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Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
AND
NATURAL RESOURCES

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Chairman
Mr. Harry M. Harapiak
Constituency of The Pas



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

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

Tuesday, 18 May, 1982

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Time — 10:00 a.m.

CHAIRMAN, Mr. Harry M. Harapiak (The Pas)

MR. CHAIRMAN: Call the Committee to order. We have a quorum. We're on Public Utilities and Natural Resources. We're considering the Annual Report of the Manitoba Hydro-Electric Board.

I believe there was a few questions asked at the last meeting at which Mr. Cherniack has the answers for, so we'll start with him.

Mr. Cherniack.

MR. S. CHERNIACK (Chairman of the Board): Mr. Chairman, I think it was Mr. Ransom in both cases, but certainly in one case, he asked for a breakdown of the change in the estimation of this current year from the '79 forecast and the 1981 forecast broken down as it was affected by low water and/or higher inflation and/or higher interest rates. Mr. Blachford has that.

I think it was again Mr. Ransom who asked about the effect of the dating for the Limestone generation and Mr. Blachford has a chart for that.

If you like, Mr. Chairman, we can do it now or anytime that suits the Committee.

MR. CHAIRMAN: I believe we should give the answers now. Is that agreeable? Mr. Ransom?

MR. A.B. RANSOM: Yes, I think that would be a good idea, Mr. Chairman. I believe my request the other day though was for the difference between the projections that were made in '79 and the projections that have subsequently been made, not just dealing with one specific year.

MR. S. CHERNIACK: Well, it was prepared for one year. Do you have others? Well, it was prepared just for the one year but it was that difference that Mr. Ransom asked but it's only for the one year.

MR. CHAIRMAN: Mr. Blachford.

MR. L.D. BLACHFORD (President and Chief Executive Officer): May I ask Mr. McKean, he has a projection of these figures to put on the board.

MR. CHAIRMAN: Mr. McKean.

MR. A.K. MCKEAN (Assistant General Manager of Finance): I've prepared this answer, I guess along which I thought was your question, Mr. Ransom. We'll see whether we have come close to answering it.

First of all, what I'm showing here - back in February of 1979, there was a projection prepared by our department and the top line shows what we projected would be our results at the time of the rate freeze and assuming that the debt, the risk would be turned over to the province. You'll notice on that top line, we're showing '79 to '83. These are in millions of dollars. In

'79 we predicted that we have an excess of revenue of \$41.7 million and then \$5.4, \$19.8, \$24.5 and then \$14.7.

The next line below we're showing actually what happened in those three years actually. You'll notice in '79, \$45.7 was the actual results. In 1980 was significantly better than had been predicted mainly because of water conditions and of \$45.6 million.

In 1981, we lost \$16.3 million. Again, that \$16.3 million was primarily a result of drought conditions. Now there will be a number of other things that entered into it but certainly as far as 1981, 16.3 was the result of drought conditions.

In 1982, the year we just finished, you'll notice we show that on the bottom line as a prediction because we didn't have the final figures at this point and still haven't got exact final figures. We're predicting a loss of \$27.8 million and Mr. Blachford, in his opening remarks, commented on the fact that in that year the drought conditions cost us somewhere in the neighbourhood of \$40 to \$50 million and therefore the main difference in that year of '81-82 again was primarily drought conditions.

Now '82-83 are both predictions for the future and you'll notice that we originally predicted that we would make \$14.7 million and we are now predicting that we'll lose \$22.7 million. I felt that was probably the biggest year that you want an explanation for because that spread is the main reason why the recommendation was made for a rate increase at this point of time rather than a continuation of the freeze as mentioned earlier.

My colleague and myself sat down in the last two or three days and tried to compare those two estimates. Now I will hedge to a degree in saying that when you compare estimates that are prepared four years apart there are many things that go to make up the difference and it is very difficult to exactly tape it down to one definite cause but we made an attempt and what I want to show now, and it might even help for discussion purposes, I have some copies to hand around. I don't know whether I have enough copies made to take care of the whole Committee but I'll just wait until those are distributed.

I'll perhaps pinpoint the note at the bottom first, that the causes of the deterioration are based to a large extent, on judgment following a review of the two estimates, therefore they can only be considered to be a reasonable estimate. There are many reasons when you look at changes between estimates made four years ago apart, but my colleague and myself are ready to say that in our opinion this is a reasonable estimate of the reasons for the change.

Now you will notice at the top we're just recapping the fact that in 1979 we made a forecast of a \$14.7 million excess of revenue and we are now predicting a loss of \$22.7 million, or a change of \$37.4 million in that period.

Our causes of deterioration: No. 1, water conditions. We say the cause is nil in this case because both these predictions are based upon an estimate of average water conditions and therefore there should be no

reason for the spread caused by water conditions in this case. Now that doesn't mean that we'll not have a difference because of water conditions but the actual conditions will be different.

Now in our opinion, the increase in interest cost due to higher interest rates than assumed in the original forecast, has caused the deterioration of 14.4 million. This is based upon the fact that we were predicting over this period of interest rates of less than 10 percent and in actual fact we, last year, had interest rates of approximately 18 percent and the year we're going into, we're predicting 15 percent. So that reason, we think, has caused deterioration of \$14.4 million. The increase in operating and administrative expenses mostly due to higher escalation than assumed in the original forecast, we estimate has cost \$15.5 million of deterioration. Again, this is the fact that we were predicting inflation rates and costs of between 6 and 7 percent back in 1979 and we have definitely experienced much higher rates of inflation in this period than that.

The third reason, increase in water rentals due to increase in rates of this assumed in original forecast; there was a substantial increase in water rental rates two years ago and we estimate that cost \$6 million. We also think that we have reduced our estimates of what we expect to get from extra provincial revenue. Extra provincial revenue has not escalated in price as much as we predicted back in 1979. I think there has been some discussion of this before the Committee, but in general our neighbours have brought on new generation and although we are quite satisfied that the rates we're getting are very substantial, they have not escalated in price as much as we predicted back in 1978-79 and we are estimating that that has caused a deterioration of approximately \$11 million. Total those up - they come to \$46.9 million.

