I just have some questions around particularly some effects of Manitoba Hydro on the community of South Indian Lake, the O-Pipon-Na-Piwin Cree Nation there. What consultations has mine-Manitoba Hydro conducted with the residents at South Indian Lake regarding the 'augmented' flow program?

Mr. Shepherd: So South Indian Lake is affected primarily by the Churchill River Diversion project that was completed quite a number of years ago. The—one of the conditions that we operate under in terms of water levels on South Indian Lake are the licence conditions that are issued by the Province of Manitoba and for—and the Augmented Flow Program is an extension or an addition to the licence condition that allows us to operate the control structures there in a certain manner to optimize hydro-electric generation.

So those situations, those operating conditions, including the Augmented Flow Program, have been in place for many, many years. They have not changed; we continue to operate them. We apply annually for the Augmented Flow Program and have to apply for an annual licence to operate it, but it has not varied in its licence conditions for many years.

So the discussions with South Indian Lake, I think, go back many years and there are different elements of those discussions. I don't—I'm not an expert on all of the different discussions, but certainly there have been consultations—extensive consultations led by the Province but with Hydro involvement around CRD, Churchill River Diversion, and those have engaged members of the First Nation as well as other members, people around South Indian Lake. There have been agreements put in place, previous agreements with the Community Association of South Indian Lake, and we continue to work and have discussions with the First Nation on a range of issues.

I can't give you all the details in terms of all the different discussions and agreements, but I would say that there have been extensive discussions over the years, and in particular the water level discussions and—and the impacts from the Churchill River development have been explored extensively through some of the consultation that was undertaken by the Clean Environment Commission.

Mr. Lindsey: Well, I don't claim to be an expert in the Augmented Flow Program or the discussions, agreements that have taken place in the past, but I know that every time I go to South Indian Lake, water conditions, water flow, water levels, fluctuating levels continue to be a big concern in that community, as it affects the community itself but also the fish stocks and their ability to earn a living.

Madam Vice-Chairperson in the Chair

So has there been any recent conversations, correspondence with the community, with the band that—at South Indian Lake on any kind of issues around water levels and the fluctuation?

Mr. Shepherd: Without getting into a lot of specifics, I would say that there is an annual letter I receive from the lawyer representing CASIL. That is not the band or the First Nation, but a community association, and they typically, every year or two, will send a letter, usually to the Province, asking the Province not to approve the Augmented Flow Program. I think the Province carefully considers that and looks at their concerns. And, as I was saying, the Augmented Flow Program has been in place for many years, and the operation has not changed.

And I know we have regular discussions with the First Nation. That would be one of the topics, but, generally speaking, that hasn't been the top-of-the-list topic with them. They're looking at a range of other issues which we continue to engage with them. But, certainly, in 2017, water levels in the North were very, very high, and so there were more concerns in 2017, which I heard from the chief and the community.

And, again, we've diligently followed our licence conditions and operated our system to remain within the water licence conditions that we've been granted. And I think I would say that when water is high, many communities in the North—I hear from them about their concerns that the water may breach their easement lines, or they may have other impacts

from those types of things. And, depending on the community, we have different agreements in place which attempt to mitigate or address those types of issues when water levels are higher than normal.

Mr. Lindsey: So is there any opportunity to change what's in the licensed agreement allowable limits for fluctuations that would have less of an impact, particularly on that community, without too seriously impacting Hydro's abilities to operate?

Mr. Shepherd: I'm trying to figure out a way to politely answer this question, but seeing as you had 20 years to address those issues, and we—

An Honourable Member: Just 17.

Mr. Shepherd: Oh, sorry. Pardon me. Seventeen years. And every year we applied for the Augmented Flow Program, and we've went through an extensive discussion with the government. I—and nothing has changed, and we continue to work to try to, you know, faithfully engage communities and meet our licence conditions.

I'd say, generally speaking, no. We believe that the licence conditions are appropriate, and we think the Augmented Flow Program is appropriate. But we recognize there's still licensing processes that go on, and many stakeholders have engagement in that, including South Indian Lake. And we continue to respectfully listen to their concerns, but I think I would have to say that we believe we've engaged constructively in the process, and we think the licence conditions are reasonable.

That's not to say that the First Nation wasn't affected and continues to be affected by hydro development. That's a different discussion. And I would be the first to say residents of South Indian Lake were dramatically affected by the Churchill River Diversion project. And we continue to engage with them to work to address those types of adverse impacts and reach, you know, further agreements that are required to do that.

* (21:00)

Mr. Lindsey: Just to clear up any misconception on your part, I've only had two years to advocate on behalf of the citizens of South Indian Lake, and, hopefully, I'll have many more years to continue to advocate, and perhaps, in a couple years, in the government so that we can maybe come up with a different way of doing things.

My question really is, is Manitoba Hydro prepared to sit down with that community and have a

fulsome discussion ongoing on how to potentially mitigate some of the pretty negative impacts that I know take place in that community with the fluctuating water levels? There may be other communities as well, but I'm certainly intimately aware of some of the issues in that particular community and, yes, it's been going on since the project took place.

Mr. Shepherd: I think, as I repeat, we're in regular communications, regular discussions with the chief council, the representatives of South Indian Lake. There are other stakeholders, the CASIL organization I talked about which purports to have its own separate representation there, and we also engage with them.

And we've engaged throughout the consultation process that was held and we'll continue to do that where appropriate, and I think we recognize fully that hydro development has an impact on communities and water levels are a concern and we'll continue to work with the chief-in-council and other stakeholders to understand their issues and try to manage them and address them to the best that we can.

Mr. Lindsey: Has Manitoba Hydro received any authorization to deviate from its Churchill River Diversion interim licence?

Mr. Shepherd: We, as I say, file annually for the Augmented Flow Program, and to my knowledge, that's the only, if you want to call it, difference from the interim licence that we follow, but we apply for that on an annual basis and operate in accordance with those provisions.

