



First Session — Thirty-Third Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

35 Elizabeth II

Chairman
Mr. C. Santos
Constituency of Burrows



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**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Third Legislature**

Members, Constituencies and Political Affiliation

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

Tuesday, 20 May, 1986

TIME — 10:00 a.m.

LOCATION — Winnipeg

CHAIRMAN — Mr. Santos

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Ms. Hemphill, Hon. Messrs. Kostyra and Schroeder; Messrs. Dolin, Driedger, Enns, Filmon, Manness, Santos and Smith (Elice)

APPEARING: Mr. Marc Eliesen, Chairperson

Mr. John J. Arnason, President and Chief Executive Officer

Mr. Chris Goodwin, Executive Manager, Corporate Planning

Mr. Will Tishinski, Vice-President, System Planning and Operations

Mr. Ralph Lambert, Vice-President, Customer Service

MATTERS UNDER DISCUSSION:

Annual Report Manitoba Hydro-Electric Board

* * * *

CLERK OF COMMITTEES, Ms. T. Manikel: Before we start this meeting we have to elect a Chairman. Are there any nominations?

MR. H. SMITH: I nominate Conrad Santos.

MADAM CLERK: Mr. Santos, will you please take the Chair?

MR. CHAIRMAN: The Committee will please come to order. The first thing we have to do is to set up a quorum. Normally it is No. 6 for this Committee. Is that agreeable? (Agreed)

We shall begin with an opening remark from the Minister.

HON. V. SCHROEDER: Thank you, Mr. Chairman. We are here today to have Hydro present its report.

MR. CHAIRMAN: Order please. The Member for Lakeside.

MR. H. ENNS: Just on a matter of order. When I came in from the farm this morning, I might have missed something, but I assume we are hearing from the Acting Minister.

HON. V. SCHROEDER: I should clarify that. You are hearing from the Minister. The Premier appointed me this morning to be Minister responsible for Hydro, and Minister of Energy and Mines.

MR. H. ENNS: Thank you, through you, Mr. Chairman, to the Minister, I was not aware of that. I assumed that perhaps we were hearing from the Acting Minister. So we have a Minister responsible for Hydro. The inquiry will take longer than the Minister thought.

HON. V. SCHROEDER: As indicated last week, we have Manitoba Hydro here to present its report, and we're here to review it. I will call on Mr. Eliesen to start off with an opening statement.

MR. CHAIRMAN: Mr. Eliesen.

MR. M. ELIESEN: Thank you. Mr. Chairman, I welcome the opportunity, as the Chairperson of the Board of Directors of Manitoba Hydro, to come before members of the Public Utilities Committee of the Legislature to make our presentation on recent Manitoba Hydro activities, and to attempt to answer, in the most detailed manner, questions raised related to our operations and our activities.

It may be helpful to list again the current Board members of Manitoba Hydro. They are: Mr. Charlie Curtis, Deputy Chairman and Deputy Minister of Finance; Mr. Saul Cherniack, former Chairman of Manitoba Hydro; Dr. Edmund Kuffel, Dean of Engineering, University of Manitoba; Mr. Peter Fox, engineer and former MLA; Mr. Jack London, Manitoba Hydro; Dr. Edmund Kuffel, Dean of Engineering, University of Manitoba; Mr. Peter Fox, an engineer and former MLA; Mr. Jack London, a Winnipeg lawyer; Dr. Nora Losey, Associate Dean of Science, University of Manitoba; Mr. Clyde McBain, an engineer and businessman from Winnipeg; Mr. Roy Minish, a businessman from Swan River; Mr. William Cheater, employee representative, Canadian Union of Public Employees; and Mr. Rodman Beaudry, employee representative, International Brotherhood of Electrical Workers.

Last year, I reported to this committee that Manitoba Hydro is on the threshold of a decade of hydro-electric development which promises widespread benefits for the people of Manitoba. After nearly 12 months, I can report significant progress on those economic benefits, particularly those associated with the construction start-up of the 1,280 megawatt Limestone Generating Station.

Committee members will recall that, in accordance with Manitoba Hydro's own low forecasts, first power from Limestone was originally required in 1992 to meet Manitoba's own electrical needs. The 500 megawatt sale to Northern States Power advanced start-up by

one year and Hydro economic studies, confirmed and approved independently by the National Energy Board, showed the most profitable in-service date to be 1990.

Successes so far, providing maximum benefit from the construction of Limestone, include the following:

1. Hundreds of Northern Manitobans are being trained for Limestone jobs, including carpentry, heavy equipment operation, welding and pipefitting by the Limestone training and employment agency in simulated training centres or in local communities. Others are working towards community college diplomas in Civil Technology and Business or Degrees in Engineering in the new Native Engineering Program at the University of Manitoba. Training has been designed to meet the requirements of the job site and provide Northerners with long-term employment opportunities in construction, hydro-related technologies and business.
2. As a result of Manitoba's new purchasing policy, about 80 percent of the value of Limestone contracts are being sourced in Manitoba. This compares to 50 percent to 55 percent Manitoba content undertaken on the Long Spruce Generation Station, the last major Hydro project built in Manitoba. By breaking down the institutional barriers which previously prevented many medium and small-sized Manitoba firms from sourcing Hydro goods and services, we have been able to ensure major economic benefits accruing to Manitoba without any major cost to the ratepayer. The competitive tendering system operates, but with new specifications, to allow Manitoba firms to participate.
3. Major long-term investment and employment benefits or industrial offsets have been successfully negotiated, unrelated to the actual construction activity, such as the \$150 million investment, research, employment and purchase package with Canadian General Electric.
4. Originally, Limestone was estimated to cost \$3 billion for a 1992 in-service date. By advancing Limestone to 1990 to meet export opportunities, the estimated cost of the project was decreased nearly \$500 million to 2.52 billion, due to reduced inflation and interest on construction expenditures.

One of the factors considered by the Board of Manitoba Hydro in recommending to the government the advancement of the Limestone project, was a judgment that in a hungry and under-utilized construction industry environment, competitive bids would further reduce our overall cost estimates for Limestone. As a result of those bids, Manitoba Hydro has now determined that the new estimate for Limestone has been reduced to \$1.9 billion, a decrease in estimated costs of nearly 25 percent.

Mr. Chairman, Mr. John Arnason, President and Chief Executive Officer of Manitoba Hydro, will shortly outline the significant improvement in the economic

performance of Manitoba Hydro in a number of important areas. More specifically, we believe these favourable trends will continue with the result that Manitobans will pay for their electricity at rates that will remain the envy of other jurisdictions in Canada or the United States.

Since Manitoba Hydro currently has the lowest electricity rate structure and with future rate increases projected to come in at, or less than, the rate of inflation, the position of Manitoba Hydro, in comparison with other utilities, will be further enhanced.

One final note, Mr. Chairman, as announced at the end of March, John Arnason is retiring from Manitoba Hydro at the end of this month, following a 37-year career with the utility, culminating with his appointment as President and Chief Executive Officer in January 1983. His professional abilities and personal values are an inspiration to all who know and work with him.

I want to take this opportunity, on behalf of the Board of Manitoba Hydro, to publicly congratulate John for his hard work, dedication and lifetime of service. The people of Manitoba owe a debt of gratitude to Mr. Arnason for his efforts in the provision of low cost, reliable and abundant supplies of electrical energy in this province. We wish him well in the future.

If I haven't overly embarrassed John by those last remarks, maybe I can call upon him now to give his presentation.

MR. CHAIRMAN: Mr. Arnason.

MR. J. ARNASON: Thank you, Mr. Chairman, and committee members. As President and Chief Executive Officer of Manitoba Hydro, I come before this committee to review the corporation's activities. It is the objective of management and the staff at Manitoba Hydro to provide an economical and reliable utility service to the people of Manitoba. The process of reviewing the corporation's activities will assist us in doing our job better.

I have with me a number of staff members who will assist with the presentation and help with questions that may arise during this session. Murray Fraser, Executive Vice-President, Corporate Services, is available to provide more detailed information on rates and financial matters. Chris Goodwin, Executive Manager, Corporate Planning, can provide an overview of activity related to the Northern Flood Agreement. The past two years this report was tabled and this procedure can be followed again with your concurrence.

In addition, with us today is Don Duncan, Vice-President of Engineering and Construction; Will Tishinski, Vice-President of System Planning and Operations; Ralph Lambert, Vice-President of Customer Service; Linda Jolson, Executive Manager of Corporate Affairs; Art Derry, Senior Department Manager; and Paul Thompson, Interconnection Planning Engineer — both of Power Supply Planning — Bob Brennan, Divisional Manager, Financial Services; and Verne Prior, Manager of Public Affairs.

Staff will do their best to respond to questions. If information is not available today, it will be provided either at a later meeting of the committee or by way of a written response.

The purpose of the committee meeting is the consideration of the 34th Annual Report of the Manitoba

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Hydro-Electric Board for the year ending March 31, 1985. As has been the custom, the committee will be provided with preliminary results for the fiscal year just ended on March 31, 1986.

In summing up the results for the year ended March 31, 1985, I was pleased to be able to report a net income of \$11.1 million on the year's operation — the first surplus in five years. It was also the first time in Manitoba Hydro's history that total revenues exceeded 500 million in any one year. This was a year of essentially average water conditions, allowing significant sales of surplus energy on the export market such that these revenues exceeded \$100 million for the third year in succession. The firm energy supply produced for Manitoba customers approached 15 billion kilowatt hours, an increase of 4.2 percent over the previous year.

By comparison, for the year ended March 31, 1986, we have experienced an extremely good water year, resulting in an increase of 10.4 percent in hydraulic energy. This resulted in a record of \$112.8 million in export revenues. In addition, firm energy produced for Manitoba customers increased by 2.5 percent. I am very pleased to report that the preliminary results for the 1985-86 fiscal year indicate a net income of approximately \$30 million.

Although we have experienced two years in which a net revenue surplus has been available to contribute to our reserves, there have not been sufficient net revenues to build up financial reserves which were depleted during the fiscal years ended March 31, 1981 through to March 31, 1984, when operating expenses exceeded revenues by approximately \$63 million. Our financial reserves now stand at a level of \$124 million. This is substantially below our minimum target level which presently is in the order of \$180 million.

The largest variable in the utility's financial future is the availability of adequate water flows. The impact on net revenues between a year of average flows followed by low flows for two consecutive years is in the order of \$180 million to \$200 million. Because this is a situation which could arise at any time, the corporation considers it necessary that Manitoba Hydro be protected by reserves of at least that magnitude.

The corporation's financial projections indicate that, based on its assumptions materializing, Manitoba Hydro should be able to achieve minimum reserve levels considered appropriate for the corporation by 1989.

Based upon our current inflation rate forecast, I am confident that rate increases will be at or below inflation increases and the electrical energy rates in Manitoba will continue to be amongst the lowest in North America.

The requirement for electrical energy in Manitoba continues to grow. Our projection for the next 10 years is for an increase of 2.8 percent each year, on the average, which can be compared with an average annual increase of 3.3 percent over the past 10 years.