We also think that the estimate of net savings due to lower growth in Manitoba load than assumed the original forecast has saved us \$9.5 million. Now, that is probably one that you might question. Two things have happened with reduced load growth. One is that which we have not sold in Manitoba we have sold extraprovincially for satisfactory prices but in addition to that our amount of construction of distribution lines and subtransmission lines throughout the province have been substantially decreased in volume due to that reduced load growth, and our estimate is that the reduced load growth has actually caused a saving in this period. We take that \$9.5 million away and the total is \$37.4 million.

Again, I admit that it is arrived at based upon a good deal of judgment by myself and my colleague, but in our opinion, this is a reasonable estimate of what has accounted for the deteriorating condition today as compared to one that was prepared four years ago. I don't know, Mr. Ransom, whether that has answered your question, but that was what we have done so far.

MR. A.B. RANSOM: That's very interesting information, Mr. Chairman, I just wanted to clarify then that for this year at least that on the 14.4 million that comes about as a result of a change of close to 5 percent in interest rate from what was being used as a basis of prediction in '79 and what is now being used.

MR. A.K. MCKEAN: That is correct but it's accumulation. We had borrowed money last year at a higher rate than predicted back in 1979 and those costs continue on to this year so it's an accumulation of borrowings at higher rates than estimated over the last two or three years. But in actual fact the main increase in borrowing has been in the last, I'd say 12 months, I think up till — I don't know when the big take-off took off in higher interest rates — but it wasn't in the first year. I think the most substantial increase has actually been in the last 12 to 15 months.

MR. A.B. RANSOM: Then is Hydro essentially locked into that now even if general interest rates were to drop by 2 or 3 percent, that this is something that . . .

MR. A.K. MCKEAN: Well, there was a certain amount of long-term borrowing done in the last 12 months — I haven't got the figure right handy with me — but I know there was two issues, at least, that were longer-term issues that were — I'll just check on that, Mr. Ransom — for instance, in the last 12 months we have borrowed approximately \$100 million in long-term issues. I think one of the issues was in New York and one was a roll-over of a borrowing in Switzerland. Now, those issues are charged to Manitoba Hydro at the Canadian equivalent at the time of the borrowing but they are longer-term issues and certainly those interest rates will stay with us until the maturity of the issues.

Now as far as the shorter-term borrowings, they are borrowed on the short-term market and certainly if interest rates went down and we financed them they would automatically go down too. But, that \$100 million, I think the Swiss issue was a 10 year issue and the New York issue, I think also was 10 years if I'm not mistaken, I haven't got the details with me right handy.

MR. A.B. RANSOM: I believe those were charged back to Hydro at approximately 17 percent?

MR. A.K. MCKEAN: I haven't got the figure handy with me but it was in that neighbourhood, Mr. Ransom.

MR. A.B. RANSOM: I just wanted to determine in general terms, Mr. Chairman, what would happen now if interest rates were to decline again, if they went back to the level that they were in 1979 when the projection was made, to what extent would Hydro's projection go back to what it was in '79, has it now escalated irrevocably by a quarter, a half, or just give any rough indication of what would happen if the rates dropped again?

MR. A.K. MCKEAN: We did give an estimate on, I think, last Tuesday showing what the effect on our operating account would be, a plus or minus 2 percent in interest in escalation. It was not a significant drop in the operating because our borrowings have not been substantial in the last two or three years mainly because our capital construction has been not at as high a level as we've had in the earlier years but there would be some drop and it was shown. I haven't got the figure exactly here, Mr. Ransom, but it would certainly improve the situation if the interest rates drop. I think we also showed the first day what assumptions

we were making on interest rates for the next five years and we actually were predicting a drop in interest rates. Again, I could maybe show you what we were predicting.

MR. A.B. RANSOM: On the inflation item then, I presume that's basically what the \$15.5 million is.

MR. A.K. McKEAN: The \$15.5 million is the inflation, wage settlements, everything we purchase from an operating point of view.

MR. A.B. RANSOM: And that comes about as approximately a 5 to 6 percentage point increase in inflation from what had been assumed in 1979?

MR. A.K. McKEAN: Yes, with gradual increase, Mr. Ransom. In other words, I guess the past year our assumption has been somewhere in the neighbourhood of 12 percent whereas back in 1978-79 we were estimating 6 or 7 percent over the whole period that we have in question.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Mr. Chairman, under the last item that says: "Reduced Extra Provincial Revenue due to Decrease in Selling Prices to Assumed Prices in Original Forecast," what contracts or what agreements do those decreases in selling prices arise from?

MR. A.K. McKEAN: They're not any contracts. Practically all our sales now are based upon surplus sales. The last contract we've had of a firm nature was with Ontario and the main part of that contract ended in April this year although there is small firm contracts during the summer for the next couple of years. But this is an estimate of what we expect to be able to sell on the open market, our surplus generation, to our neighbours.

Now this is not a decrease in estimate; it is a decrease in escalation that we had expected. In other words we had expected that these selling prices would have increased back in 1978-79 but in the interval there has been a good deal of new thermal, relatively cheap thermal, generation that has been brought into operation by our neighbours south of us and also Saskatchewan and as a result we are not estimating that the extra provincial sales will escalate in price as much as we were back in 1978-79.

MR. G. FILMON: Well then, Mr. McKean, are you saying that the price is based on the equivalent cost of thermal generation in these market areas to which we're selling?

MR. A.K. McKEAN: Yes. In most cases our sales consist of selling off surpluses to utilities who have a surplus themselves. Our neighbours have not got a shortage of power; they have a surplus of generation; but a good deal of that surplus of generation is thermal generation and therefore our selling price is very much geared to the savings that they can realize in fuel costs.

MR. G. FILMON: Could Mr. McKean identify who

these neighbours are to whom we are selling?