Mr. Lindsey: Let's just talk very briefly about wind farms. I understand from your presentation that Manitoba Hydro presently purchased or has had purchase agreements with privately owned wind farms to purchase power.

Is there any thought towards Manitoba Hydro developing its own wind farm generating capability?

Mr. Shepherd: Madam Chair, just a request: I'm happy to answer the question, but I have another call of nature that, if I could have a short break, I'll come back and be prepared with a very succinct and short answer.

Madam Vice-Chairperson: Does the committee agree to take a five-minute recess? *[Agreed]*

Five minutes.

The committee recessed at 9:03 p.m.

The committee resumed at 9:11 p.m.

Mr. Chairperson in the Chair

Mr. Chairperson: Okay, welcome back, ladies and gentlemen. We'll call the committee back to order and we'll—Mr. Lindsey.

Mr. Lindsey: I just had a couple of questions about wind farms. And I see in your presentation that the—Manitoba Hydro presently purchases power from privately owned wind farms.

Does Manitoba Hydro have any plan to get into alternative forms of energy such as wind farms?

Mr. Shepherd: We aren't in discussions—at least, serious discussions—with any wind farm proponents at this time. That would certainly—wind farms would certainly be an option should we look at future generation alternatives, but that's probably well down the road given our current resource plan.

We are in discussions with a number of proponents that are interested in solar energy production, and, you know, we obviously look at those with respect to whether they make sense for Manitoba Hydro to enter into those discussions. Obviously, the existing wind farms are long-term contracts, and they're largely not that economic for Manitoba Hydro in that, you know, we're obligated to purchase energy from the wind farm, and there's a significant loss on the sale of that energy.

So any new arrangements we enter into, we're certainly looking at ones that don't have those types of impacts to our finances.

Mr. Lindsey: So, I know that there's communities still on diesel in the North, and I understand there's some movement towards some limited solar and possibly geothermal. Is there any plan from Manitoba Hydro to get those communities off diesel in the near term?

Mr. Shepherd: As you probably know, the four communities are heavily—the provision of diesel services in those communities is—I guess I'd use the

word subsidized—heavily supported by the federal government.

And so we've been in regular discussions, both with each of the communities and the federal government. We have concerns that some of the diesel infrastructure is getting old and less reliable. And we also have concerns that each of the communities has their own individual view on what they would like to do. So—I mean, it's not a matter of us coming up with a plan of our own. We have to work with the federal government as well as each community, and so we continue to do that. At least one community has received some funding through the federal government to support a small solar installation, and we're working with that community to integrate that solar into the diesel system. And, you know, the benefit of that will be some potential reduction in fuel consumption.

Generally speaking, solar additions to diesel don't replace the diesel system. They may augment it. They may reduce the amount of fuel consumed, but you still need a diesel system there. And so we remain in pretty intensive discussions with the federal government around how to address the—both the reliability concerns as well as the fact the communities are growing, in some cases, and so the load on the system is growing. But there isn't a definitive plan other than this one community that is installing some solar. There isn't a kind of a definitive plan that the communities and the federal government have signed onto to totally displace diesel.

Mr. Lindsey: Do you think that there may be an opportunity for wind power as opposed to just solar to augment, if not totally replace, the use of diesel, recognizing that as conditions continue to warm up, some winter roads will be less reliable so the ability to supply diesel is going to become that much more difficult? I know Tadoule Lake, for example, their winter road was real late, if it ever did get open, and they actually had to use Manitoba Hydro diesel to supply home heating because they were out. So do you think that perhaps maybe there should be a push for either hydro lines running in there, which, I suspect, would be horribly expensive, or some other augmented form of alternate energy?

Mr. Shepherd: You know, there isn't a silver bullet solution. I know there's desire and I understand the desire to displace diesel. You know, it's a fossil fuel. People would like to get rid of it. I was recently in discussions with my Canadian electrical association

colleagues from Yukon and Northwest Territories and Nunavut. Many of them are struggling with the similar issues. So there are opportunities to look at augmenting. You know, solar is one. Wind may be one, although the wind resource has to be looked at. Some communities are interested in pursuing small hydro. It's got some challenges too. And you're right, there are at least one community that I'm aware of that has said they want to open a grid connection, period. But it—you know, the grid connection costs are very large, estimates in the order of 1 and a half billion dollars, which are not going to be supported for those small communities.

So we're going to continue to engage the community. Each community has a different view. Some are looking at biofuels, you know, wood chip or other types of fuels. Some are interested in pursuing solar.

And we're going to continue to work with the federal government because, in the end, they have to supply the large majority of the costs to serve the community, and so it's not a decision Manitoba Hydro can take on their own. And we recognize that, so we have to work with all those parties and try to find the right solution. But there isn't—what I can tell you is there isn't a really good silver bullet to solve these particular problems.

* (21:20)

Mr. Lindsey: How much installed solar capacity is there presently in Manitoba, and have the number of applications to the solar program—how many applications has Manitoba Hydro received since the solar subsidy and incentives ended?

Mr. Shepherd: So I can give you some information from memory, probably subject to qualification if I have misremembered something here, but I'm happy to do that, give you more detail. But I think, overall throughout the program, we received about 1,100 applications. The applications under the pilot program, which was eligible for the subsidy, ended as of April 31st.

There's a fairly significant backlog of applications that were received that still have to go through the processing stage, so there's certainly nowhere near that number installed, but there's a significant number—you know, well over a hundred, I believe—that have been installed and others that are in various stages of installation.

And, you know, our commitment is, if you put an application in, we will support that through to

the installation. It just may take some time to go through. I don't remember offhand what the capacity installed today is. I believe—and this is from memory, and we can correct it if I'm wrong, but I believe, if all of the applications—which I don't think will happen—but if all of the applications proceeded through to installation, it's probably on the order of 50 megawatts.