The Limestone project, currently estimated to cost \$1.94 billion, is now entering its second year of construction with a scheduled in-service date of 1990 for the first power. Major contracts covering the construction of the permanent structures and the manufacture and installation of turbines and generators have been awarded, and work is proceeding on schedule. As well, contracts for the supply of goods such as cement and reinforcing steel, were awarded.

Employment preference goals, established to ensure Northern residents of Native ancestry have an opportunity to participate in all phases of the project, have been exceeded in the majority of occupations over the past four months. As of March 31, 1986, Northern residents comprised 51 percent of the 421-person work force with 150, or 35 percent of the total being of Native ancestry.

The camp has been expanded to accommodate 1,350 workers and the townsite of Sundance to accommodate 280 families. The support facilities and services, such as catering, security, schools, etc., are in place and operating.

Further to my comments of last year, expansion of Bi-pole 2 of the High Voltage Direct Current Transmission System at Dorsey and Heday was completed. The final stage was placed in commercial service in July, 1985. This completion improves the capacity, performance and reliability of the high voltage direct current transmission facilities which are vital to the security of the system. Of the total energy generated in Manitoba for the fiscal year 1985-86, 63 percent was transmitted over the High Voltage Direct Current Transmission System.

Last year I had reported that Manitoba Hydro was constructing a 270 kilometre transmission line from Gillam to Churchill to provide central station power to that community. The scheduled in-service date is May, 1987. The project is on schedule with approximately 50 percent of the transmission line having been completed.

Manitoba Hydro is continuing with the five-year program designed to bring the central electric grid to communities along the east side of Lake Winnipeg. This past year, a line was extended from Berens River to Poplar River, where 172 residents were connected to central power supply on March 11, 1986. Next year is the final year of the five-year project and will see construction of a line from Bloodvein to Little Grand Rapids and Pauingassi.

Presently, there are 16 isolated communities supplied with diesel electric service. Given the responsibility of the Government of Canada, efforts are continuing on sharing of costs for transferring more of these communities to central service.

During the year Manitoba Hydro constructed approximately 30 kilometres of 230 kilovolt transmission line to the Hudson Bay Mining and Smelting Company's new mine at Namew Lake. Namew Lake is located on the Manitoba-Saskatchewan border approximately 50 kilometres north of The Pas.

Last year I reported that Manitoba Hydro was taking steps to lessen the impact of ice storms, such as the one which occurred in April of 1984. Ice storms cause severe damage to the distribution system and lengthy outages to customers. Amongst the measures being taken is a five-year program for the installation of rural underground distribution. Last year 90 kilometres of rural underground were installed in ice prone areas.

The Corporation has been actively responding to the concern for polychlorinated biphenyls, or (PCBs), both as an environmental and occupational health hazard. There are approximately 36 million litres of insulating oil in use throughout the system, 10 percent of which is contaminated with PCB's because the PCB content of the oil exceeds the accepted maximum of 50 parts per million.

During the past year, considerable resources were expended to ensure the matter is reasonably under control. Most significant was the purchase, for approximately \$750,000, of an oil-processing unit to decontaminate insulating oils. The program is to decontaminate approximately 400,000 litres of oil per year for the next five years. I believe Manitoba Hydro was the first electrical utility in Canada to acquire this type of equipment, and is at the forefront of Canadian utilities in terms of PCB management.

Manitoba Hydro is continuing to pursue the export of services, in response to the increasing interest by developing countries. The corporation is participating with other Canadian utilities in a program designed to teach Chinese technicians how to operate a hydro-electric system. This is being done by means of seminars in China and missions and training in Canada. This is a Canadian International Development Agency-funded program. Manitoba Hydro is participating with Ontario Hydro in another CIDA-funded training project for the establishment in Egypt of a facility for training electrical transmission system maintenance people. Technical and management services have been offered to electrical utilities in Pakistan, Bangladesh, India, and other African and Asian countries in response to their requests.

The corporation ranked first of the major Canadian electrical utilities reporting on safety in heavy construction. For the combination of operations and heavy construction, Manitoba Hydro ranked third. This is the 22nd consecutive year in which the corporation has ranked amongst the top three best utilities. Manitoba Hydro ranked third in vehicle safety amongst the reporting utilities. The above safety particulars are based on the calendar year 1985 statistics, which are published by the Canadian Electrical Association.

Employment during the fiscal year just ended peaked at 3,853 in August 1985. The maximum was 3,805 for the previous year. A minimum staff level of 3,650 occurred in April 1985. Staffing levels are still approximately 25 percent below that of the mid-1970's. The corporation anticipates staffing increases of approximately 200 during the next few years as a result of construction activity.

The corporation has made steady progress in its Affirmative Action Program, both within Manitoba Hydro and with its Northern construction projects.

A significant increase in the number of Native persons entering the corporation's technical trade areas has taken place, and progress is being made in hiring women into "non-traditional" jobs.

Northern Native hiring goals have been met in the majority of the occupational groupings at the Limestone construction project. Manitoba Hydro has applied similar employment preference measures to other contracted Northern projects, and this has resulted in a good representation of Northern Natives.

Further special measures initiated by Manitoba Hydro include a bursary program to encourage women and Native candidates to enter community college technologies or the engineering degree program at the University of Manitoba.

Renewal agreements were signed with each of the three collective bargaining units. The three-year agreements expire between December 1987 and May 1988.

Mr. Chairman and committee members, in concluding my presentation on a more personal note, I take this

opportunity to advise the committee of my retirement after approximately 37 years with the Manitoba Power Commission and Manitoba Hydro.

My career began with the Power Commission in 1948. At the time, rural electrification was being implemented under the leadership of the then Premier, D.L. Campbell. Successive governments during the period of my career have supported the principle of efficient, reliable, low-cost service to the people of Manitoba. The utility has grown substantially from 40,000 electrical customers and assets of 21.4 million, in 1948, to 346,700 customers and 3.1 billion assets today. It has been a wonderful experience to work with extremely talented and dedicated staff, not only within the utility, but also in the electrical industry in this province.

Since my appointment as President and Chief Executive Officer in January 1983, considerable progress has been made by the utility in achieving the objectives set at that time.

In 1985, the first net revenue of \$11.1 million was achieved after four years of deficits. In the last fiscal year ended March 31, 1986, preliminary figures indicate a net revenue of approximately \$30 million and a reserve position of about \$124 million. Corporate strategic plans have been updated. Affirmative Action programs are in place. Work on Limestone is progressing favourably with project estimates reduced to \$1.94 billion. Extraprovincial sales have reached a record level of approximately \$113 million. Our customers continue to experience the lowest overall rates in Canada.

I view the future of the utility with optimism, and I leave with a warm feeling towards all staff who have supported me so loyally, and to those to whom I reported, who have been helpful and understanding. The opportunity to serve in a senior capacity has been a challenge and a privilege.

That concludes my presentation, Mr. Chairman. I have a report prepared by Mr. Goodwin on Northern Flood Activities which can be tabled or presented, according to the wishes of the committee.

MR. CHAIRMAN: What is the wish of the committee?

MR. G. FILMON: How long is Mr. Goodwin's report?

MR. CHAIRMAN: Mr. Goodwin.

MR. C. GOODWIN: Mr. Chairman, the report on the Northern Flood Agreement has a certain amount of repetition in it in order to brief the committee on the background of the agreement.

This agreement is between the Government of Manitoba, Manitoba Hydro, the Northern Flood Committee Incorporated, which represents the Indian Bands of Nelson House, Norway House, Cross Lake, Split Lake and York Factory, and the Government of Canada.

The principal thread of the agreement is that Manitoba Hydro has developed the Lake Winnipeg Regulation and Churchill River Diversion projects. These projects have modified the water regime. Modification of the water regime has some adverse effects on the residents of the reserves. The adverse effects of the projects must be compensated for fairly and equitably, and because the adverse effects were not completely

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known at the time the agreement was signed, the possibility existed that disagreements could arise as to the cause or extent of alleged adverse effects. There was a need for an arbitrator to resolve disputes and to fashion just and appropriate remedies as necessary.

The other significant articles in the agreement, as far as Manitoba Hydro is concerned, deal with the minimization of damage, the mitigation of the effects of damage, the implementation of the applicable recommendations of the Lake Winnipeg, Churchill and Nelson Rivers Study Board, the provision of information on operations and consultation of future planning of its projects, that is, of Manitoba Hydro's projects.

Compensation for claims under the NFA is available to individuals who are members of one of the five Indian Bands and to groups such as trappers associations where the membership is substantially comprised of individual band members. The significant part of the agreement as it affects Manitoba Hydro is the right of these persons and groups to compensation from Manitoba Hydro under the reverse onus clause of the agreement. To March 31, 1986, Manitoba Hydro has settled 1,507 of the 1,721 claims which have been filed, the majority by individuals. One hundred and forty-five claims of many types have been submitted to the arbitrator, of which 132 involved Manitoba Hydro. Of these claims, 63 have been settled outside of arbitration; four have been heard and settled through arbitration; one was discontinued; 35 are in process of negotiation as part of the proposed "Package Settlement;" three were not served on Manitoba Hydro, and 26 are outstanding.

It is evident that the office of the arbitrator has been used to a greater extent than was expected when the agreement was signed. In some cases, the filing of a claim with the arbitrator was done as a matter of record prior to negotiations being undertaken by the parties. It has been our experience that many claims can be settled without a hearing before the arbitrator. Such hearings are very expensive for the various parties and every effort is made to avoid them.

Three arbitration decisions made in 1983 were appealed to the Court of Appeal on matters of law. Firstly, a ruling by the arbitrator that Manitoba Hydro must pay one-third of the Northern Flood Committee's core costs, that is, salaries, office costs and administration, was successfully appealed. Manitoba Hydro pays its share of legal fees and disbursements related to specific claims but not the core costs of the committee.

Secondly, a ruling by the arbitrator that Manitoba Hydro must provide the Northern Flood Committee with a particular report and in general must produce, "any reports or studies whether identified or not, in all cases where there is a possibility that the claimants may in any way be adversely affected" was successfully appealed. Manitoba Hydro also appealed an award of costs to counsel for a claimant on the ground that the costs were unreasonable but this was unsuccessful.

There were no new arbitration claims filed during the year ended March 31, 1986.

The first arbitrator appointed under the Northern Flood Agreement, His Honour Judge Patrick Ferg, served from 1980 until he resigned in 1984. He then agreed to sign consent orders agreed to by all parties until December of 1985. All parties have now agreed

upon Mr. Campbell MacLean as the successor arbitrator and his appointment became effective in January, 1986.

Negotiations toward an agreement were initiated in 1974 when the Northern Flood Committee was formed at Nelson House. It was evident that the Churchill River Diversion would lead to flooding of Indian Reserve land which Manitoba Hydro could not expropriate because title was held by Canada. This need for an agreement extended to the Government of Canada and the Government of Manitoba, as well as to Manitoba Hydro, and the agreement covers the provision by Manitoba of additional land in exchange for the land affected by the projects in the amount of four acres for each acre affected. Additional clauses in the agreement that affected government rather than Manitoba Hydro deal with employment, training, economic development, the provision of services, enhancement of resource harvesting, etc. With regard to employment and training, Manitoba Hydro's projects have provided some opportunities and the construction of Limestone has provided more opportunities for the residents of the reserves.