MR. A.K. McKEAN: Yes, we sell to Saskatchewan Power west of us, we sell to Ontario Hydro east of us and south we have three lines. We have one going to Grand Forks and that is owned by Northern States Power, Otter Tail Power and Mincota Power and we have a line that goes to Duluth which is owned by Minnesota Power and Light and we have a line that goes to Minneapolis which is owned by Northern States Power. Our market is governed by dealing with the utilities who you are interconnected with, although in some cases those utilities might be reselling that power to other utilities. But we have to sell our power to the utilities that are interconnected with Manitoba Hydro.

MR. G. FILMON: So Mr. McKean is saying that in many cases - because I find it rather interesting that these people are buying surplus power from us when presumably they already have surplus generating capacity - they're buying from us and reselling it at a markup or at a profit, is that it?

MR. A.K. McKEAN: In most cases they are buying it and not using their own generation. I think the number one use is to enable them not to use their own generation and the savings to them is in fuel.

MR. G. FILMON: Well, in that case then, are they buying it cheaper from us than it would cost them to generate themselves?

MR. A.K. McKEAN: Oh yes, because if they did not they would keep using their own fuel. They're not short of fuel and therefore our market price is limited; it cannot be higher than their cost of alternate generation or they'll use their own alternate generation.

MR. G. FILMON: Mr. Chairman, I wonder then, how are these agreements on price arrived at? Are they on a year basis? Is there some sliding scale? What's it related to? In other words, how do you arrive at the price so that it doesn't meet what your expectations had been in the past? Was there not a formula struck when the lines were built or . . .

MR. A.K. McKEAN: Most of the sales are on an interruptible basis and are actually negotiated day-by-day or week-by-week. Now, there's a certain number of transactions that were related to those lines. They are relatively minor in total selling of extraprovincial sales. I might say, the sales are interruptible to the degree that if, for some reason, we need it ourselves in Manitoba, automatically those sales would be cut off. For instance, if we have any troubles in Manitoba the first supply of power that is cut off is those exports and as a result, these are very significant in maintaining the security of power to the Manitoba customer. But these sales are generally arrived at on a daily and a weekly and a monthly basis, based upon the individual loads that are going on in our neighbours' and what type of generation that they would be generating if they did not get power from Manitoba Hydro.

MR. G. FILMON: In other words, they tell us what

price they are willing to pay?

MR. A.K. McKEAN: Well, it's a buying and selling situation. We tell them the price that we're willing to sell at because quite often the price they're willing to pay is not as high as we're willing to sell at, in which case we don't sell it. We can store the water in our reservoirs.

MR. G. FILMON: I'm aware of that and that's why I'm asking the question. Then what is the average price that we've been selling it at, say, this year?

MR. A.K. McKEAN: I think we, on the first day, we gave that figure out. I think we can get that - 58.8 mills was the overall average of sales on our extraprovincial.

MR. G. FILMON: Does that tend to be higher or lower in our sales to the U.S.?

MR. A.K. McKEAN: Can I just get that sheet that we had the first day? I think it's fair to say the U.S. price was the highest but I'll just . . . Yeah, I have the sheet we made reference to the first day. For the year that we've just finished, Ontario average was 14.6 mills, the Saskatchewan average was 20.3 mills; it was the highest. The U.S. average was 15.8 mills and the composite of all those was 15.4 mills.

You must take into consideration that the price varies tremendously whether you're selling in the middle of winter, or whether you're selling to a system that is turning off expensive thermal. But those are the figures for last year. Now that was a drought year. If we had an average flow year, those returns would probably tend to reduce.

MR. G. FILMON: In a drought year they'd tend to reduce, did you say?

MR. A.K. McKEAN: No, in an average water year, they would tend to reduce from these results, because these results are based upon the year we just finished which I would classify as a drought year.

MR. G. FILMON: So in other words, we hold out for a greater price when we have less water and vice versa when we have more water.

MR. A.K. McKEAN: Oh, very much so, because we certainly will not sell at a price that's lower than we might later have to burn coal in our own generators to . . .

MR. G. FILMON: Who paid for the original capital cost of these three transmission lines?

MR. A.K. McKEAN: Manitoba Hydro paid for part of a line to the border.

MR. G. FILMON: Manitoba Hydro paid for the which line to the border?

MR. A.K. McKEAN: All three lines. Manitoba Hydro owns the line to the U.S. border and the utilities I mentioned financed the lines from the border to either Grand Forks in one case. Duluth in another case and

Minneapolis in the other case.

MR. G. FILMON: Mr. Chairman, what portion of the costs of these transmission lines between Winnipeg and these three load centres would it work out to, that Manitoba Hydro paid? Is it close to 50 percent of the original Capital cost?

MR. A.K. McKEAN: I'm doing some guessing here, Mr. Filmon. The Grand Forks line, I would guess that the border's about half way. In the case of the Duluth line there would be more in the U.S. and in the case of the Minneapolis line there would be considerably more in the U.S. Now, I haven't got the mileages with me, but generally the percentage would be dependent upon the amount of distance between the border and the eventual destination, and Winnipeg to the border.

MR. G. FILMON: When we were making the decision to construct those lines, a pretty major Capital investment involved, there must have been some assumed rate of return on that investment at the time of construction. Why was there no firm way of fixing the rate of return with our American customers? When you're talking in terms of hundreds of millions of dollars of investment, and I assume it's in that order of magnitude, was it not in Manitoba's interest to assure some rate of return on that investment?

MR. A.K. McKEAN: I say yes, and the rate of return in my opinion would be very high. In each case, there was a number of transactions that went into building the line in order to cover the cost from both parties' point of view, but those transactions are relatively minor compared to the main flow of power, of surplus power that can take place which is on a nonfirm basis and which will vary considerably depending upon whether we have high or low water conditions.

For instance, the Minneapolis line is a good example. Northern States Power are guaranteed a quantity of surplus power at their displacement, at a price based upon their displacement fuel, before we can sell surplus to any other utility in the U.S. In addition to that, the line was justified on a summer-winter exchange of capacity which is strictly a return summer and winter. In addition to that, NSP does buy firm, 200 megawatts from us in the summer months which they pay us for. But in total, that is a relatively minor part of the total transactions of the interruptible sales. Our big volume of interruptible sales are related to the fact that we have a surplus and which we market to whoever will pay us the best price on a daily, weekly and monthly basis.