Mr. Lindsey: So, just to clear up for myself, there's been 1,100 applications under that program. The program is presently concluded, but of those remaining, approximately 1,000 applications, they will still be eligible for the subsidy and incentives even though the program is done, if the applications are approved?

Mr. Shepherd: So I should attempt, anyways, to clarify that the program itself—there is only one incentive with the program, and the incentive is a capital subsidy for the installation of the system. It's about \$1 per watt.

When the program was originally designed, it was felt that would be a subsidy of 20 to 25 per cent of the cost of a system. With falling system costs, the impact of that subsidy has grown. It's probably maybe a third of the cost of a system. So, in effect, because of change in the last two years, technological change, the impact of the subsidy has gotten bigger. But that is technically what the program is. It's that up-front subsidy.

We also have a policy around interconnecting. It's called our non-utility generation policy, and for smaller systems like the majority of these are, it outlines the—that we will purchase excess power at a certain rate.

Partly, and as a result of the significant learnings from the program around the economics and the impact, we have changed that policy, and we provided notice to customers earlier this year. But for anybody that had applied and whose application had been accepted prior to that change, we're honouring the previous policy for a 20-year period because we recognize that people entered into investments under an assumption around what the purchase price would be.

But one of the key learnings—and this is one of the reasons we do these pilot programs—is to understand the economics and understand what makes sense. It became very—it's become clear to us that the economics of this have changed, and, in fact, we needed to change our non-utility generation

policy to adapt to that. But we recognize that, you know, customers that signed up under the pilot did it under a certain policy, and so we've essentially decided to grandfather those customers to ensure they're kept whole in their investment.

Mr. Lindsey: When will Hydro submit its application to the Public Utilities Board concerning the rate at which Manitoba Hydro will pay solar customers for the excess power that they provide to Manitoba Hydro?

Mr. Shepherd: That's a very good question. In PUB Order 59/18, the PUB directed us to pay all net metered customers a specific rate and directed us to return to the PUB with an application. We have filed a review and vary on that part of the order, and our position—and I think it's very clear under the act—is that the PUB does not have the power to set rates to purchase power, and so that's the basis of our review and vary.

So we'll follow the PUB order in the interim, although that's causing, I think, a certain amount of consternation from customers who believe that their rate would go up. With 3.6 per cent they're being held flat based upon the PUB order, but in the meantime we'll go through the process with the PUB and we believe the PUB's exceeded their jurisdiction and under the act they don't have the authority to set those rates. So we'll go through that process, and we'll see where it goes as we go through the review process with the PUB.

Mr. Lindsey: I could go on and ask a bunch more questions around this, but I'll turn the questioning over to my friend from Fort Garry-Riverview.

Mr. James Allum (Fort Garry-Riverview): Ms. James, welcome to the table tonight and congratulations on your new appointment. We really genuinely do hope you're successful, on this side of the table. Manitoba Hydro's very, very important to this province, and I know you—we share that same opinion. So we wish you all the best.

And, Mr. Shepherd, welcome back to the table. Glad to see you again.

I think it's been a really productive dialogue between you and my friend from Flin Flon as well as the member for River Heights (Mr. Gerrard), but I have to tell you I'm a little puzzled by some of the answers that you gave to Mr. Lindsey earlier. So I just want to review a few of them, if that's okay. No, we're going to do it anyway, but if that—how would

you characterize Manitoba Hydro's financial position right now?

Ms. James: How would I characterize Manitoba Hydro's financial position? I'm still learning. It's been a couple of months since we've come in. We're—I'm not deep enough into it to have a position. I've studied the PUB submissions. There's large amounts of paper, there's differences of opinions, and for me to say that I fully understand the depth and breadth of what's been reported is too soon for me to be sure. I do know that over the next while we will dig into that as a board of directors, and that's the best answer that I can give you right now.

Mr. Allum: Thank you, I appreciate that and I recognize three months, and it's hard to have a handle on it. And, you know, I think Mr. Shepherd said in his presentation that Hydro put 40,000 pages into the PUB and still they couldn't get the right—rent increase—the increase in rates that they wanted. That makes you wonder why it took 40,000 pages not to get the result they were after, but there you go.

I guess I just find it really hard to understand that the former board resigned because the Premier (Mr. Pallister) would not meet to resolve—and I'm quoting here—to resolve a number of critical issues related to the finance and governance of Manitoba Hydro. End quote.

Do you know what those issues were related to finances and governance that caused the other—the former board to resign?

Ms. James: I can't comment on the former board. I wasn't involved with the board at that time. You know, what I can say is that we're very quickly as a new board trying to bring ourselves up to speed to deal with the challenges and risks associated with Manitoba Hydro. I mean, I believe there's public commentary on the position of the previous board.

* (21:30)

Mr. Allum: I agree to—I read the same articles, as I'm sure everybody around the table did, but I have to say if—and no one's ever going to appoint me to your position—but if I was appointed to that position, the first thing I would want to know is what were these critical financial and governance issues that caused 10 people, and 10 people of the establishment in this—nine people in this—guess one other—not sure what he does—but nine people from the Manitoba establishment to resign? Wasn't that the first question you asked, was, what were these finance and

governance issues? Wouldn't that be the first and most important question you ought to have asked?

Ms. James: When you take on a role like Manitoba Hydro—certainly, I'm proud to fulfill this role as the chair, okay. Manitoba Hydro is a huge, complex ecosystem that has had a previous board that believed a certain direction. The new board will certainly study what that direction is through management. We're starting to have our second meeting, moving from situational into a deeper level of understanding of the financial implications for which we will work with management to set direction to improve those circumstances.

The previous board, I can't speak to the direction that they undertook. We'll be taking our own direction and own deep dive into Manitoba Hydro.