The selection of land exchange is currently under discussion between the parties. Outside the reserve lands and adjacent to reserves, Manitoba Hydro is purchasing private land and structures within the severance area to ensure private structures and land are not endangered by water levels associated with the project.

The Package Settlement negotiations referred to in last year's presentation and estimated at \$31 million have been put on hold. None of the five bands has accepted the offer; however, they have indicated that they do intend to pursue the matter further. In a letter dated January 6, 1986, the Cross Lake Band stated, and I quote:

"Our detailed review of your offer has given us a considerable appreciation of the seriousness of the proposal which is reflected in the size of the monetary compensation and the scope of the works, programs and services outlined. In our view, the Province of Manitoba and Manitoba Hydro have made a considerable contribution to the positive atmosphere necessary for us to consider, substantively and in earnest, the basis of settlement of our entitlements under the Northern Flood Agreement."

That's the end of the quotation.

An April 15, 1986 letter from Northern Flood Committee to Premier Pawley includes 10 principles for negotiations on implementing the Northern Flood Agreement, and attaches a list of 39 issues which the Northern Flood Committee believes must be addressed. Meetings are planned between the various Northern Flood Agreement parties to discuss the proposal in greater detail.

Individual retroactive components offered within the package have been offered to the bands. The bands have agreed to construct the trails around waters impacted by Hydro, and the Cross Lake trappers have settled for the retroactive portion of commercial trapping in that area. Other bands have expressed interest in negotiating settlements on other retroactive portions of the package.

The fishing industry on Playgreen Lake claims it has been impacted by the Lake Winnipeg regulation project

by debris from the Lake Winnipeg shoreline, causing incremental net fouling. Studies have been undertaken, with copies provided to all parties, and compensation has been offered in the package. We are awaiting further negotiations with the band and the fishermen to resolve this issue.

The environmental impact study of Cross Lake required by Interim Arbitration Order 11-2 has been completed and a report issued recently. Cost, to date, of the study is approximately \$409,500.00. The report is currently being reviewed by all parties.

A consultant has been retained by Manitoba Hydro to review the potable water and community supply in Northern communities and identify any adverse effects that may have been caused by the Lake Winnipeg regulation and Churchill River diversion projects directly in response to Claim No. 138.

In the past fiscal year, Manitoba Hydro's expense, relating to mitigation in total, including Northern Flood Agreement-related matters, was \$670,000 charged to ongoing operations, and \$3,461,000 which was capitalized because it pertains to future operations. Recent expenditures include \$1.08 million for the fishing compensation agreement at Cedar Lake, \$450,000 for the Cross Lake retroactive trapping, \$1.06 million for the South Indian Lake trapping, \$1.1 million for the Cross Lake bridge, and \$2.5 million for the Southern Indian Lake fishermen.

Total benefits paid to September, 1985 under the Northern Flood Agreement were \$22.4 million. Legal fees and consultant fees paid by Manitoba Hydro to the Northern Flood Committee legal counsel now total \$843,194.00.

That's the end of my written report, Mr. Chairman. I do apologize that I have a bad cold and my reading isn't very competent today. I am available to answer questions.

MR. CHAIRMAN: Thank you, Mr. Goodwin. Any questions from the members of the committee?

The Honourable Leader of the Opposition.

MR. G. FILMON: Thank you, Mr. Chairman. I assume that we have the latitude to ask questions on all these various reports throughout the committee hearing and will attempt to, at this point in time, then deal with the Northern Flood Agreement report since Mr. Goodwin is sitting at the table.

Before doing that, may I join with the Chairman and others here in extending to Mr. Arnason not only our sincere thanks for all his efforts on behalf of Manitoba Hydro, but certainly best wishes for his healthy and happy retirement in future.

With respect to the Northern Flood Agreement, I wonder if Mr. Goodwin could indicate, the report refers to a \$30 million potential settlement, or most recent offer. Friday, in the Legislature, the Minister of Northern Affairs indicated that the most recent offer was, I believe, in the range of \$42 million. I wonder if he could explain the discrepancy.

MR. C. GOODWIN: No, I cannot do that, Mr. Chairman. The Hydro offer totals \$31 million.

MR. G. FILMON: Mr. Chairman, I wonder if it's possible that some members of the government negotiated

separately or attempted to make separate offers distinct from Manitoba Hydro's offers, or is it possible that other members, because we were given to understand that the Northern Flood Agreement came under the jurisdiction of the Minister of Northern Affairs for negotiating purposes, is it possible that he has made a separate offer from Manitoba Hydro's final offer?

MR. CHAIRMAN: To whom is the question directed?

MR. G. FILMON: Whoever is capable of answering it.

MR. C. GOODWIN: Mr. Chairman, I'm afraid that would have to be asked of the Minister of Northern Affairs. I don't know.

MR. G. FILMON: Mr. Chairman, I wonder if I could ask the Minister responsible, as former Minister of Finance, whether or not he is familiar with any other offer having been made.

HON. V. SCHROEDER: I am not familiar with any other offer.

MR. G. FILMON: Mr. Chairman, this will be to Mr. Goodwin. I would ask him if, in his view, the \$31 million, which has been rejected, is close to the ballpark figure that it would take to settle this claim?

MR. C. GOODWIN: Mr. Chairman, I certainly think that the \$31 million offer is a fair and probably generous offer for the settlement of a large number of claims under the Northern Flood Agreement.

MR. G. FILMON: Mr. Chairman, I wonder if Mr. Goodwin could indicate, when he says a large number of claims, what would it take in his view to settle the entire outstanding liabilities under the Northern Flood Agreement.

MR. C. GOODWIN: There are certain claims that we cannot yet put a value on. Those claims that we feel we can put a value on are those related to damage, to resources, and infrastructure; and our estimate of \$31 million would appear adequate to settle those claims. The others, I am afraid we can't put a value on.

MR. G. FILMON: What is the nature of the other areas outstanding to which you cannot put a figure?

MR. C. GOODWIN: I think in the tangible area the matter of potable water supply to the five bands is an issue which is being addressed under the terms of the agreement by the Federal Government. The Federal Government has, through the agreement, recost to Manitoba Hydro a part of the funding for that. We have not evaluated what our share of that might be. We believe it is quite small. That has to be proven. So that is an unknown.

A number of the claims against us deal with intangibles relating to the quality of life, the Indian heritage and social matters that are very difficult to put a value on.

MR. G. FILMON: Although they are difficult to put a value on, they do fall within the definition of damage and litigation that Manitoba Hydro is responsible for?

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MR. C. GOODWIN: No, that is not determined.

MR. G. FILMON: I see. Well then, is Mr. Goodwin suggesting that the figure of 31 million or something close to it is still the figure that Manitoba Hydro is putting forward as its share of responsibility?

MR. GOODWIN: Excuse me, Mr. Chairman, I'm afraid I didn't hear the question properly.

MR. G. FILMON: Is Mr. Goodwin suggesting that 31 million or something close to it is all that Manitoba Hydro believes is its share of responsibility?

MR. C. GOODWIN: I consider that \$31 million will adequately pay for the majority of the Hydro impact not associated with certain intangibles and not including the matter of potable water supply, for instance.

MR. CHAIRMAN: Mr. Eliesen will add something.

MR. M. ELIESEN: Mr. Chairman, just to clarify, the estimate of \$31 million is on top, of course, of the \$22.5 million we have already provided under benefits under the Northern Flood Agreement, and represents really, at this time, Manitoba Hydro's own "best efforts" related to the majority of what we perceive to be the tangible Manitoba Hydro obligations under the Northern Flood Agreement. There are other partners obviously in the Northern Flood Agreement, the Government of Canada and the Government of Manitoba as well. Their obligations obviously are related to those two parties.

What we've been trying to do over the last three years, that is Manitoba Hydro in association with the Province of Manitoba, is to remove ourselves from the adversarial nature of the Northern Flood Agreement, in which a large number of the claims were going to the arbiter for resolution. The only people, quite frankly, who were benefiting from this process were the lawyers.

So we've been attempting, with some modest success over the last two or three years, to negotiate overall packages that had some indication of preference from the five bands, related to Manitoba Hydro's own specific tangible obligations. As you will have noted in Mr. Goodwin's written presentation, there is reference to written correspondence on the positive approach that we have attempted to go through over the last couple of years.

We are hopeful with the recently renewed effort by the Government of Canada, which has been sitting on the sidelines really for the last four or five years without any major input, but we are hopeful with the renewed interest by the Government of Canada that, with the current negotiations under way, a large number of these issues could hopefully be resolved for the benefit of the five bands involved.

MR. G. FILMON: Mr. Chairman, I wonder if the chairman could indicate whether or not Manitoba Hydro is required to, in filing a prospectus or — I suppose he wears both hats here with the Chairman of the Manitoba Energy Authority — if the government is required to file a prospectus in order to borrow major sums of money for the Hydro projects before the Securities Exchange Commission in the United States, do they

have to estimate a contingent liability for this Northern Flood Agreement outstanding commitment?

MR. M. ELIESEN: I would have to check, Mr. Chairman, with the actual prospectus issued by the Government of Manitoba since they have borrowed for us but not, I believe, recently in Manitoba Hydro's name. But I do believe, in the general information that is provided, is included the kind of references that are found in Page F13 of the Annual Report where — if I may, I'll simply read the small reference there. Under "Mitigation," this is on F13. Under "b)," there is, "Mitigation - Northern Flood Agreement," in which it states:

"Manitoba Hydro is party to an agreement with the Government of Canada, the Province of Manitoba and the Northern Flood Committee, Inc., which includes compensation and mitigation for the impact of the Churchill River Diversion and Lake Winnipeg Regulation projects. The total spent on compensation and mitigation during the year was \$4.1 million (1984 - \$5.4 million). These costs have been allocated to the respective projects.

"An offer has been made in the amount of \$30.3 million for a settlement of the majority of claims for resource loss or damage. There are other outstanding claims for unspecified amounts and for which the potential liability is not determinable."

I believe, subject to checking, that is the kind of reference that is included in the prospectus related to Manitoba Hydro as part of the package that the province submits to the Securities and Exchange Commission in the United States.

MR. G. FILMON: Mr. Chairman, the amount that is stated in the Annual Report and presumably subject to checking in the prospectus is that amount of \$30.3 million. How does that square with the estimate of the Federal Government recently in the Nielsen Task Force papers of \$550 million of outstanding liability?

MR. M. ELIESEN: I can ask Mr. Goodwin to comment but, when I first saw the reference to that amount, I inquired specifically, and staff of Manitoba Hydro indicated to me that it was the first time ever that there had been such a reference to \$550 million. We, to this day, are not specifically aware where the Nielsen Task Force Report — and there were a number of individuals from different areas who were involved in formulating that report — where those estimates came from.

But perhaps Mr. Goodwin can add some additional information.

MR. C. GOODWIN: No, I can't, Mr. Chairman. The people that we work with don't know where the estimate comes from.