I've covered very generally, that contract. It's a long contract, Mr. Filmon, and I haven't got the details right with me, but I think I covered most of the factors that were included in it.

MR. G. FILMON: Are there opportunities to sell power beyond the markets that we've identified in Duluth, in Minneapolis, Grand Forks utilizing these transmission lines that are in place; in other words, to transmit it beyond to utilities in Wisconsin, Chicago and so on?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I wonder if I could respond to Mr. Filmon's questions in the layman's terms that I've learned in recent months?

Firstly, I understand that because we have surplus power for sale, it can only be sold on an interruptible basis, otherwise it might turn out to be short for us when we need it so that there are no guarantees as to our selling it or being compelled to sell it except for the small amount mentioned from Mr. McKean. Nevertheless, these interruptible sales, I understand, are a substantial benefit to Manitoba Hydro and definitely do justify the expenditure on the three lines referred to, leading to the south. As I understand it, a great benefit is that sales take place daily and nightly. In fact, it was described to me - and I want to pass this on to Mr. Filmon and want to be corrected by the experts if my impression is wrong - that because thermal and especially nuclear production of energy cannot be turned off and on as easily can hydro-electric power, the surplus that occurs in the United States at night is something that we can use and we can buy at nights. The power that they're generating because they can't help it, they can't just turn off their plant from generating but at night we can indeed turn off our water supply and build up our water reservoir which makes it valuable to us for use in the day time when there's a demand in the States for power and we can sell power to them in the day time following the night when we bought power at a lower rate. We can sell it at a higher rate by turning on the tap in the reservoir which we had built up during the night.

Now, this relationship also occurs as between summer and winter because our biggest use is in the winter whereas because mainly of air conditioning I'm told, the United States' bigger use is in the summer and again, we can take advantage of their surplus production in the winter to our benefit and use that in order to store up more water.

Now, the last question as to whether or not it's possible to increase sales and make more definite sales, we've already referred to the fact that negotiations are now taking place with Wisconsin; that negotiations are well advanced in with Nebraska and the MANDAN and are awaiting approval in the United States of their building their part of the line and that we re-open negotiations with WAPA, the Western Area Power Administration, which is a government agency and whose negotiations with hydro were cut off sometime ago as reported by the former Chairman of Hydro, they were cut off from further negotiations. I can quote from a letter that Mr. Kristjanson sent or delivered to Mr. Parashin where he said: "This study" — that's the WAPA study — "has been deferred pending the outcome of discussions related to a proposed Western Inter-Tie."

On the instructions or request of the government, we've re-opened those discussions and I was down in Duluth with Mr. Jarvis and Mr. Garry and we were there discussing the possibility in the long-range of selling firm power for a limited period of time, even to the extent of bringing another plant in operation much sooner on the basis of firm power to be sold to them, of course, at a beneficial price to us and in such a way that they will have advanced the money for the construction long ahead of our need. So that is a renewed negotiation which is just renewed in the last month or

two and we hope something may come of it. You never can tell. But those are the efforts we've made up to date.

There's also the possibility that WAPA could help us in the mid-western area because being a federal government agency, they have more power, more rights to extend lines through the States than do the States themselves and they can bypass certain requirements, so that there's a possibility that WAPA will give us greater opportunities to sell in the States.

That is what I consider a layman's report. I'd ask Mr. Blachford if he would for a moment just tell me if I'm wrong in any respect and to correct me, please.

MR. L.D. BLACHFORD: It's a very good overview, Mr. Cherniack.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: The 500 Kv transmission line connection with Northern States Power, that is the one that terminates in Minneapolis? Is that correct?

MR. L.D. BLACHFORD: Yes it is.

MR. G. FILMON: Can that transmission line be utilized for selling power beyond Minneapolis to markets say in Wisconsin, Illinois or wherever?

MR. L.D. BLACHFORD: It is conceivable that it could be. However, the line is into the Northern States Power Company and they allege that this line is loaded as far as they're concerned on most occasions.

MR. G. FILMON: You say they allege. Does that mean that Manitoba Hydro's not convinced that that line is loaded in most instances?

MR. L.D. BLACHFORD: We don't have their number so we can't say that it is correct or not correct exactly.

MR. G. FILMON: What else is being transmitted on that line other than power from Manitoba Hydro?

MR. L.D. BLACHFORD: I believe there's a connection point some place between here and Minneapolis where they can do transactions on the line independent of Manitoba.

MR. G. FILMON: That connection, is it used to transmit power from Northern States elsewhere or for them to purchase power to bring into their system?

MR. L.D. BLACHFORD: I think it can work both ways.

MR. G. FILMON: Which way does it generally work?

MR. L.D. BLACHFORD: I'm afraid I have no idea.

MR. G. FILMON: So in other words the agreement really precludes us from utilizing the transmission line that we have paid a fairly substantial amount for, to transmit power beyond the load centre in Minneapolis? In other words, if we were looking at markets beyond Minneapolis, we would have to consider the construction of an entirely new transmission line?

MR. L.D. BLACHFORD: Or else we would have to have the concurrence of Northern States Power in transmitting the power over their portion of the line.

MR. G. FILMON: Was this possibility not thought of at all in the early '70s when the transaction developed or evolved?

MR. L.D. BLACHFORD: I really don't know what the base parameters were at the time it was struck. However, the portion of the line that was in Manitoba was certainly seen to be a beneficial line to have even under the circumstances or in the way the contract was written.

MR. G. FILMON: Does it appear as though we're going to be held at ransom by Northern States Power in order for us to be able to transmit power beyond their load centres to other potential customers?

MR. L.D. BLACHFORD: I don't think we can answer that one with any certainty one way or the other. The only thing we can say is that in order to do independent transactions over the line, we have to have the concurrence of Northern States Power.

MR. G. FILMON: If we were renegotiating this agreement would this be the type of agreement we'd countenance this time around?