Mr. Allum: Well, I appreciate that, but you yourself are on record as saying tonight that the mandate letter provided by the minister—actually, the former minister. Government's been around two years, and they've already had two minister and two boards of Manitoba Hydro. It's quite a record of accomplishment.

But I think—I hate to have to tell you about doing—how to do the job, but I find it—frankly, I'm kind of incredulous that you didn't ask what the finance and governance issues were before even accepting the position. I think most of us around the table would want to know what went so dramatically wrong in such a short period of time in order for you to be able to address it as the new board—in fact, a new half board because the Crown Services Minister has taken forever to actually just name a complete board. And I'll get to him in a second.

But I want to just ask you one more time: Are you saying that there were no finance and governance issues of critical importance that you thought worthy of asking about or you didn't care about them, or what exactly was the position? The member from St. Vital has an objection to the line of questioning. I'm sorry if I'm offending you; I'm certainly not trying to. We have an obligation on our side of the table as to try to understand what the dysfunction was at the heart of the former board other than they wanted a conversation with the Premier around critical finance and governance issues and couldn't even get a meeting with him.

So I'm just—I want to be sure that you're well-positioned to succeed, and so I want to ask you again: Are you saying that there were no finance and

governance issues that you've encountered that would have—that you would see any reason why the former board would have resigned?

Ms. James: I'm again not going to speak to what the decisions of the previous board were that—I wasn't on the board at the time.

What I will tell you—you asked me how I could make a decision like that without undertaking that. I can tell you that, as a citizen of Manitoba, the largest Crown corporation is of extreme importance. My skill set running businesses and providing governance is such that I felt that it was appropriate that I step into the role and move the organization forward. It's critically important to all Manitobans. So to me it was a matter of the utmost importance to step up and undertake what needs to be done from here forward.

Mr. Allum: And bravo in that regard. I'm glad you did. I mean, people have to step forward and take on these roles. There's no argument about that.

But I am kind of concerned for you that you're being set up for failure if you don't go in and ask what were the critical issues that caused the other board members to resign. I mean, it's like having—buying a new used car. You don't ask what the service record of the car was prior to your ownership of it? Of course, most of us would ask that kind of question. And yet what we're hearing from you tonight is something quite different, that either those issues didn't exist, which—I doubt it because, you know, you had nine people that did resign from the Manitoba establishment here. We're not talking about people from, you know, hither and yon; we're talking about the Manitoba establishment who up and resigned.

So I'm kind of concerned for you that you're going to be set up for failure unless you fully appreciate what those governance and financial issues were that the former board was so desperate to talk to the Premier (Mr. Pallister) about, and yet he wouldn't even give them a second for that meeting. That doesn't concern you going forward at all?

Ms. James: The corporation's fiscal health and mandate concerns me. We'll approach, as a go-forward board, our responsibilities with risk—enterprise risk management, the way that corporations run those today. We'll take into consideration all of the materials that have been put together from the past and come up with a business plan, which we're meeting about this week, to

ascertain what directions we're going to go, including understanding better the previous board's position. That's the best that I can tell you at this time, except for understanding enterprise risk management is foremost in our minds, as is the business plan to go forward. I can't speak to the previous board; I can only speak to going forward.

Mr. Allum: Well, thank you, I guess I just—it's inexplicable to me, frankly, that you haven't—that you didn't inquire as to what those issues were, have they been addressed yet, are you satisfied that they can be addressed. I mean, I know that you're only three months in, but in that three-month window, one would think that that would have been the central issue if you were ordered to take a very dysfunctional situation—which it clearly was or you wouldn't have had nine members resign—and turn it into a functional and stable situation.

Did you—so I think you told Mr. Lindsey, but I just want to be sure: You've never spoken with Mr. Riley about any of these issues at any time?

Ms. James: No, I have not spoken to Mr. Riley.

Mr. Allum: You—do you expect the strategic priorities of the new board to change from what they have been, and can you tell me what they are?

Ms. James: It's—as I said, we're having the board meeting this week. The strategic priorities are not shifting. I believe Mr. Shepherd mentioned that, and I know from my own perspective I really want to elevate a number of items especially surrounding the position of financial stability, sustainability. And, at the same time, you know, we have to deliver on aging infrastructure, customer experience and, you know, it's very important on our indigenous communities at the same time to do that. You've—we've gone through what our foundational principles are.

You've asked me if I anticipate any major shifts; this is a well-run, long-standing Crown corporation. I expect that we will exercise good judgment in governance, and, again, I know I've said moving it forward, but that's the best thing that we can do. We're faced with a difficult circumstance; we're new; the amounts of paperwork to go through are, as I mentioned, monumental. We're doing our best to get up to speed, and you can rest assured that even if you feel that I needed to ask those questions, I'm committed to the organization. We'll sort our way forward, and that's—I don't believe there's anything wrong with stepping up, coming in with the best

intentions to make the best directions for this corporation.

Mr. Allum: I think that's all well and good, I'm just concerned for your well-being and the future well-being of a Crown corporation when you don't actually explore what happened, what went so terribly, terribly wrong with your predecessors. I guess that's just me, but I would want to know.

The old—the former minister, prior to the most recent minister in a line of ministers that we have around this issue, described Manitoba Hydro as being bankrupt. Do you agree with that analysis?

Ms. James: I'm going to defer to Mr. Shepherd on that.

* (21:40)

An Honourable Member: Mr. Chair?

Mr. Chairperson: Mr. Allum.

Mr. Allum: I'm sorry. The question is for the new chair and CEO. Deferring to Mr. Shepherd—and I have great respect for him. I'm sure he—I know what his answer's going to be. We're curious to know what your answer would be.

Mr. Chairperson: Ms. Allum.

Floor Comment: I believe that the financial risks and challenges for the corporation are significant. And when—what is it, 3 out of 5 dollars that will be borrowed by the Province will relate to Hydro debt? So do I believe that we're in a difficult position? Absolutely.