MR. G. FILMON: Has Manitoba Hydro inquired of the Federal Government where they go? that estimate from?

MR. M. ELIESEN: I had a meeting, Mr. Chairman, with Mr. Don Goodwin, who is the Assistant Deputy Minister for Indian Affairs. He said he would look into that particular area, because I inquired very specifically where that information came from. There were other references in the Nielsen Task Force Report that, from

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our area, we knew were factually incorrect, and we inquired whether that reference was perhaps another incorrect reference because we had no knowledge of that whatsoever. He said he would look into it and report back to us.

MR. G. FILMON: In view of the fact that it is so important — you know, if there is a potential liability of more than 10 times what Manitoba Hydro is estimating, it would seem to me that might have a very significant effect on its borrowing authority and possibly on the credit rating of the government and so on. I wonder if we shouldn't have an official request in writing of the Government of Canada to indicate the basis upon which that estimate was arrived at.

MR. M. ELIESEN: Mr. Chairman, we have made our request of the Government of Canada. We are concerned at Manitoba Hydro with our obligations by themselves and I point out, very specifically, that there are other partners involved in the agreement, specifically the Government of Canada which has a legal and constitutional responsibility in this particular area; and the degree to which they've been involved in providing some fiscal redress related to the agreement over the last number of years has been negligible and it's only recently that there's been a renewed effort. So if there is an estimate by the Government of Canada which is being checked into, we certainly would argue that it's their estimate and their fiscal responsibility related to the provision of certain compensation under the Northern Flood Agreement.

We of Manitoba Hydro have looked at this, obviously, in a most careful and most detailed way and the kind of benefits that we provided so far, about \$22 million, our offer of \$30 million, after over \$50 million so far from Manitoba Hydro represents, in our judgment, the best guesstimate of Manitoba Hydro's sole fiscal responsibility on the tangible matters related to the Northern Flood Agreement.

MR. G. FILMON: Has the request for explanation been put in writing to the Government of Canada?

MR. M. ELIESEN: Not at this moment, but it certainly can be done. This whole area arose obviously as a result of the Federal Task Force Report and we commented on a number of factual inaccuracies in that report before and that was the nature of the meeting really, with the Government of Canada, to ascertain where they had information related to the figures that were included in that task force report, but clearly that kind of information can be requested, in writing, if necessary.

MR. G. FILMON: Mr. Chairman, as one member of the committee, I would think it is necessary to quickly address such a major disparity between what is being estimated by the Government of Canada and what is being estimated by Manitoba Hydro.

It's my understanding that all partners are jointly and severally liable and so that it is conceivable that each one of the partners could bear the full responsibility for the settlement; and they may well argue as to who's responsible, but ultimately Manitoba Hydro could be

responsible for all of the costs if it comes down to that in a court of law. It seems to me that Manitoba Hydro should be interested in finding out the basis upon which the estimate has been put forward.

I'll go further then, Mr. Chairman, and ask in regard to the statement on Page 3, that says that Manitoba Hydro's projects and the construction of Limestone has provided more opportunities for residents of the reserve. Do those work opportunities form a part of the compensation package?

MR. C. GOODWIN: Mr. Chairman, Article 18 of the Northern Flood Agreement deals with the matter of employment of reserve residents and our interpretation of this article is that we will try and employ residents of the reserves on any work associated with mitigation of damage associated with the project, and that we should use our best endeavours to involve them in the construction of other projects. This has involved contracts associated with the Namew Lake line, with the Limestone project, with the line to Churchill and so on.

MR. G. FILMON: Mr. Chairman, what is the current estimated land mass that would be transferred under the requirements of the Northern Flood Agreement?

MR. C. GOODWIN: Mr. Chairman, I don't have that acreage. I believe it has been determined. The provision of the land is a matter that the province will undertake in accordance with the agreement.

MR. G. FILMON: Has the negotiation gotten to the specifics of what land is to be transferred or is it just a general estimate of acreage?

MR. C. GOODWIN: The transfer of land has to take place based on the four-for-one ratio and based on the desires of the various bands for different parcels of land and upon the availability of that land. This is under discussion and that's all I can say about it.

MR. M. ELIESEN: This is under discussion, but the responsibility really is with the Government of Manitoba who are involved, directly involved in these negotiations, not Manitoba Hydro on the land. That's changed.

MR. G. FILMON: Is there anyone who can indicate whether or not specific land has been agreed to or at what stage the negotiations are with respect to land transfer?

HON. V. SCHROEDER: I don't have that information but I will undertake to check and get back to the Leader of the Opposition.

MR. G. FILMON: Mr. Chairman, I have no further questions on this aspect. Perhaps some other member of the committee might.

MR. H. ENNS: Mr. Chairman, through you to either the Minister or members of the Manitoba Hydro staff, just one further question on the continuing liability with respect to the Northern Flood Agreement.

Firstly, would the Minister confirm that the liability respecting the Northern Flood Agreement is a

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component in the total Hydro liability filed with the Securities Exchange Commission in New York for purposes of borrowing?

HON. V. SCHROEDER: I'm not sure what is filed there at the moment. I can take that question as notice and get back to the member. Clearly, ordinarily when one looks at assets and liabilities, one looks as well at the contingent liabilities and I would presume that there would be some reference to it in old prospectuses.

MR. H. ENNS: I simply ask this question then, is there any component with respect to this liability, part of the prospectus filed with the Securities Exchange Commission in New York?

HON. V. SCHROEDER: Again, I'll take that question as notice and get back to the member.

MR. H. ENNS: Mr. Chairman, I have a number of questions. Some of them require a detailed response and Hydro would have to have some time in preparing them. I would be quite happy if Hydro could merely indicate, in taking notice of these questions, whether the questions are being asked in a form that they can be responded to or if the response is not possible, others of course can be answered.

Can the staff of Manitoba Hydro provide the committee with the latest cost estimate of the Limestone project, broken down with the major cost elements, turbines, generators, civil works, engineering and support costs and including interest during the construction years, bring us up to date on the current projections?

MR. M. ELIESEN: Mr. Chairman, the latest cost estimate is as indicated by the President and Chief Executive Officer, \$1.94 billion for first power in service date. We can provide shortly or at the next committee meeting the main components related to that, between escalation and interest, etc. because, as the member is aware, that figure is in "as-spent" dollars which includes interest and escalation to 1990, etc.

MR. H. ENNS: Thank you, Mr. Chairman. I was aware of the overall costs that the Chairman or Chief Executive Officer of Hydro gave us, but it was a further breakdown to the major component parts that I was interested in.

Just on that matter — and we note with interest the considerable or significant savings in these cost estimates attributable to better competitive bidding on the construction site and inflation costs, etc. — would it not be appropriate to assume that probably the Americans enjoyed the same kind of savings in their construction of Sherco 3, which of course figures significantly to our future revenues under the Northern States Power Agreement, an 80 percent component of the construction costs of Sherco 3 is part of the cost formula. My question then would be: is Manitoba Hydro reduced by the same amount — the projected revenues of the NSP sale as a result of those reduced construction costs of Sherco 3?

MR. M. ELIESEN: Mr. Chairman, we can provide the member with the current estimates of Sherco 3 as

they've been provided to us by Northern States Power. The coal generating station is scheduled to come into operation next year, in 1987, and the estimate right now is that Sherco 3's capital costs will be about 7 percent or 8 percent lower than the original estimate, that is, in comparison with a 25 percent decrease in what we are estimating for Limestone.

The whole matter of the Northern States Power contract, which I'm most pleased to go into detail with the Manitoba Energy Authority, which is the entity responsible for export sales — we certainly can review with members of the committee some of the current factors which are operating in the economy, which have pluses and minuses in the context of the overall contract that was negotiated in 1984 with Northern States Power.

But, in summary, the benefits that we ascribed then, which were agreed to by the National Energy Board, are still the same today. In other words, we estimate a benefit-cost ratio of about 2 to 1 from that particular sale.

MR. H. ENNS: Can Manitoba Hydro provide an estimate of the effect of the reduction of Manitoba's credit rating on interest costs during the construction and the debt servicing costs of the project on completion?

MR. M. ELIESEN: Mr. Chairman, I can provide some recent information in the whole area of the Hydro project, Limestone, and the Northern States Power contract in particular, and the credit rating impact on the province.

I returned as recently as three weeks ago from meetings with the rating agencies in New York, with Standard and Poor's and with Moody's, which are the two main U.S. rating agencies, and we presented to them an up-to-date presentation on our overall cost situation and specifically the Northern States Power contract. With the three financial advisers which we have undertaken, that is, Merrill Lynch, Bank of Montreal and Wood Gundy, whose recommendation to us was to consider favourably the whole question of project financing, which really is removing in part, some of the proportion perhaps of financing of Limestone from the books of Manitoba Hydro; we presented that to the rating agencies and the rating agencies gave us a very positive response to that.

We have not decided, and the government itself has yet to decide whether to finance this traditionally, that is, on the provincial debt as most generating stations have been in the past, or to consider project financing given the very favourable contract with Northern States Power, which I may add is a utility which has a AAA rating in the United States, one of the few utilities which have that high rating. That decision is yet to be made. But the rating agencies' view of the contract was very, very positive in the context of the future and the impact on Manitoba's rating in general.

MR. H. ENNS: I ask Manitoba Hydro to go along with that earlier request for a breakdown of costs to provide us with the total costs of the engineering and studies carried out on the Limestone project to date by outside consultants and Hydro staff.

MR. M. ELIESEN: Yes, Mr. Chairman, we will provide the information.

MR. H. ENNS: Could we also, along the same lines, be provided with the estimate of the costs of engineering design, supervision and associated overheads by outside consultants and Hydro staff required to complete the project? What I'm after is the breakdown of in-house Hydro staff costs associated with the design, consulting work and outside work.

MR. M. ELIESEN: We will attempt to provide that information.

MR. H. ENNS: Mr. Chairman, a further question to Manitoba Hydro. What impacts on the selling price of power to Northern States Power during the period of the sale would occur if the current U.S. interest rates prevail? For example, compare the original projections of the revenue to the projections using current interest rates.

MR. M. ELIESEN: I can answer that briefly, Mr. Chairman, and I can certainly go into much more detail at the time the Manitoba Energy Authority is before the committee. But, in general, the overall impact on the contract is quite positive.

Just reviewing the information that we have presented to the National Energy Board, in this whole area of what is referred to as sensitivity analysis, we presented something like 15 separate sensitivity tests which took into account a full range of inflation rates, interest costs, construction costs, load growth, exchange rates, coal prices, etc. In all cases, the information we supplied to the National Energy Board showed positive benefits for Manitoba and Manitoba Hydro.

The National Energy Board, in their decision, agreed that we had assessed the risk properly and we had negotiated protection for Manitoba. I'll just quote what the Board said: "The Board is satisfied that there is sufficient evidence to show that the risks associated with the proposed export have been adequately examined and are within acceptable bounds".