MR. L.D. BLACHFORD: I really can't give you an answer to that either without knowing all of the circumstances that might surround such a negotiation. I think it would depend on what the circumstances were at the time. It would certainly go and endeavour to get everything you could for the Manitoba consumer.

MR. CHAIRMAN: Mr. Minister.

HON. W. PARASIUK: Could I just get clarification from Mr. Filmon on this point? We haven't really discussed details of a couple of pending negotiations but the intent with respect to the Western Inter-tie is that it'll be owned by Saskatchewan Power in Saskatchewan. It'll be owned by the Albert Government in Alberta. That seems to have been the way in which inter-ties have been developed for that portion within another province. The line is owned by that province or by the utility in that province.

MR. G. FILMON: I think that's an understandable situation but it would seem to me that if we were going into the Western Inter-tie and we did not protect ourselves to the extent that we would have the right to transmit energy beyond Saskatchewan into Alberta without Saskatchewan's concurrence at a later date, if that wasn't part of the original agreement we'd be in a terribly weak position to have such an inter-tie constructed with tremendous capital investment in Manitoba's end both in terms of the transmission facilities and in fact the generation facilities and then find that at some future time Saskatchewan could say: "Well you can't transmit power into Alberta unless we get something for it and we negotiate it later." Surely that would have to be all part of the original negotiations.

MR. CHAIRMAN: Mr. Minister.

HON. W. PARASIUK: In fact, that is something that I think we'll take under consideration in determining whether the negotiations to date have enabled Manitoba to sell power through to B.C. or into Montana or other places like that, through Alberta, and I'm not sure and I wouldn't want to comment on it at this time. I can appreciate the concerns of the member and I'll certainly take those concerns under advisement, both with respect to any type of sale of power to the west of us or any type of sale of power to the south of us or to the east of us.

MR. G. FILMON: Well, I guess what I'm saying is that it appears as though that sort of consideration was not taken into account in the early '70s when this 500 kV transmission line was constructed to Minneapolis and that we're now in a bit of a bind of having to bargain from a very weak position, if any position at all, to try and utilize our investment in that transmission line to service markets beyond there and it seems to me to be a rather ridiculous position to be in.

MR. CHAIRMAN: Are there any further questions?
Mr. Cherniack.

MR. S. CHERNIAK: Mr. Chairman, on that point, the assumptions that Mr. Filmon makes may be correct but they may also not be correct. I'm told that it was a good investment and is proving to be a good investment for Manitoba Hydro to have built its line to the border. The investment by the jurisdiction or the people who have the rights in Minnesota was their investment and, of course, like anybody makes investments, they expect their return. But since everybody wants to see a profit, no doubt they could be negotiated with and of course they'd be entitled to some rental, if nothing else, for the use of their lines, but that's negotiable. The only understanding I have is that it was and continues to be a good investment for Manitoba Hydro.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Mr. Chairman, I'll acknowledge the fact that I'm sure the utility had justification in terms of the original investment and is able to justify the returns that it is getting on the original investment but there is obviously some expectation that greater returns could be achieved if future developments permitted it and now it appears as though those greater returns are rather limited. It's always nice when you're looking at these things to take a long-range view as well as a short-range view of merely paying off the original investment.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Again, is the member saying that with respect to any future developments and the ones that we're negotiating today, that we should ensure that we have wheeling rights through, beyond the end point because an inter-tie always can be connected to another province or to another state?

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, in relative terms, we have the Northern States Power Company in which we've got the 500 kV inter-tie. In relative terms, is Northern States Power a market of high electrical cost or moderate electrical cost in the States or low electrical cost, as say compared to Wisconsin, Nebraska or WAPA?

MR. CHAIRMAN: Mr. Blachford.

MR. L.D. BLACHFORD: I believe that Northern States Power is probably not the lowest area but neither are they in the highest area. They're sort of on the edge of the coal fields as compared with the Wisconsin and the Chicago area which were relatively a far distance from them.

In the case of WAPA, their costs are very low; they're all hydraulic and the area that they serve includes areas of some great coal fields in the United States. I would think that the competition for energy sales, electrical sales in that area, would be stiff because of the fact that they sit in such large coal fields. I would venture to guess that Minneapolis is not the lowest but also they're not a very high cost area either.

MR. D. ORCHARD: Well then, for instance with Nebraska, is Nebraska in relative terms, is it a more expensive electrical energy area than say, Northern States Power?

MR. L.D. BLACHFORD: I believe it probably is in an area that has lesser resources and therefore the costs are going to be somewhat higher than in Minneapolis.

MR. D. ORCHARD: Well, then would it be fair to say that the Wisconsin area and into the Chicago area, should Manitoba Hydro either be able to achieve wheeling rights on the U.S. portion of the Minneapolis line to get into that market, would it be fair to say that returns to Manitoba Hydro could be higher than for sales to Northern States Power terminating at Minneapolis?

MR. L.D. BLACHFORD: It seems possible and that indeed is why the effort is being made to see what can be done to supply Manitoba power into that area.

MR. D. ORCHARD: But following on Mr. Filmon's questions, there might well be the problem of Manitoba Hydro or Manitoba not being able to realize the full potential benefit of that higher priced market in Wisconsin and Chicago because they would have to utilize the U.S. portion of the Minneapolis line more or less at the Northern States Power terms, in terms of use of that line for wheeling power through. It might not be that Manitoba could achieve the higher returns and, in fact, that Northern States Power might be able to take a sizable portion of that increased return because of the fact they own the power line to Minneapolis.

MR. L.D. BLACHFORD: There's always the possibility that you could build a separate line down into that area. As I say, it's a possibility. If that were to be the

case you'd also have to stack off the price of carrying that transmission line and the added costs that it would give to the power before it got into the Chicago or Wisconsin area.

MR. D. ORCHARD: I would wonder that the Wisconsin, Chicago area are not already inter-tied with Minneapolis. Is that not the case that there's presently an inter-tie between those two?

MR. L.D. BLACHFORD: There are sometimes between the Minneapolis area and eastern Wisconsin, yes, but they're relatively weak ties.