Mr. Allum: But you wouldn't go so far as to say that, like former minister Schuler did, that Manitoba Hydro is bankrupt? You wouldn't go so far as to say that?

Ms. James: That's a difficult question to ask at this juncture.

Mr. Allum: Well, I would hope, as the new board of Manitoba Hydro—I mean, I went through the four reports that we're looking at tonight. I don't see anywhere in there where it would suggest that—while there are some challenges, there's always been challenges with Hydro since its inception, and there are always going to be challenges with Hydro now and into the future. That's understood. People who understand the history and the context of Manitoba Hydro know that it goes—you know, it's a bit of a roller coaster ride.

Those don't go away but, frankly, we regarded that as a terrible characterization, and I would have hoped that as the new CEO for Manitoba Hydro, for all of your customers, both domestically and internationally, to assure them Manitoba Hydro was nothing like being bankrupt. In fact, it's in fairly solid financial position now with some challenges going forward.

An Honourable Member: Significant.

Mr. Allum: And—well, the member for—

An Honourable Member: Transcona.

Mr. Allum: —Transcona (Mr. Yakimoski) wants to have a different opinion. That's up to him. But I read the four reports in front of us tonight. I don't see anyone lighting their hair on fire over Manitoba Hydro's financial position. I—in fact, if you read these quite closely, you would say challenges, but in fact, it's on pretty solid ground.

For example, can you tell me what Manitoba Hydro's retained earnings are right now?

Mr. Cullen: An interesting cross-examination going on here tonight.

You know, you talked about a difference of opinion with the previous board and government. And if anybody should know difference of opinion, it should be the NDP. And NDP talking about being dysfunctional—I mean, if there's anybody that knows dysfunction, it should be—it's the NDP.

Mr. Chair, I mean, when Keeyask comes online, Manitoba Hydro is going to have a debt of \$25 billion. That is going to result in over \$1.3 billion a year of interest payments alone. And, you know, domestic revenue right now is, you know, \$1.8 billion. So, I mean, it doesn't take a rocket scientist to do the math to figure out what a challenge is going to face Manitoba Hydro. It's—I mean, it's on the 'timerine'—on the horizon. You know, we put other risks up here and, clearly, previous decisions that were made—political decisions that were made have put Manitoba Hydro in this situation.

So it's going to take a big effort to get the wheels back on the bus here and, obviously, over the long term, for sure. So my—clearly there was a disagreement with the previous board and government. You know, we've got a new board in place. We're going to do everything we can as a government to make sure that board has the tools to

be successful because we want the board to succeed, and we want Manitoba Hydro to succeed as well.

Mr. Chairperson: Okay, thank you.

And just before we recognize the next question, the time is 9:45, and so what is the will of the committee? *[interjection]*

Yes, Mr. Lindsey.

Mr. Lindsey: I'd suggest another half hour.

Mr. Chairperson: Okay. Another half hour has been suggested. Is the will of the committee to—agreed? And we're going to rise at—in half an hour?

An Honourable Member: Guess we'll have to review it.

Mr. Chairperson: That's what I need to know.

An Honourable Member: Then I would suggest a half an hour and review it at that time and, hopefully, it will be complete by then.

Mr. Chairperson: Okay, so it's suggested that we review at 9—or, pardon me, at 10:15 p.m. we'll review where we're at. So the committee agree? *[Agreed]* Okay and so moved.

Mr. Allum: I thank the minister for that unnecessary and untimely intervention. I asked the CEO—or the new board chair what retained earnings are of Manitoba Hydro for very good reason. I'm not sure that the new minister knows what the retained earnings of Manitoba Hydro is, but maybe the next minister will. I'm uncertain about that. Let's move on, although retained earnings are actually quite important to the financial position of Manitoba Hydro and its ability to pay its debt down.

Are you frustrated by the minister's slow ability—his slow ability to fill out the full board numbers to the full, complete numbers of 10, I guess?

Ms. James: I'm not frustrated by that. We welcome the additional board members. It's difficult when you bring in a board and go through all of the deep orientation and then you're going to bring in more members. It will be more learning and the synergies will be off pace, but we're looking forward to filling it out. There is a tremendous amount of work ahead of us. Not a day in my day goes by without it being a Hydro day, and it's tremendously important. And so the board is all very dedicated to learning what they need to do and very dedicated on behalf of Manitobans to moving the organization forward.

Mr. Allum: You said they—chair—board chair said a few moments ago that you'd be approving a new business plan—sounded very soon. Will you be—will the board be doing that with half a board or with a full board?

Ms. James: We're being presented it this week at the board meeting and look forward to receiving it, and we'll go forward once we've seen it. Maybe it will go back for some revisions, not sure.

Mr. Allum: Thank you for that. So just a little confused. You said, you know, with the new folks coming on, whenever they come on they're going to have to get up to speed and you've said yourself, three months in, you're still trying to get up to speed. So, if you're waiting for the full board, it may well—to approve this plan, this business plan, that it may well be six months, eight months, 10 months down the road before they're up to speed, assuming the minister actually gets to the business of appointing new members, which it seems to me you asked about just a couple of months ago.

Or the other alternative, which I'm not sure about that one either, is you get the business plan and you approve it with half a board without the input of all those necessary skills that you identified in the letter to the minister just a few months ago.

So I don't know whether—which of those is very good, but I have to tell you neither of them seems very good for Manitoba Hydro or for the primary shareholders of Manitoba Hydro, the people of Manitoba. So I'm a little bit concerned about that.

I asked about strategic priorities because you told my friend from Flin Flon that sales for export were a priority for the board and part of the mandate. But on the four priorities that you kindly shared with us, export sales, revenue generation, does not peer—appear to be part of the strategic priorities of the board, then or now, or going forward. And so I'm a little uncertain about conflicting signals being sent here.