Now, since that time and since the judgment being made by the National Energy Board, obviously we live in a dynamic economy and that's the reason why we undertake these kinds of sensitivity tests because no one can know for certain what the future will entail, but we had, for example, very high interest and inflation estimates both on the revenue side and on the costs dealing with Limestone. We were going then, I believe, with a 12 percent interest and 7 percent inflation and the corporation certainly has come down since that time and current trends indicate — certainly on the inflation side — a lowering as well as a less of a lowering in interest rates but the real interest rates have come down, maybe from 9 to perhaps 6 or 5 percent.

On coal prices, there has been a softening of more than what we had anticipated. We had estimated a decrease in real terms of about 1.1 percent in coal prices, and the current market forecasts are about — just to explain, we had assumed in our models before the National Energy Board a 7 percent inflation and an increase in coal prices of 5.9. In other words, we assume a decrease in real terms of 1.1 percent in coal prices during the length of the contract being involved from 1993 to 2005. In current forecasts, it reflected a further softening, so coal prices may decrease a bit more.

It's important to emphasize that there is no relationship between the pattern of coal prices and oil price movements. We can provide, during the time that the Manitoba Energy Authority makes its report to the committee, a very detailed presentation of what happens with coal prices and what happens with oil prices, more so in our case because we export into a market that has never generated electricity out of oil. It has always been a coal-base area, even when oil prices were \$1.50 or \$2.00.

Some of the other factors that have changed obviously since we made our presentation to the National Energy Board are, as was referred to earlier, the capital costs. Sherco has come down by about 8 percent or so, but Limestone is down by 25 percent. Exchange rates, we had assumed an 82.5-cent dollar, and the current exchange rates are anywhere from 71 to 72 cents, which would obviously increase our profitability. So while we haven't redone an overall recalculation, those main factors still suggest to us that the benefit-cost ratios associated with the sale itself is still in the area of 2.1.

But I certainly am prepared to go into much more detail at the time the Manitoba Energy Authority makes its report to the committee, and explain some of the factors there, as I say, in greater detail.

MR. H. ENNS: Fine. We'll probably deal with that at greater length on another occasion. Mr. Chairman, through you to the chairman of the Manitoba Hydro, I would like to ask Manitoba Hydro what costs, direct or indirect, have been incurred by Manitoba Hydro in supporting television footage and/or other production of promotional material being used to promote governmental programs such as the Jobs Fund. How much helicopter time and free accommodation has been charged to Manitoba Hydro for such activities?

MR. M. ELIESEN: Mr. Chairman, we'll check into it. My quick reaction is we haven't provided anything, but we certainly will look into it and provide a detailed answer.

MR. H. ENNS: Mr. Chairman, a further question to Manitoba Hydro, what is the final cost to Manitoba Hydro with respect to their participation in the MANDAN project? How much of Manitoba's hydro cost has been incurred for studies in Canada and in the United States?

MR. M. ELIESEN: We made public that information at the time the negotiations came to, unfortunately, not a positive conclusion. The U.S. side spent about \$35 million U.S., which is, let's say, about \$50 million Canadian, and Manitoba Hydro's own expenditures were in the area of about \$5 million or \$6 million. At the same time, we indicated that some of the expenditures that had been allocated to the MANDAN line were being utilized in our ongoing negotiations, particularly in the transmission area with some potential customers in the U.S. We have applied obviously that knowledge or some of those expenditures, particularly in our current negotiations with the Upper Mississippi Power group and also with Western Area Power Administration.

MR. H. ENNS: I wonder if Manitoba Hydro could provide us with a schedule of construction and costs

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for meeting all current proposals for power export, including Wisconsin, Western Area Power, MAP, Ontario, Saskatchewan and others.

In other words, we have been hearing of a number of proposals coming from government sources, from Manitoba Hydro sources about projected hydro export sales to various regions in different jurisdictions. Hydro must have some idea of what is involved in the construction costs of meeting these proposals, should they come to fruition.

MR. M. ELIESEN: We can provide that information, Mr. Chairman. We can also provide if the member is referring to an estimate of the planning costs that are associated with this particular area. I am not sure I fully understood his question.

MR. H. ENNS: It's a schedule of these construction costs if agreements are — maybe we are naive, but we tend to believe statements in the Throne Speech as having some validity, and the Throne Speech speaks of three agreements that are more than just arrangements. We assume that those sales, if they are to be made, then Hydro surely must have had some pretty hard costs with respect to moving this energy to these jurisdictions.

MR. M. ELIESEN: Mr. Chairman, that's an area, certainly, I am prepared to get involved in in detail as part of the Manitoba Energy Authority's report. It's the Authority that has negotiated these export sales transactions. The three that the member refers to, we can provide detailed information at that time.

MR. H. ENNS: I wonder if Manitoba Hydro staff can tell us what current prices are being received by Northern States Power for on-peak firm power to adjacent utilities in the United States. What are the projections for such power during the NSP sales period?

MR. M. ELIESEN: We can provide some detailed information but I can mention very quickly, because I have it in front of me, the information which was confirmed by the National Energy Board related to the Northern States Power contract, which states:

"The Board is aware that the export price would be substantially greater than the rates paid by the applicant's large industrial customers. The evidence showed that the proposed export price of from 67 to 98 mills per kWh over the life of the contract would far exceed Manitoba Hydro's domestic rates for large industrial customers of approximately 20 mills per kWh in 1984 and 34 mills per kWh estimated for 1993."

Now, Mr. Chairman, we can provide information to the member of current information of the industrial rates between Northern States Power and Manitoba Hydro. Roughly speaking, they are about double Manitoba Hydro, but the specific information we will make available.

MR. H. ENNS: My specific question though was what Northern States Power is selling peak firm power to adjacent utilities, not the relationship — I am interested in knowing at what Northern States Power is selling its peak power for to adjacent utilities, what it will be

selling during the NSP sales period, any projections on that.

MR. M. ELIESEN: Mr. Chairman, we will check to see whether we have that kind of information. That involves obviously private transactions of willing arrangements between NSP and some of its utilities. Our interconnections are basically with Northern States Power and a number of other utilities. They are our only immediate customers. We don't have at present the opportunity of going beyond, let us say, the jurisdiction that's serviced by Northern States Power, but we will see whether that kind of information that the member has requested is available.

MR. H. ENNS: What terms are currently being offered to Saskatchewan and Ontario for the purchase of firm energy, as well as interruptible?

MR. M. ELIESEN: Again, that would be an area I certainly am prepared to get into in detail when the Manitoba Energy Authority's report is presented but, in summary, we presented to the Saskatchewan Power Corporation an arrangement that would guarantee for them a lesser price than their own source of generation. The Saskatchewan Government decided to go the route of building a new thermal generating station in Saskatchewan, as compared to considering our offer, so we do not have any further negotiations with Saskatchewan Power on long-term firm exports at the present time, but we had presented them a firm offer which would guarantee savings to them. In other words, at a lesser price than what they could generate the cost that would cost them to generate from a new station built in Saskatchewan.

Now, with regard to Ontario, we had signed a Letter of Intent and our negotiations are still ongoing and we are discussing there anywhere between a 400 megawatts and 1,000 megawatts sale and those negotiations are continuing, and at the time that the Energy Authority presents its report it can go into a bit more detail.

MR. H. ENNS: What is the current system firm surplus?

MR. CHAIRMAN: Mr. Tishinski.

MR. W. TISHINSKI: I was wondering whether the member was asking the capacity surplus or energy surplus?

MR. CHAIRMAN: Is the member asking capacity surplus or energy surplus?

MR. H. ENNS: Both.

MR. W. TISHINSKI: Our present capacity is 3,917 megawatts. Last year's peak load was approaching close to 3,000 megawatts. During the winter time period at a time of peak loads we will have excess capacity of 900 which we must remember part of that is also reserves.

Now in the energy field, this is dependent on the water conditions and in an average water year, our system can generate approximately 21 billion kilowatt

hours of energy; and as stated in our President's report the Manitoba consumption was around 15 billion, so this would leave us approximately 6 billion surplus energy for export in an average water year.

MR. H. ENNS: Thank you, Mr. Chairman.

MR. G. FILMON: I'd ask Mr. Tishinski on that one. What was the peak that was reached this past winter? Because in the past, I think, 2,833 was the greatest peak and he's quoting 3,000. Did we hit a new peak this year?

MR. J. ARNASON: The peak this year was in November, it was 2,941 megawatts, slightly down from the previous peak which was 2,952, I believe.

MR. G. FILMON: The system capacity, I think, shows up in excess of 4,000. Sorry, 3,923, okay. Does that include all thermal and everything else added in?

MR. M. ELIESEN: Yes.

MR. G. FILMON: At one time we were higher. Is that because we've replaced a lot of diesel capacity along the way?

MR. CHAIRMAN: Mr. Tishinski.

MR. W. TISHINSKI: I think with some older thermal units we've derated some of the units from what had been previously published.

If you're looking at the back page of the Annual Report, you will note that this zone includes Manitoba Hydro generation. The integrated system would have to include the Winnipeg Hydro system which is in the vicinity of about 140 megawatts.

MR. H. ENNS: I wonder if Manitoba Hydro can indicate to us what their projected debt equity ratio of Manitoba Hydro will be in 1993 — and I'll take it one step further — 12 years later, assuming that one-half of the NSP sales revenue are siphoned off as suggested by the government.

MR. M. ELIESEN: We will provide that information.

MR. H. ENNS: On another matter, Mr. Chairman, to Hydro. Can Hydro indicate what costs, if any, Manitoba Hydro incurred with their staff participating in negotiation with Alcoa and/or any other aluminum industries?

MR. M. ELIESEN: Just for clarification, Mr. Chairman, these are costs of staff involved in negotiations?

MR. H. ENNS: In negotiations with companies. I named specifically Alcoa. We have Letters of Intent filed in the House by the Minister of the Day indicating that serious ongoing discussions were going on with Manitoba Hydro and Alcoa. Surely some costs must have been related with respect to carrying on those negotiations by Manitoba Hydro staff.

MR. M. ELIESEN: Mr. Chairman, there are no costs involved in the last year, but we certainly can go back

in the records of trying to get some rough costs because my understanding is that it was mainly some limited numbers of staff involved in those negotiations in some of the studies related, but we can go back over the last three or four years or before then if it's useful to provide some rough guesstimates. They weren't large in any degree.

MR. H. ENNS: Another question that I would ask Hydro to do some projecting on, if they could provide us with estimates of consumer power costs in Manitoba during the NSP sales period. What would these be with or without the 50 percent diversion of revenue from the sale to the government?

MR. M. ELIESEN: Yes, we will provide that information

MR. H. ENNS: Does Manitoba Hydro have any information to tell the committee at this time about the projected construction of the Conawapa Generating Station? What preparatory work is being done at the site? What is the schedule from start to finish including investigation and design?

MR. M. ELIESEN: Mr. Chairman, in a general way Manitoba Hydro recognizes that the successful conclusion of negotiations on finalizing a contract with the Upper Mississippi Power Group will require additional generating capacity to service that sale which would start in 1996 and go for 16 years. Currently, management are reviewing internally studies with regard to the most economical time frame for such additional generating stations. Those studies will be completed very very shortly.