MR. D. ORCHARD: So that, for instance, there wouldn't be a situation develop right now where Northern States Power could purchase interruptible power from Manitoba and wheel it on to Wisconsin and Chicago. There isn't inter-ties of sufficient capacity to make that a profitable middle-man operation for Northern States Power at the present?

MR. L.D. BLACHFORD: I think it depends on the quantities of power you're speaking about. If you're speaking about large quantities of power, 1000 megawatts or even 500 megawatts, I don't think and I'm sure there is not. But if you're going to get down to 50 megawatts of power or 25, it's possible that during certain hours of the day they would be.

I don't really know the details of these lines except that when we went over to Wisconsin to speak with these folk last fall, they indicated that they did have some lines in there; they were weak tie lines. Northern States Power had, in fact, asked permission from the Wisconsin people to put in some larger lines in there and they were denied by the State of Wisconsin.

MR. D. ORCHARD: The WAPA area, you mentioned that they are primarily hydraulic generation now, and in relative terms a more economical area than most that we could achieve an inter-tie with, and also that they're in the area of some fairly massive coalfields which I assume would make coal thermal generation an attractive alternative to their present hydraulic capacity. Does this mean that the WAPA area might not return to Manitoba Hydro sufficient returns on power supplied through any interconnect that might be established to offset, say, the 40 to 50 mill on-line costs of the next station on the Nelson River?

MR. L.D. BLACHFORD: I'd have to get down to the negotiation on this; I should clarify first that WAPA does not have any thermal generation. I was referring to the general area that WAPA operates in and serves. I say 'serves,' they don't serve all of the area that they operate in. Again, in answer to your question, that could well turn out to be the case that you couldn't sell it for enough to justify building anything more on the Nelson River. It still has to be seen.

MR. D. ORCHARD: A couple of questions on a different topic. At present coming down from the Nelson River, I believe we've got an AC connection 230,000 volt and we've also got the DC transmission line. Now, those two lines bring down power from Kelsey, Kettle and Long Spruce at the present and also Jenpeg.

What is the excess capacity in those lines? In other words, when Limestone comes on stream is there sufficient transmission capacity to ship Limestone production on either/or of those two existing lines?

MR. L.D. BLACHFORD: If Limestone were added to the system without any increase in generation as of now, the capacity of the high voltage DC lines would just be sufficient to carry the Limestone load. That is forgetting about the 230 kV lines which do not have much capacity over that distance. But, you wouldn't have any spare capacity on the line for outages, for accidents, for specific or emergency maintenance during the peak load on the system.

MR. D. ORCHARD: So that, is it fair for me to conclude from that, with construction of Limestone the DC line will be at capacity?

MR. L.D. BLACHFORD: If we built Limestone and did not do any more on the AC-DC lines they would be at capacity, yes.

MR. D. ORCHARD: Would it be in the system planning with Limestone coming on stream to make, shall we say, insurance capacity available on the AC-DC then?

MR. L.D. BLACHFORD: No, the expansion is being done on the HVDC lines - high voltage direct current lines - and, in fact, work on that has already begun.

MR. D. ORCHARD: That's on the existing line?

MR. L.D. BLACHFORD: That's on the existing high voltage direct current transmission lines, yes. The line you see going across the countryside stays the same, but this involves addition at both at Henday and at Dorsey in order to increase the capacity of the line.

MR. D. ORCHARD: As we proceed further down the Nelson River, I think there's - what is it, two more locations after Limestone of about 1100 megawatts each? If and when those come on stream, does that mean a paralleling of the high voltage DC line?

MR. L.D. BLACHFORD: Yes, more capacity will be required from the Nelson River down to the load centre, wherever that load centre may be.

MR. D. ORCHARD: What would be the Manitoba Hydro's choice? Would they parallel another DC line, has that been satisfactory? Or would, in fact, they go to 500 kV AC/DC line?

MR. L.D. BLACHFORD: No, we'll be paralleling the DC lines not necessarily physically, but electrically there'd be HVDC lines coming down from the Nelson River to Southern Manitoba.

MR. D. ORCHARD: Now, I don't have that great an understanding of the DC transmission, but I understand that to deliver a certain amount of power a DC line in Capital cost is more expensive than, say, an AC/DC line because of your conversion at both ends to DC and then back AC/DC.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: A point of order, Mr. Chairman. I think this had been raised in the past two meetings and we're into the third meeting right now. If, for any reason, the Opposition would like to recess for a while, or if they would like to possibly take my commitment that if they're waiting for the Leader of the Opposition to come and raise questions, I'd be prepared to go through the Annual Report and leave time available for him on the last page or whatever through the course of the next hour-and-a-half to ensure that he has an opportunity to raise questions. But I think to, in a sense, go over all the ground that we've gone over for the last two meetings, Mr. Chairman, I think hasn't generally been the practice in the past and I think we should try and move along. We have had, as I said, the two-and-a-half sessions.

MR. D. ORCHARD: Well, Mr. Chairman, I'm sure the Minister will bear with me. I only have another couple of questions on the AC line; I posed these questions when I was at Long Spruce last year and at that time there seemed to be an impression given to me by Hydro people that AC/DC might be a potential line now because of current Capital cost figures - a moving target, shall we say - and I'd appreciate having the most current information that's available.

So the capital cost of paralleling that DC line, even though that's rising theoretically quite rapidly, it still represents at the present analysis the most economic way to get additional power down from the Nelson River.

MR. L.D. BLACHFORD: Yes, the expansion that's being done on the lines now is the cheapest way because it's simply an addition to what is already there and obviously it's cheaper, for two reasons: one, it builds on what is already there, and secondly, Hydro tied in contracts a number of years ago when Bi-Pole Two was first begun and this machinery is cheaper than it would be if you went out and bought it again. Now, on the proposed Western Inter-Tie, the idea there is that it'll be built in such a way that a third high voltage direct current transmission line will be brought down within hailing distance, shall we say, of Southern Manitoba where it can be used in the future. This line is still the only way to supply the loads we're talking about supplying to Saskatchewan and Alberta: (a) it is seen to be cheaper and (b) it helps the inter-tie planning for the continent and for Canada.