On the one hand, you say yes, sale—export sales are a priority, yes, it's part of our mandate, but you—nobody bothers to list them as part of the four strategic priorities of the board. So can you help me with—to understand that seeming lack of balance?

Ms. James: I'll defer to Mr. Shepherd. *[interjection]*

Mr. Chairperson: Yes, Mr. Allum. I needed to recognize you first. So go ahead, Mr. Allum.

* (21:50)

Mr. Allum: Mr. Chair, sorry. With—respectfully, this question is for the board chair of Manitoba Hydro, not for the current president of Manitoba Hydro. He's kind of laid his cards on the table earlier with some messaging that's right out of the Tory message box, so I don't need a particular answer from him. I'm asking the new CEO here just about these kinds of questions.

Mr. Chairperson: Okay. Thanks.

Ms. James, when you're ready.

Ms. James: So I believe the first thing that I said was restore financial stability. So revenue generation is certainly a part of financial stability. And as our operating costs and capital investments and rate action—rate criteria—and so financial stability includes that matter of export revenues, and it's holistic when you look at financial stability.

Mr. Allum: I agree with that completely, and so that's where we would find it under the strategic priorities. It might be helpful next time for Manitoba Hydro to indicate to the rest of the world that this is—I mean, I think you're from the business community. I'm no businessperson myself. Trust me on that. I think you're getting a good sense of that right now. But I've never heard anybody in the business who doesn't say the first thing we ought to do is grow our business.

And yet in everything you've said up until now, that doesn't seem to be quite the priority. Yet if you're going to generate new revenues for Hydro, that's how you're going to deal with some of the expenses that you have. I think that that's kind of matter of fact.

Can I ask you, then—I'm glad it is a priority. I hope the first thing you say to Mr. Shepherd in the morning is get on with selling more hydro to other places. Saskatchewan's 75 per cent coal generation right now. Not only do they need it, this country needs for hydro exports from Manitoba to Saskatchewan to get those guys out of the coal business just from climate change alone. So I hope you get in there tomorrow morning and have a good conversation about that.

How about domestic revenues? Any thoughts around trying to increase domestic revenues outside of rate increases? Other domestic revenues for Manitoba Hydro, is that a priority for the board?

Ms. James: So I do have a background in economic development. Obviously, business

investment attraction is an important part of growing the base. New home development—I am the CEO of the Winnipeg Real Estate Board. So, provincially, new home developments, any type of development, help to grow our consumer base. Population attraction, attraction of newcomers to this province, all of those help us build out domestic revenues.

Mr. Allum: Well, I think that—I think I agree with you on—all of those things are critically important. I mean, during our time in government, those 17 years that Mr. Shepherd referred to, of course we know that about 150,000 new people came to Manitoba, and the size of our economy doubled during that time while having still the lowest—among the lowest unemployment rate. So, I mean, lots of things were chugging along quite well, including Manitoba Hydro for that time.

But I asked you about other creative ways to generate domestic revenue. For example, just off the top of my head, would it be appropriate for Manitoba Hydro to have a conversation with the minister and maybe New Flyer and the City of Winnipeg about electrifying the bus fleet? That would produce quite significant and dramatic uptake of hydro usage. Mr. Shepherd assured us he had lots of hydro to sell. And, in fact, we made these kind of recommendations. I'm sure you read our submission to the PUB.

And so I'm wondering whether or not you see those kind of innovative solutions, both to address climate change, but also to help Hydro pay the bills. Is that something that the new board might see as a priority?

Ms. James: We'll still—we're still reviewing the plan. The plan will be coming forward. Innovation is an important part of Manitoba; I'll give you that. I mean, New Flyer is a stellar part of our community, and we would be remiss as a board if we didn't understand what other possibilities exist to grow Manitoba Hydro's business, and we'll look forward to understanding those complexities. And we will, like any board, undertake our responsibilities to dig deep so that we don't miss any opportunities for the benefit of Manitobans, the Province and our customers.

Mr. Allum: Well, excellent. We're very happy to hear that, and I look forward to the next opportunity or whenever it is down the future when you come in to this table and say, look, we did it and so, you know, nuts to you. I hope that happens, I really do, because that's not only, as you pointed out, good

green jobs in Manitoba, it helps to address climate change while also helping with Manitoba Hydro's bottom line. Win, win, win all the way around. So I'm quite happy if you show me up the next time we get a chance to talk on those kinds of things and we'll look forward to the business plan, whether it's approved by a half board or a board that's not quite up to speed. We'll figure that out, but I want to thank you for answering questions tonight and appreciate you coming in.

And I just have one final question, Mr. Chair, and that's just for the minister: What in the world and why has it taken you so long to fill out the board complement? Why?

Mr. Cullen: You know, when we appointed the new board, we sat down with them and said, you know, here's—I think it was six we appointed off the top to get them going, and we had the conversation about, you know, you guys get your—get a feel for it, get your feet wet, and see how things go; through your discussions you're going to want to figure out what skill set you need at the board. So they gave us a recommendation a little while ago in terms of what they wanted at the board. We think we've found that skill set for the board. We're obviously working through our internal process, selection process, review process, and, ultimately, it's a Cabinet decision that will put these board members in place. And you will be apprised of the new board members very, very shortly.

Mr. Gerrard: Yes, I'd like to come back and talk a little bit more about where the risks are. We've got a circumstance where the cost of natural gas from fracking has remained low and looks like it's going to stay relatively low for some time. We've got a situation where, although people talk about the coal-generated electricity in Saskatchewan, quite a lot of that is from Coronach in southern Saskatchewan. I was there recently. That plant will operate until 2029, so it's not going to provide a huge demand.

So I have a real concern. We've got a highly competitive market; we have—because lots of states and provinces are looking very heavily at demand-size management and it's decreasing the rate of electricity quote. Where—you know, where do you see—either one of you—where, you know, we're going to be able to see a window where things are going to work for Manitoba Hydro?