What we currently have to do first of all, we anticipate signing a contract with the Upper Mississippi Power Group around September or October of this year. Following that, we would have to seek National Energy Board approval and the Government of Canada approval. The U.S. side would, as well, have to obtain their regulatory approvals, so when all regulatory approvals are in place, only at that time will we be in a position to specify the best economical construction time frame. But those studies are just starting to get under way given the likelihood that we will sign these contracts and that is the current state.

MR. H. ENNS: I think one final question at this time. Hydro has become, of course, much more involved in labour training and other manpower programs and I'm interested in, to what extent this is being done through Hydro — I am aware that other departments of government are, of course, also involved including the Federal Government — but from Hydro's point of view, who supervises this work? Who works with the Manitoba Energy Authority? Are Manitoba Hydro staff attending seminars? Who is giving the seminars? This kind of thing. If we could have some idea of personnel, either staff or outside consulting people that Manitoba Hydro employs in this area, it would be of interest to the committee.

MR. M. ELIESEN: The main responsibility, Mr. Chairman, for this particular area really rests with the Limestone Employment and Training Agency, which is

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under a \$50 million long-term arrangement between the Province of Manitoba and the Government of Canada for training specifically in Thompson and Pipe Lake and in a number of community colleges throughout the North, and that is the main body and the main funding for qualified personnel hopefully to be employed at the Limestone site.

Manitoba Hydro itself is represented on the board of the agency but we can review and see what specific and more detailed information we can provide, but the costs for this are mainly under the agreement between Canada and the province.

Now Manitoba Hydro itself, though, has an Affirmative Action Program in order to strengthen and employ Northerners, particularly those of Native ancestry and women, there are obviously costs associated with that. We do have our own scholarship and bursary programs which the president referred to, but we can try to estimate the costs that are involved in this particular area for the member.

HON. E. KOSTYRA: Relating to what Mr. Enns was asking, in terms of the question that was asked of Hydro to provide information with respect to rates on the basis of 50 percent of the revenue from the NSP going to the Energy Foundation, could we also have projections on what the impact of rates would be without the NSP sale?

MR. M. ELIESEN: Yes, that information can be provided and will be provided.

MR. G. FILMON: Mr. Chairman, following on the questions of the Member for Lakeside, I'm not sure if I understood Mr. Eliesen. Did he say that the cost of the Limestone Training Development Agency were borne by Manitoba Hydro or by the Jobs Fund?

MR. M. ELIESEN: It is my understanding that this is a responsibility of the Government of Manitoba and the source of funding is through the Jobs Fund, plus the Federal Government itself. The source of funding there is through the CEIC, the agency responsible for Manpower, etc.

MR. G. FILMON: That was the announcement that was made last fall in Thompson — \$18 million federal, \$12 million provincial? Is that correct?

MR. M. ELIESEN: I stand corrected, Mr. Chairman. It was my understanding that the total over the five-year period was roughly \$50 million but I'm just trying to recall from memory. But yes, the announcement was made by the Minister of Employment Services and the Federal Minister, the Honourable Flora MacDonald, on that program.

MR. G. FILMON: Mr. Chairman, the chairman referred to the Affirmative Action Program extending to Natives and women. Are there any affirmative action programs for the employment of visible minorities within Manitoba Hydro?

MR. M. ELIESEN: No, Mr. Chairman, our current policy, which is the one adopted by the board of Manitoba

Hydro approximately three years ago was to recognize that women and Natives and disabled individuals had a first priority in the development of the program and that's the area to which we've asked and received permission from the Human Rights Commission to institute a long-term program. That is the current policy of Manitoba Hydro.

MR. G. FILMON: Does Manitoba Hydro have any policy or any interest in adding visible minorities to that group?

MR. M. ELIESEN: We certainly can take a look at that particular area.

Our priority so far has been to address the three groups I indicated earlier but we are aware of a recent policy adopted by the Government of Manitoba with regard to visible minorities and we obviously should look at this particular area as well for inclusion in the Corporation's policy.

MR. G. FILMON: Mr. Chairman, is there any reason why, if the Government of Manitoba adopts such a policy, that Manitoba Hydro and other Crown corporations shouldn't be included in it?

MR. M. ELIESEN: Mr. Chairman, the Crown corporations do operate at arm's-length relationship and certainly the very specific policy on affirmative action which we have adopted, is quite innovative in a number of areas in comparison with other Crown corporations, mainly because of the area that we are involved in, i.e. the North, and many Northerners, particularly those of Native ancestry living and hopefully wanting to work in that area, so we have concentrated attention in that particular area.

But the policy of the board really was the one determined three years ago and that's the one we have been working under.

MR. G. FILMON: Mr. Chairman, is not Manitoba Hydro's biggest employment base in Winnipeg and southern Manitoba, overall?

MR. M. ELIESEN: That is correct, Mr. Chairman, it is and the area in which one is hopefully able to make more significant gains obviously relates to new areas of activities, particularly as the president reflected in his report, that the degree of additional employment at Manitoba Hydro certainly would not be repetitive of the past in which there is a 25 percent less employment base.

But we are aware and we do know that we have a growing and very active involvement and commitment in the northern areas and obviously it's easier to facilitate an aggressive Affirmative Action Program in an area where you are growing and that is where we have attempted to address our main concerns.

MR. G. FILMON: Mr. Chairman, I wonder if one of the representatives at committee could indicate what was the amount of money paid out of the — I believe it's called the Hydro Rate Stabilization Fund this year and last year, the last two years that are covered in the president's report here?

HON. V. SCHROEDER: I don't have the numbers. Mr. Arnason.

MR. CHAIRMAN: Mr. Arnason will have the answer.

MR. J. ARNASON: The figure for 1983-84 was a payment made to the province of \$23.6 million. Manitoba Hydro received a payment from the province of \$45.5 million, for a net payment received by Hydro from the province of \$21.9 million.

In the last year 1984-85, payment made to the province was 18.5, payments received from the province was 36 million, a net payment received by Hydro from the province of 17.4. Over the years, other than the past fiscal year, we are aware of \$122.5 million benefit to the utility. I believe I reported that number last year.

MR. G. FILMON: Is there a figure for 1985-86 at this point in time?

MR. J. ARNASON: Mr. Chairman, we have received no information from the province on the figure for the last fiscal year.

MR. G. FILMON: I wonder if there is an expectation that it would be going up or down versus the previous year.

HON. V. SCHROEDER: My recollection is that it is up in 1985-86 from 1984-85, up significantly, but I don't have the numbers.

MR. G. FILMON: Mr. Chairman, that's a reflection of the differential between our dollar and the various currencies in which the borrowings have taken place over the past? So then, in effect, although Mr. Arnason's report says that the utility last year, 1984-85, made a net income of 11.1 million, in terms of the effect on the Province of Manitoba or the people of Manitoba, they paid out 17.4 in the rate stabilization. So Manitoba Hydro would still, if it were not for the Rate Stabilization Fund, be operating in the red this past year?

MR. M. ELIESEN: Manitoba Hydro, Mr. Chairman, has operated now for quite a number of years under the conditions of the policy of the day of the government in which the province assumes the responsibilities for this particular area. That's the reason why you have the figures you have in front of you. I may say that the reason for the province assuming the obligations was related to the policy of the time in which there was a rate freeze imposed on Manitoba Hydro. If there was going to be a rate freeze imposed, then the obligations related to that rate freeze on the exchange rates was assumed by the Province of Manitoba.

MR. G. FILMON: That being the case, Mr. Chairman, then why was the Rate Stabilization Fund provision not repealed or cut off when the rate freeze was taken off?

HON. V. SCHROEDER: That's a good question. Probably one should look at doing that in a phased-in way as you move out of a freeze and it is now several years since we have ended the freeze. So that is something that I would agree we ought to look at closely and quickly.

MR. G. FILMON: I wonder if I could ask Mr. Arnason his projection of an increase for electrical energy

requirement over the next 10 years of 2.8 percent annually. Does that include the prospect that was included in both the National Energy Board proposal and I believe last year's report to the committee or load growth of electrification of the natural gas pipeline pumping stations throughout Manitoba?

MR. M. ELIESEN: Mr. Chairman, while Mr. Arnason is getting the specific information maybe I can just make a general comment at least. Manitoba Hydro has had a forecast now of 2.7-2.8 percent for the last 10 years over the last three years and our experience, since we've been recording that kind of long-term forecast, is the first year we had an 8.5 percent increase in demand, the second year we had a 4.5 percent increase, and this year we had a 2.5 percent increase. So that's the history of the three years under which we have been operating related to that 2.7-2.8 percent ten-year forecast, but maybe Mr. Arnason has the specific information on the question posed.

MR. J. ARNASON: I am advised by staff that a portion of the pipeline energy projections were included in our estimates. They are significant in terms of the totals. Although there has been no approval yet for the pipeline in terms of service to them, there are four stations about 24 megawatts each, as I recall, and each one of them will require some 200 million kilowatt hours a year. They are substantial loads. But we did not include all of them in the forecast, only a portion of them.

MR. G. FILMON: When will a decision be known on that potential for switch over?

MR. J. ARNASON: We are in touch with them on a continuing basis. Apparently they have some difficulty in getting approvals through National Energy Board and some of the purchasers of their product are having difficulty getting approvals as well on the U.S. side. But we are ready to electrify them as soon as they give us the word.

MR. G. FILMON: Is there a significant net benefit to them for electrification?

MR. J. ARNASON: Yes, I would think there would be. They are operating their units with gas and certainly they want electric drives. In our preliminary negotiations with them, we indicated that they would pay all the up-front costs, all the capital costs of extending service to each of these locations.

MR. G. FILMON: Returning to Mr. Eliesen's comments earlier, I wonder if Mr. Arnason could explain why there was an 8.5 percent increase in the energy consumption two years ago.

MR. J. ARNASON: That figure reflected the added load of Hud Bay in the Flin Flon area. So it certainly distorted the normal trend line.

MR. G. FILMON: A further question to Mr. Arnason. There is reference here to various communities being switched over from diesel generation to hydro-electric generation. Is Manitoba Hydro intending to build a

transmission line to serve the communities in the Island Lake area? I believe there are five communities there for which I am told Manitoba Hydro has done significant studies of the costs and benefits, engineering and economic studies, that indicate there would be a significant net benefit to switch over from diesel to hydro-electric energy. If indeed that is the case, then what Hydro's plans for that service of that area?

MR. J. ARNASON: I reported on this subject last year and really little progress has been made in terms of approvals from the Federal Government for the funding of that project. I believe the numbers we used last year in terms of the capital costs were in the neighbourhood of \$43 million, and I believe those were in about 1983 dollars. We're talking about, not five communities, we're talking about seven communities, as I recall: Oxford House, Red Sucker, God's Lake, God's Lake Narrows, St. Theresa, Garden Hill and Waasagomach. We had indicated to the authorities in the Federal Government that with the approval by last June we would probably have service into Oxford House by about 1988, I believe. We have, of course, had to delay that schedule and if we get approval by this June, we'll have service to Oxford House by '89. But negotiations and discussions are continuing with the Federal Government and, in fact, the chairman recently did forward information to the Deputy Minister of Indian and Northern Affairs, and that's where it sits at the moment, Mr. Chairman.