When additional transmission is required from the Nelson River down to Southern Manitoba, of course, it'll be looked at again to be sure that the DC, direct-current method of transmission is still cheaper and if it's not, something else will be considered. We can go to 500 kV or you can go to 750 kV as they've done in the Province of Quebec.

MR. D. ORCHARD: What's the efficiency of the two methods of transmission in terms of loss in transmission; ac is less efficient than the dc direct?

MR. L.D. BLACHFORD: If you have the same amount of amperes on the line, the direct current is more efficient than the alternating current. That is, if you

have a given set of circumstances. If, when you go to look at the whole scheme, you have to determine you're talking about in fact 735 kv or 500 kv and now you're talking about 1000 kv in the direct-current line. All of these things come into play. But, just taking the line losses themselves, the direct-current losses of the same amount of amperes is more efficient.

MR. D. ORCHARD: And by a significantly greater efficiency to justify the additional capital cost even in today's terms?

MR. L.D. BLACHFORD: That's part of the viability studies and certainly in the case we have now, it is cheaper.

MR. D. ORCHARD: Thank you. Has Manitoba Hydro done a cost analysis on providing power grid connection to the communities that are currently served by diesel generation? I realize there is some connection to be achieved over the next year or so on some communities east of Lake Winnipeg. How many communities have been considered for hookup to the power grid?

MR. L.D. BLACHFORD: On the east side of Lake Winnipeg there are currently five communities that are included in the scheme that we expect will be and in fact I believe we've already begun. We look at most of these, if not all of them periodically. That is to say all of these locations to see if it's worthwhile connecting them to the central system or doing something else with them. In that connection, the communities well east of Lake Winnipeg in the God's Lake, Island Lake area, we have looked at that and we've done a pretty comprehensive study on it. The study shows that it's cheaper to connect that area to the central integrated system rather than build isolated hydraulic generation. However, it is not at the stage where it's cheaper to do that than it is to continue burning diesel oil and supplying by the diesel method. In order to make it economical as far as hydro's customers are concerned, we'd need a very large contribution for that. We'll also have a study to supply the area of Pukatawagan and it's a similar kind of case. I believe, as of a year ago, we required about a \$1 million contribution to that scheme in order to make it worthwhile to the Manitoba consumers to connect that community to the central system.

MR. D. ORCHARD: Now, I assume that when you are making your cost analysis or your benefit analysis, you're assuming that for instance with Pukatawagan that they would be hooked onto the system with the same system rates that are say enjoyed in Thompson or in Roblin?

MR. L.D. BLACHFORD: That is correct, yes. They would be on standard published rates.

MR. D. ORCHARD: Now, have similar cost benefits been done for the other 15 or so diesel generation points as to the feasibility of connecting them to the power grid?

MR. L.D. BLACHFORD: These areas are reviewed

from time to time and I couldn't tell you that all of the rest of them have had specific studies done recently or since their diesels were installed. But, certainly, the most likely ones that would show to be worthwhile connecting to the central system are done periodically.

MR. D. ORCHARD: But, whenever they've been done it appears as if there has to be some sizeable input for construction of the line in order to make those economic at system rates. The system cannot put those lines in, finance the capital costs themselves and expect to the deliver power at system rates without substantial negative financial impact on the system in total?

MR. L.D. BLACHFORD: I should say even more negative financial impact to the system. These diesel communities — the general residential consumers — are already being subsidized by the other consumers on the system because they are being supplied at the standard rates under rather constricted circumstances. In some of these areas there are consumers that do not adhere to these constrictions and they are charged the cost of generating that power in that area. It is substantial in many cases.

MR. D. ORCHARD: With connection, like some of the communities have fairly small service size. Is it assumed that with connection, say at Pukatawagan as one or God's Lake, that if connection is achieved that consumption would go up considerable and that's been even factored into the cost benefit analysis of tying those communities into the power grid system?

MR. L.D. BLACHFORD: Yes, that's taken into consideration each time one of these studies is made. There has been a pattern shown and I can't tell you exactly what the number is but, if my memory serves correctly, you'll find that the consumption per consumer goes up by about four times.

MR. D. ORCHARD: Then, it would be fair to say that right now the connection to most of these communities, if not all, where we have diesel generation, is not economical until some arrangement to offset the high capital costs is made with outside money coming into Manitoba Hydro to make that connection possible?

MR. L.D. BLACHFORD: Yes, and in each of these cases there has to be a capital contribution that would justify it was far as the system is concerned.

MR. D. ORCHARD: The other day I asked a couple of questions on Churchill. Their problem is that the cost of getting a line up there is very sizeable and at present their demand probably wouldn't warrant it if I could be general in the information provided.

There's been a recent article in one of the newspapers that there's some possibility of iron ore processing; a iron-ore mine being established, I believe in the Territories and they're looking at Churchill as a potential site for processing of that iron ore. Has the Hydro been made aware of this possible new demand for power in Churchill?

MR. L.D. BLACHFORD: Not to my knowledge, no.

MR. D. ORCHARD: Well if, and I realize this is very very futuristic, but if such a development took place where there was a second major consumer and I might say more likely a year-round consumer in the presence of a newly established iron ore processing plant at Churchill, would that not change fairly significantly the economics that Hydro's been faced with in bringing hydro to Churchill?

MR. L.D. BLACHFORD: Yes, it could change the economics of the project quite considerably depending on the load and the guarantees you would have that they would still be there until such time as you got the investment paid off. Otherwise, the ordinary Manitoba consumer would have to pick up the difference.

MR. D. ORCHARD: I guess the guarantee that that consumer would be there may well be if a commitment to invest several millions of dollars by the mining company to do the processing in Churchill, that should be a significant enough commitment to future use to allow the system to factor that new customer into providing that line, would it not, if a company made a major investment up there?

MR. L.D. BLACHFORD: As far as Hydro is concerned, I would say that it would not. What usually happens with mining companies is that they're obliged to pay for a certain part. In other words, make a capital contribution to the line. If they in fact use the consumption that justifies the construction of the line for the period of time that it takes to write off that line, then they get their contribution back. If they don't use that power for the period of time that is required to write it off, then they don't get their contribution back.