Mr. Shepherd: So first I should just correct—people that think Saskatchewan has 75 per cent coal

are mistaken. They have substantially less coal generation, and they have substantially more natural gas generation. However, they are planning to reach a 50 per cent renewable target over the next 12 years or so. Many of their coal plants—the one you're at probably is one of the later ones. They are going to phase out coal over the next 10 to 15 years, and they are going to probably invest substantially in wind, and so they clearly are going to have to find ways to make that energy reliable.

*(22:00)

And so we're engaged in discussions with them. There are—you know, we're building a new, relatively small transmission line from Birtle to Tantalton. It's required to fully support our existing 100-megawatt sale. We're actively in discussions with Saskatchewan about how we can optimize our interconnection that we have and get the most value out of it. And I'm confident that, as we go forward, there'll be an opportunity to do that, but it's got to be a win-win. They're not what I would call dependent on having access to hydro. They could choose to build natural gas to back up their wind, and they already are building some natural gas to help them do that, and so we've got to be competitive and find ways to—that are win-win, that we can deliver energy that is incrementally valuable to Manitoba versus our current access into the US market.

I think you're very correct, Dr. Gerrard, that I don't see, at least in the next five years, the forecast for natural gas is continuing to show an abundant supply and low prices. And that combined with—in particular, in the US—wind subsidies, means we don't see a quick recovery in terms of export prices on the opportunity market, in particular. They've been depressed significantly from highs that would have been in the early 2000s in the \$80 to \$100 per megawatt, and today they're roughly about \$30 a megawatt. That's a reality. That's something our business faces.

But we've contracted a significant amount of energy. The energy that'll come on from Keeyask is basically going to—it's basically fully contracted, so it's not like we're dealing with huge surpluses of energy here to go out and sell. We have some major contracts that expire in the mid-2020s that we have to work on either renewing or finding new customers for. We have some smaller opportunities to fill in the gaps, and we're working on those. And—but ultimately, we will try to optimize and get as much out of our export capability as we can.

As you would appreciate, trying to forecast 15 or 20 years out is very difficult. Demand-side management is one of the things that will impact either how much energy we need in Manitoba or how much surplus we have to sell. And so, right now, we have a forecast. It's the best one we have because it's the approved DSM plan that Manitoba Hydro has approved, and it will achieve about a 1.2 per cent annualized saving over the next 15 years.

Now, I think, as you know, bill 19, Efficiency Manitoba, sets a target of 1.5 per cent, so higher. So if that target is achieved, that will reduce consumption in Manitoba at a cost and generate more surplus for export, which—you know, fair, we'll look at what we have to do and try to find the optimum value, but at this point, we have the plan we have. Efficiency Manitoba, when it's up and running, will be mandated and required to go to the PUB for—to review their efficiency plan, and they'll look at the cost benefit and economics of DSM and whether it should be more or less or whether it should be shaped differently to have more efficiency now or in the future.

That's just one of the things that goes into our financial plan. And it is difficult to get—the one thing I can guarantee you is the plan with all those forecasts in it is wrong. I just can't tell you what pieces of it are wrong and by how much because a forecast is just that. And the further out you get, there's more variability in it. So we update our forecasts regularly. We go through it every year. Our board reviews it. We understand the risks. The Public Utilities Board reviews these things regularly in our rate applications. And I'm confident that, you know, we'll work through and develop the best balance of plan we have between resource development, exports, adjusting to whether it's DSM or different economic conditions in Manitoba, as we always have, because, you know, you continually readjust the windage and all these things on an annual basis.

I think natural gas is going to be an important source of energy for Manitobans. I mean, it's a low-cost solution. I know there's people that are concerned because it's greenhouse gas emitting, but, to give you a sense, I mean if you wanted to replace all of the natural gas used for residential heating in Manitoba, we would have to more than double the electrical system in the province. It's just not going to happen quickly or cost effectively, and so there's a

good side to natural gas being low in that it's efficient and cost effective for what it does.

We have a climate change plan, an efficiency plan, and over the next 15 to 20 years I'm sure we'll see a transition away from more fossil fuels into electricity and we'll be there to support that.

Mr. Gerrard: Yes, as a corporation, you've been approaching the PUB for increments or increases in the price of electricity of—on the order of close to 8 per cent a year. That would obviously have severe impacts on people of low incomes. It has been put forward that the only way that you might be able to avoid having those large increases would be to have the government of Manitoba take over several billion dollars of Manitoba Hydro debt and to put Manitoba Hydro on a more financially sustainable course. I wonder if you'd comment.

Mr. Shepherd: Certainly, I'd be pleased to comment on that.

I think the corporation, in its application to the PUB, tried—I'm not sure we were successful in being heard, but we tried to explain some of the challenges, and there is no doubt that part of what we're concerned about is the risk associated with a very large amount of debt. And we talked previously about the drought risk. And I know people have said, well, you've got \$3 billion of equity—I do know the number—and that's more than enough to cover a drought, and so what's the problem? What's the problem?

And I would say the problem is that that equity is not cash, and when you—and while you—if you get into a drought, you are going to have to borrow more to fund your operations during the drought, and when you have \$25 billion of debt and there's no plan to repay it back for 10 or 15 or 20 years, you're exposed to the substantial risks of leverage and interest rate increases.

Now, I'm not saying that that requires a knee-jerk reaction, but, obviously, the sooner you take rate action—which, I agree, 7.9 per cent was our request, that's a substantive increase and it would have had difficulties. The sooner you do something, the more beneficial it is. I think my concern, just from a risk point of view, is that a plan that has Hydro going along with a very large debt load for many, many years without really generating much in the way of positive net income and exposed to the risk of borrowing more to fund its operation during a

debt and borrowing more to fund its interest costs. If it's exposed to that, that's a significant risk.