MR. G. FILMON: What approvals are necessary from the Department of Northern and Indian Affairs?

MR. M. ELIESEN: Mr. Chairman, since I recently wrote to the Deputy Minister of Indian Affairs, maybe I can add some additional information in this area. Basically, this is all within federal jurisdiction, and Manitoba Hydro, as the president mentioned, since June of '84 has made a very detailed and specific proposal to the Federal Department of Indian Affairs and really it's a question of their agreeing to the financing. We repeated our offer in 1985, but no action was taken by Indian Affairs due to a lack of funds.

We have started again and suggested to the Deputy Minister of Indian Affairs a method by which, utilizing their own particular loan funds, finances could be obtained without impacting their cash flow as part of the overall Federal Government's budgetary position. Hopefully, the department will respond positively to our suggestion and we will be able to start moving in this area.

MR. G. FILMON: Mr. Chairman, there's a reference about a new initiative by Manitoba Hydro in exporting technology and programs involved teaching technicians how to operate hydro-electric systems. It says that it's being done by means of seminars in China. Who has travelled to China to put on seminars thus far?

MR. J. ARNASON: In terms of Hydro staff, Mr. Chairman, we are actually a subcontractor to B.C. Hydro. B.C. Hydro have a CIDA contract which I believe is an \$8 million contract over a period of five years, and Manitoba Hydro and other utilities are subcontractors to B.C. Hydro. We are in the process

of preparing lectures for our specific area of responsibility and we anticipate being in China probably in September of this year with a small team of experts covering specific lectures. Maybe Mr. Duncan can elaborate on that a little bit.

MR. CHAIRMAN: Mr. Duncan.

MR. D. DUNCAN: We have a program. There are four utilities involved: B.C. Hydro is the sponsor, Ontario Hydro, Quebec Hydro, and ourselves. We have a portion of the program which amounts to about \$400,000.00. It involves consulting services and miscellaneous general consulting, seminars in China, and training programs and seminars in Canada.

MR. G. FILMON: Has Manitoba Hydro at any time during the past two years awarded any consulting contracts to WMC Associates?

MR. J. ARNASON: The answer is no.

MR. G. FILMON: Mr. Chairman, I have no further questions at this point.

MR. CHAIRMAN: Are there any other questions? The Member for Lakeside.

MR. H. ENNS: Mr. Chairman, on a matter that certainly was raised frequently with me again during the past election, and that is something that has been with us for awhile but still seems to bother a number of customers, and the issue is demand billing and/or indeed the cost that's being charged to certain substantial agricultural producers. I'm making specific references to a number of Hutterite Colonies in my area, in my constituency, who are operating large livestock hog farm operations and, disturbingly, are telling me that they are changing over to coal. Your Portage office would be aware of this taking place. I'm just wondering whether senior management is aware and what, if anything, I can tell my constituents about that situation.

They're maintaining that Hydro billings are currently running at anywhere from \$40,000 to \$50,000 to \$55,000 can be reduced to \$7,000 or \$8,000 by the importation of relatively cheap coal from Saskatchewan, and then generating their own heating requirements in their hog barns by means of using coal. It disturbs me that that is taking place, but I can't argue with the economics of it, having some understanding of how hard pressed anybody in agricultural production is these days.

MR. J. ARNASON: Mr. Chairman, I may not be able to answer that question specifically. I might have to call on Ralph Lambert, our Vice-President of Customer Service, who might be more familiar with the details but certainly the principle of demand billing is something that is universal with all the utilities in Canada. We have demand billing where we have power customers, 50 kVa or larger. In fact, some time ago, when we were before the Public Utility Board, they were suggesting that we lower that figure; in other words, have people at a lower demand being charged for both energy and demand costs.

Of course, the principle is that those large customers who place a demand on our system for which we have to put a capital plant in place have to pay their fair share of the ongoing operating costs of that plant. That's the principle behind it. There really is no free lunch; someone's got to pay for it. Maybe Mr. Lambert would like to elaborate a little bit on it.

MR. CHAIRMAN: Mr. Lambert.

MR. R. LAMBERT: Only to comment that we are aware of a couple colonies in the Portage area, one in particular, I believe, that has started to use some coal and another one that has talked about it. We are quite familiar with this situation. We have been out discussing this situation with them.

By way of comment, we can't comment on the economics, other than to say that we suspect that part of the economics relates to their ability to haul the coal themselves at a fairly low price.

MR. H. ENNS: Just for the record, you, Mr. Lambert, can't confirm that in fact, at least in one instance, this conversion has taken place, and you're aware of others contemplating similar conversions from electric to coal.

MR. R. LAMBERT: I can't be certain but I believe one conversion has taken place, yes.

MR. H. ENNS: Thank you, Mr. Chairman.

On another constituency-related issue, which I suppose I have been troubled with more so in the last three or four years than any other issue relative to Manitoba Hydro affairs, and that is the hookup costs involved to providing services in rural Manitoba.

I note with interest the extension of services to the Northern communities. I'm wondering, for instance, if Northern residents face some of the same kind of hookup charges that are being asked for by Manitoba Hydro of rural users, new users in southern Manitoba. In some instances, these costs are extensive — \$5,000, \$8,000, \$12,000, \$14,000 are being asked up front for hookup services. Now I appreciate that, in many instances, the party has decided to locate in an area off current line service, that additional costs are involved. I suppose what I'm asking for, there seems to have been a policy change back several years ago in April that I perhaps should have been more aware of.

Can somebody from Manitoba Hydro tell me what current formula is in place to the provision of service and the costs attached thereto to the applicant? What bothers a lot of other people as well as it seems, if hard negotiations take place, that becomes a rather flexible figure. In other words, people will initially be asked to come up with \$10,000 or \$12,000 or, if they negotiate hard enough, it turns out to be \$5,000 or \$6,000.00.

There's a particular case — my colleague is not here — and it involves a resort area in the northwestern part of the province in the Roblin-Russell area — I think it's Mr. Cummings — where it's a question of providing service to a half-a-dozen serviced lots, which originally was quoted by Manitoba Hydro to be — and my numbers may not be correct. Mr. Cummings can do that for himself on another occasion but, just to

use as an example, the original request by Manitoba Hydro to provide service to that area was some \$54,000.00. It then became \$34,000, and I understand the current figure is \$26,000, give or take. The number may not be accurate, but they are in that range.

That has a lot of people concerned in rural Manitoba and, if the policy is such, it obviously is pretty variable. I'm looking for some assistance from Manitoba Hydro as to how we can overcome some of these problems

MR. R. LAMBERT: I'm not sure where to begin. First of all, I would say that our service extension policies for the same class of customer is applied universally throughout the province.

By example, if you have a rural residential customer which could be a farm, we have a policy whereby we will contribute to the project three-quarters of a mile of single-phase transmission line. The way our policy works is that we cost out the full cost of the extensor and we give an allowance of three-quarters of a mile, and the customer is required to pay the balance as an up-front charge. That is the same policy that we apply throughout the province for that class of customer.

In respect to what has happened to that policy, that policy has changed a little bit over the years. I believe, five or six years ago, that policy may have read something like a mile-and-a-quarter or a mile, and it has gradually been decreased to three-quarters of a mile, but has been three-quarters of a mile for the last three, four or five years.

In terms of the negotiation of price, it is the intention of Manitoba Hydro management to ensure that the policy is applied fairly and equitably throughout the province. If management were made aware of a specific instance in which that has not happened, we would want to follow that up with our staff to find out why it has not been applied equitably.

MR. H. ENNS: Mr. Chairman, I appreciate that these are matters that I should be taking up directly with Hydro staff on an individual basis. I simply raise them at the committee level, because they have become somewhat of a chorus of complaint in rural Manitoba, which I'm sure members of Manitoba Hydro are only too well aware of.

MR. CHAIRMAN: The Member for Morris.

MR. C. MANNES: Thank you, Mr. Chairman.

I direct my question to Manitoba Hydro and it's also a general question, although it has arisen out of a problem a constituent of mine had. Is Manitoba Hydro liable at all when power surges cause damage within homes, power surges that may have been indirectly caused by an act of God — in other words, lightning or a major storm — but then the surge thereafter, coming maybe two hours after the storm has passed, and which may have been caused by human error? My general question: is Manitoba Hydro liable in any instance where power surge occurs?

MR. R. LAMBERT: The posture that the utility takes in regard to that is that, if there was negligence on the part of our staff in terms of how we operated or the system, then we would accept responsibility. If on the

other hand, there is no apparent negligence on the part of the staff and the surge was the result of a storm, such as lightning, the utility takes the posture that it is not negligent.

MR. C. MANNES: Negligence, even if the storm has caused maybe two wires to cross, unseen by your staffperson, who then throws some switch and causes a short circuit. Is that considered negligence or not?

MR. H. LAMBERT: I assume that you're referring to a specific instance of which I am familiar. There has been a lot of investigation into that particular instance, and we are quite comfortable that staff were not negligent in the manner they operated the system.

MR. CHAIRMAN: The Honourable Member for Emerson.

MR. A. DRIEDGER: Thank you, Mr. Chairman. Just to push through that area of these power surges a little further, have there been cases of power surges where the Hydro has accepted the responsibility and paid out damage claims, etc.?

MR. H. LAMBERT: I can't answer specifically. If there was a case as a result of a power surge, I am aware of situations where due to faulty workmanship, or faulty materials, that Manitoba Hydro has paid damage claims.

MR. A. DRIEDGER: I raise that, like my colleague for Morris. He had a situation where a power surge developed and we had one in the southeast corner as well, in the Woodridge area, where I think a tree leaned over and two wires touched and created a surge. I believe that's my understanding at least. Is there any provision? At that time, applications were made to see whether there was some compensation. I think the explanation was it was an act of God because of the trees being full of snow and leaning over. Is there any way that people could possibly appeal this kind of a decision? For example, if the trees are that close to the Hydro lines, that if they lean over that they will create this kind of a shortage or a surge; does Hydro not feel that that would be any responsibility on their part?

MR. H. LAMBERT: For that type of situation, if it was judged that we had not properly maintained the right-of-way along the transmission line, which would include removing trees back on the right-of-way, then we would accept responsibility.

We have some difficulty in treading the fine line between maintaining the rights-of-way clear of trees, in particular tall trees that are adjacent to the right-of-way and we believe that we use our best judgment in terms of not removing any more trees than necessary and recognizing that some of the taller trees could possibly, under severe weather conditions, cross the transmission line.

MR. A. DRIEDGER: Further to that, might I just maybe make a suggestion? A lot of confusion develops in people's minds when something like this happens and of course they're looking for somebody to help pay

some of the costs. Manitoba Hydro always has a bulletin that they send out along with their billing — and I suggested this to the local Hydro people in the southeast — that maybe an awareness program is called for it gets explained that these kind of things can happen and that they have to look for insurance coverage under these circumstances to cover that because people are really not aware. It doesn't happen that often, but certainly it wouldn't take that much in your bulletin to sort of maybe update information to tell people that certain things can happen — power surges — Hydro is not responsible but that they can buy insurance, because many people don't even have proper insurance for this kind of a thing, and as a result, some of these poor families out there that got affected by a television blown, etc., microwaves, whatever you have, they're in a quandary and they feel that somebody is responsible. It's really not their doing in their mind and somebody should be paying for it, and if they're made aware of the fact that they should look for insurance to cover this kind of thing, then probably there's a better understanding of it. I'm sure Hydro must have been deluged with all kinds of calls each time this happens, and as I say, even through the media purposes or your own, let people know what the circumstances are with that, and those that then want it can avail themselves of proper coverage.

MR. H. LAMBERT: Those are fair and reasonable comments. As a matter of fact within the last three or four months, we did issue a news item in the bill stuffer that we call "Hydro Lines" pertaining to power surges and the matter of proper insurance coverage.

MR. J. DOWNEY: Thank you, Mr. Chairman.

I have a couple of general comments that I'd like to make and questions and then some specific constituency-related matters which I'd like to bring to Hydro's attention and to the committee's attention.

Firstly, I would like to endorse or verify the comments my colleague for Lakeside indicated with the changeover from Hydro power or the reduction in the use of Hydro power to the use of coal by the Hutterite colonies in Manitoba. I live in the southwest corner of the Province of Manitoba, on the route which comes out of the Bienfait coal fields of Saskatchewan, and it's not uncommon through the wintertime to see several Hutterite Colony trucks moving large quantities of coal through that area.

As well, I can put on the record that Maplegrove Colony in the Lauder area have converted a large part of their operation over to coal firing of their boiler operations, because of the sheer cost of it. I would ask a question of Hydro: do the Hutterite colonies in Manitoba negotiate a special rate for their colonies? Do they have a special rate at this time?

MR. H. LAMBERT: No, they do not. They, I think, almost exclusively are on the demand rate. There are 70 or 80 colonies, I believe, in the province and I think probably, without exception, they're on the demand rate which is a rate which is used universally in the province with industry, etc.

MR. J. DOWNEY: Another area which I would like to bring to Hydro's attention and to the committee's

attention as well, is that during the early part of this year the Progressive Conservative Party had a series of task force hearings throughout the province. In the Roblin area we had brought to our attention — and I've done some further research on this — that in fact, Manitoba Hydro, for a very little cost, could provide the Manitoba farm community with three-phase power; where there is in fact two wires running to a farmstead or to any business in rural Manitoba, that for a very low additional cost, a transformer changeover — that there in fact could be three-phase power introduced to that operation.

We are getting estimates now of some of the people from the riding which I represent, there are some tremendous cost estimates as to whether or not — or as to what it would cost to give that kind of service. I'll tell you why I'm bringing it to the attention, because it has a major cost implication to the farm community. There was evidence given at that task force hearing where a 10 horsepower motor on three-phase power would cost somewhere in the neighbourhood of just over \$200.00. Single-phase power, which now most farmers are forced to use, would in fact cost in the neighbourhood of \$600.00. So the cost savings in equipment purchases, the cost saving in use of Hydro could be substantial if, in fact, it was converted over.

This was evidence that was brought to our attention. I have since checked with several electricians and they have indicated to me that, yes, it would be quite possible to transfer or to change the single-phased power units on most farms in Manitoba, where two Hydro lines are running to three-phase with a very low cost to those individuals.

I ask Hydro as to why they would not consider to pass on or to carry out such a policy change, or to implement such a policy, to give some cost savings to rural Manitoba and encourage modernization and upgrading of the use of Hydro.

The other question I have is — and this is somewhat of a major concern of mine — that Manitoba Hydro for some reason have had a policy change where it is now more important to sell hydro outside of Manitoba, than what I would consider was their original mandate as to supply power for those people in Manitoba who are paying for it. I'd like to know when that policy change came about because I still am of the belief that Manitoba Hydro was implemented, was put in the province, a major step made by the D.L. Campbell Government, a major move made by Duff Roblin when he made the massive commitment to the development in the Northern Hydro, and now we are in the position where it seems the main ambition is to sell hydro out of the province to outside this country and forget about the servicing of those customers who are paying the bills back home.

I think the three-phase hydro is important. I think that the policy change, when that policy change came about, as well, is important and I would like the Hydro to respond before I ask my next series of questions.

MR. H. LAMBERT: Relative to the first question on three-phase power, we do recognize that to a consumer the three-phase motor can be a more economical choice than a single-phase motor. However, three-phase power is considerably more expensive for Manitoba Hydro to

install and provide than single phase. We have a policy whereby we will supply a single phase up to 2 horsepower. The reason for that is that we believe that it is more expensive for Hydro to provide three phase for loads less than that. Up to 20 horsepower, if consumer requires or desires three phase, we will provide it, but it is at the full cost to the consumer. Over 20 horsepower, we will supply three phase on request and, in this instance, we do a revenue test to establish what contribution the customer should make for that three-phase service.

One of the difficulties in supplying three phase that, under the revenue test, many of the loads which require three phase are of fairly short duration, seasonal in nature and, as a result, they do not provide a great deal of revenue to the utility to offset the capital cost of the three phase.

MR. M. ELIESEN: Mr. Chairman, if I could just make a brief comment on the area requested with regard to the mandate of Manitoba Hydro. The mandate of Manitoba Hydro remains the same today as it has been in the past. The priority of this Board of Manitoba Hydro is to provide the customers in Manitoba with the best and most effective service. The area of export sales really is the mandate of another Crown corporation and that is the Manitoba Energy Authority which, under legislation proclaimed in 1980, gave that Crown corporation the responsibility for export sales, and that is where the prime focus is oriented towards the activities. But Manitoba Hydro in the past, present and the future and, in fact, I can make available, rather than reading into the record in detail, what the President had to say as recently as May 15th with regard to Manitoba Hydro's customers, and the priority they are is our No. 1 mandate.

MR. CHAIRMAN: Mr. Arnason wants to add some more information.

MR. J. ARNASON: Just a brief comment, relative to our marketing stance for our customers in Manitoba. We basically have had a fairly low profile marketing posture. It's been related to wise and effective use of electricity. We have provided information to customer in all categories relative to conservation. We have been supporting Provincial and Federal Governments in that respect. But in our new corporate strategic plan, a part of our new plan is to take a complete new look at our marketing posture and that will be done in the next year. So I think you might see some changes in our marketing program after that study is completed and I think you will see it will be more aggressive than it is at the moment.

MR. J. DOWNEY: I'd still like to get back to the question of three-phase power and ask Hydro directly, is it possible to provide a farmer now, with two power lines coming to their yard, with three-phase power without any additional linage to be run, just to transform change on his farm?

MR. H. LAMBERT: Yes, it is possible where we have two conductors, rather than three, to operate that as a three-phase system. In fact, we have a number of

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installations like that in the province. There are limitations, technical limitations, to how much load you can put on that kind of a three-phase system. Once the load grows beyond a certain amount, then it has to be converted over to a full three-phase system using three wires.

MR. J. DOWNEY: What would Hydro estimate the cost of the transformer changeover without any additional wires? What would it cost per unit, or per average farmer, right today to give them that three-phase power?

MR. H. LAMBERT: I don't believe I can give that to you right today, but we could give you that information.

MR. J. DOWNEY: I would appreciate that, Mr. Chairman. I thank the member for that information.

Another question I have, and this deals directly with the relocation of poles and the upgrading of power lines, I just have a copy of a letter from a constituent today sent to the Ombudsman. I visited the site near Souris where the Hydro are doing an increase in the voltage which they are going to be providing in that area and there had to be some line upgrading. The constituent has run into a road block with Manitoba Hydro in trying to get two poles, or the location of the poles entering his farmstead, changed. The point that he makes, and he made to me, and it's very obvious, is that of major safety concern, that there is one pole located in the farmer's field, another one directly adjacent to his lane and for, I believe, it is one additional power span, one pole span, that it could in fact, in the long term, save him a lot of inconvenience and I think save Manitoba Hydro a certain amount of cost with the problems that could be incurred because of where the poles are located. I have made a call to, I believe it was the executive assistant I talked to with Hydro, Mr. Rose, I'm waiting to hear back from him. My constituent was not patient and went to the Ombudsman.

I would request that Hydro try to look into this matter as quickly as possible at management level to get back to my constituent and to me as to whether or not they could proceed to do it, to assist this resident.

MR. H. LAMBERT: We will look into that situation.

MR. J. DOWNEY: Another question, what is the policy of Manitoba Hydro as it relates to putting signs on hydro poles? What is the policy?

MR. H. LAMBERT: We do not allow signs or material of any kind on hydro poles for safety reasons.

MR. J. DOWNEY: I appreciate that, Mr. Chairman. I would be so kind as to provide Manitoba Hydro with a picture of a Manitoba Jobs Fund sign prominently displayed just on the south side of Brandon along No. 10 Highway. I found it strange that it was left to be up there. I think it's still there, it has been there for some one or two years, and if the committee or the Minister would like this for evidence I'm quite prepared to provide it. It is a great green sign on a hydro pole, but

it is the Manitoba Jobs Fund and I was just wondering if there were special preferences given to the Jobs Fund through Manitoba Hydro. I would also ask that Hydro have a consistent policy when it comes to the placing of signage on their poles.

HON. V. SCHROEDER: Could we have a brief description of the project being advertised?

MR. J. DOWNEY: I think it's the re-election of the NDP Government.

HON. V. SCHROEDER: Well then it worked.

MR. J. DOWNEY: Well, Mr. Chairman, I am serious about it because I think the same rules should apply to the government as well as the rest of the people.

I have another question dealing with a constituent, Mr. Chairman; that is in a situation where a farmer found himself in financial difficulties and went into voluntary receivership. One of the pieces of property which the farmer owned had a hydro bill against it. Hydro have now taken the lien that's against that particular individual, because it was not paid by the receiver, and are now placing those overdue amounts on the bill of that individual's wife. It's not a large amount of money but they have now threatened to cut the hydro off from this individual's wife, and she is very much under pressure because of the traumatic experience that her husband has gone through. It now seems somewhat unfair for \$150 that Manitoba Hydro feels that it's essential to now place that amount of money, which was owed by her husband and neglected to be paid by the receiver, onto a bill which she is supposed to pay.

I would ask that Manitoba Hydro take a look at this specific case — I will give the name to the individual so that they could look into it — and I think that they could do some good by it.

HON. V. SCHROEDER: Yes, certainly, we'll take a look at that.

Just before we call it 12:30, I would like to, on behalf of Premier Pawley and the Government, thank Mr. Arnason very much for his years of hard work and dedication to Hydro and to the Province of Manitoba, and wish you and your family well in your years of retirement. I hope you have many happy and healthy years.

MR. J. ARNASON: Thank you.

MR. CHAIRMAN: Before we rise, is there a need to go back to Hydro because that's the only one that is referred to the committee. So we will be meeting and resuming the committee meeting on Thursday, just Manitoba Hydro because the report . . .

A MEMBER: Yes.

MR. CHAIRMAN: Committee rise.

COMMITTEE ROSE AT: 12:33 p.m.