Now, we're going to have a technical conference. The PUB has ordered a technical conference and I look forward to it, and they're going to—you know, one of the goals of that is to understand what should the appropriate financial targets be. For 25 years the PUB has accepted a 25 per cent debt-equity ratio as a target, and we're nowhere near that ratio and won't be for many, many years. And all that that is saying is that you're overleveraged.

So it's a different risk. I think at the end of the day we all have to be cognizant of the fact that, as I put it, the deal is not that the government should have to bail out Manitoba Hydro. The deal is the government provides us access to effective debt, but our customers, our ratepayers, are on the hook to pay the costs of electricity. And so, if we continue to run the business in a way that doesn't generate much net income and continues to pile up debt, customers are on the hook.

* (22:10)

And my view is that that's the deal. The deal is not that the government—and we should never let ourselves get in the position where the government has to step in and bail out Manitoba Hydro, but that's my own view. I've made that clear to the PUB and I'm happy; I'm looking forward to working with our new board as we work through strategy. I realize I'm going on a little bit longer here but I would tell you that the previous board spent six to nine months to go through these things. They had the benefit of very expert consultants and advisers in the form of BCG, and I think our new board is working through these things in a very expeditious way, and we would expect them to go through a review of strategy and finances. And I'm sure they'll come up with what they think is the best way to manage the company going forward and happy to work with them on it.

Mr. Cullen: Just in terms of some requests earlier on in the meeting and trying to be as efficient as possible, we will provide to the member for Flin Flon (Mr. Lindsey) the previous mandate letter drafted to Minister Schuler; the framework letter originally drafted to the previous chair, Mr. Riley; as well the orders-in-councils for the Efficiency Manitoba board of directors and all the respective bios for that board, too. So—

Mr. Chairperson: Mr. Allum.

Mr. Allum: I just want to follow up on what—Mr. Shepherd's dialogue with Mr. Gerrard just briefly because I was here the first time you were in here with the first board chair under the Tory regime, and at that point, either the board and, I think, Hydro paid Boston Consulting Group—it was an untendered contract; they never actually went anywhere, never actually left Boston—but it was \$4.2 million, maybe 4.3, maybe 4.4 that was paid for that consulting advice that was kind of like, I don't know, \$150,000 a page or something like that.

But I distinctly recall at that meeting and then in Boston Consulting that both—you supported both Keeyask and the construction of Bipole III. Have either of those things changed in your mind? And if they haven't changed, then it's understandable that the corporation would take on a significant amount of debt in order to build both Keeyask and Bipole III. Has that changed from the last time you were here?

Mr. Shepherd: Well, that's an excellent question and you are correct. It was \$4.3 million. However, BCG spent considerable time on the ground here, so it isn't like they did it remotely.

But—so first, where we are today—I mean, Bipole III's about to go into service. It would be insane not to suggest that we put it into service and get the benefits that come from the project. I strongly believe there is a real reliability risk. I think BCG pointed out there was a real exposure and that Bipole III was an effective way and required to support that. So it's not like I could save 4 or 5 billion dollars by not doing it. It was well advanced at the time of the BCG review; they looked at many alternatives and concluded we should complete it, and therefore we've carried on to do that.

They came to a similar conclusion on Keeyask, and I—what I would tell you is that the economics around Keeyask have deteriorated significantly. We presented those to the PUB, but the right decision, given where we're at today, is to continue to complete Keeyask, and therefore it is one of our key priorities to do that at the least cost and as close to the schedule that is required as we can.

And so, you know, we're focused on delivering those because we think, given where we're at and given the situation at the time, completing those projects was the best thing to do in the situation. So I'm not debating that. I mean somebody else can go back and debate what the right decision was 10 years ago. I'm not interested in that; I'm interested in today. So completing it is the right decision today, but it

doesn't mean that it hasn't created a significant financial pressure, and that's all we're suggesting, is that—and all I'm suggesting is that the company's highly leveraged and when you're that highly leveraged you're exposed to risk.

I know there's a lot of focus around drought. But I would tell you in my view the biggest risk the company faces, really, is 25 or 26 billion dollars of debt that there is no plan to pay back or to pay down, because that risk is not going to go away. A drought comes and it goes; it won't last forever. But unless we have a plan to address the capital structure of the company, the balance sheet, that's going to remain a significant exposure for a period of time.

And so, I think, we're doing a right thing by finishing Keeyask, we're doing a right thing by finishing bipole. I think BCG said that was the right thing to do. I agree; I supported it. But they also said that we had some significant financial challenges and, I think, that's what we need to focus on.

Mr. Chairperson: Thank you. Just before we go to the next question, it's past 10:15. So what's the will of the committee? *[interjection]* Oh, sorry, Mr. Allum.

Mr. Allum: Sorry, Mr. Chair. I have no more questions. I simply was going to thank the chair and CEO and members of Manitoba Hydro for coming here tonight. You know, we have an obligation on this side of the table to do our very best on behalf of the people of Manitoba, just like my colleagues on that side. So I hope you understand that all's we're trying to do here, is to do our job. And, when we do

our job well, I hope, good things happen for the people of Manitoba. So I want to thank you both for coming to—

Mr. Chairperson: Thank you very much for those remarks.

Okay, so before we rise, and—seeing no further questions, couple questions we need to put to the committee.

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2014—pass; Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2015—pass; Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2016—pass.

Shall the Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2017, pass?

Some Honourable Members: Pass.

An Honourable Member: No.

Mr. Chairperson: I hear a no.

So it doesn't pass. So that report is not passed. Okay, so because one report did not get passed, could you please leave the copies on the table? So don't take them out of the room, please.

So now that this concludes the business we have before us, the hour being 10:18, committee rise.

COMMITTEE ROSE AT: 10:18 p.m.

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