MR. D. ORCHARD: Okay, then is it a fair assumption then that if this iron ore customer decides to move to Churchill and applies to the Manitoba Hydro System to put the line in, there would be no doubt that part of their plant investment would be an investment in the line to get system power into Churchill?

MR. L.D. BLACHFORD: Yes, I believe that's a fair assumption.

MR. D. ORCHARD: There's some considerable - and this would be more to the Minister at this stage of the game - the Port of Churchill has always operated at a disadvantage I believed, in comparison to the seaway system and their power costs are escalating much more rapidly than power costs at similar terminals on the St. Lawrence, at Thunder Bay and on the St. Lawrence transfer elevators.

The Minister mentioned the other day that he was in the process of negotiations with the Federal Government on the possibilities of getting that line put in through an off-oil negotiation with the Federal Government and some of the programs that they've got to take different major oil users off oil and onto renewable energy sources.

I would hope that the Minister can proceed on that fairly quickly because Churchill has already had the disadvantage of the Federal Government removing the forces base, etc., I wouldn't want them to use the more rapidly escalating electric bill as an excuse to

close down the Port of Churchill two or three years from now prior to conclusion of, say, a Federal Government contribution towards putting hydro power into Churchill.

HON. W. PARASIUK: I'm proceeding on that basis.

MR. D. ORCHARD: That's all for now, Mr. Chairman.

MR. CHAIRMAN: Mr. Ransom.

MR. A.B. RANSOM: Mr. Chairman, did Mr. McKean have the answer to another question? It seemed to me at the start that there was indication that there were answers to two questions? We dealt with one.

MR. L.D. BLACHFORD: Yes, I have some overheads here that I believe will help the member. It had to do with the difference between load growths and I have here a 3 percent load growth which was more or less what our estimates were based on and I also have a 2 percent load growth. These show what it does to the timing of future power plants, if I could just put them on the table.

This one is the 3 percent load growth. It shows without considering the MANDAN project the lower line labeled "Domestic," the lower curve line is trending upward. There's the 3 percent Manitoba load growth by itself without considering inter-tie or an aluminum plant or any other major load.

You'll see there that the — well, let me explain the left hand side — this is in gigawatt hours times 1,000, and you will see that the capacity of the Manitoba system in 1980 is about 20 billion kilowatt-hours. We referred to that figure a couple of sessions ago.

You'll see from this that if we consider only the Manitoba load in this computer printout, it shows it coming up about 1994. I think we said 1992-93 previously. At that point where it crosses the 20 billion kilowatt-hour line, is when you would need another power plant and that has been shown on here to be Limestone.

The next line up shows the added capacity that Limestone puts on the system and you would see from this that the domestic load only, after Limestone you wouldn't require another power plant until some time after the year 2000.

Now, if we had the inter-tie, this shows on there that the inter-tie would mean that you'd need something other than what's here on the system already in about 1988 and if I can just point this out here, left is right and right is left here at this point here. If you added an aluminum smelter similar to what Alcan is talking about here, you would need it in about 1997 to supply both loads, a year or so sooner, '87, I'm sorry.

If you had only the aluminum smelter and not the inter-tie, you'd have to draw a line some place between this line and that line, it would come up the middle here. This shows about 1990 on this load.

Now, if we then take a similar curve and show the 2 percent, you'll see that 1995 on the domestic load runs out to somewhere around 1998 and the inter-tie and aluminum, they come about the same place as by design in this case.

I think this is along the lines that Mr. Ransom asked the other day.

MR. A.B. RANSOM: I assume that we'll have copies of those?

MR. L.D. BLACHFORD: I can give you copies of those, yes.

MR. A.B. RANSOM: Well, I note that on both of those, Mr. Chairman, without MANDAN at the top, perhaps it's an opportune time to ask the question as to just what is happening with MANDAN at the moment. I note in Mr. Cherniack's introduction that he said it's still in the negotiating stages but I don't believe that we've . . . the statement was, Mr. Chairman, the MANDAN Project is well known and is now still in the negotiation stages and in the trial stages in the United States.

MR. L.D. BLACHFORD: The formal agreement has not yet been signed and therefore it has to be said to be still in negotiation. In the U.S. as the Chairman said there, it's at the trial stage. The State of South Dakota denied Nebraska Public Power District permission to cross their territory based on the fact that Nebraska did not prove to South Dakotans that they needed the power in Nebraska; so they've taken this to court in South Dakota and it'll be some months before this is resolved. I believe if they lose in that court they can still take it to some federal court.

MR. A.B. RANSOM: What is the anticipation then of Hydro or the government as to what's going to happen there and when it's going to be concluded, when the power might be required?

MR. L.D. BLACHFORD: Nebraska are talking about the line being completed and going into service in 1988. What the prospects are I really couldn't say, but I can tell you that Nebraska is spending very substantial sums of money on the studies on this line and getting permission, etc. They've also announced in their Annual Report that their next source of power is planned to be through the MANDAN line so they're very serious about it.

MR. A.B. RANSOM: The information that was given to us a week ago when there were a number of sheets distributed that showed the comparison of total revenue to total expense, and rates of inflation versus forecasted rate increases - I assume those did not include any consideration for MANDAN, it was strictly domestic.

MR. L.D. BLACHFORD: I believe what you were given was the base case without any of these large projects and without any appreciable amount of money anyway in the MANDAN project. There maybe some money in our Estimates for ongoing studies, but not construction costs.

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I wonder if I could be permitted, I have no right to ask a question but I would indicate that it is my impression and I would like it to be clarified because I think it's not clear. My impression is that if MANDAN came in

place, it would postpone the need for construction because it's not a sale of power in itself, it's an exchange, and my impression is that the benefit of MANDAN is that it will postpone the timing in which we have to bring in new power and, if I'm correct, I think that's a relevant matter to bring forward. I think Mr. Blachford could clarify.

MR. L.D. BLACHFORD: If I could, Mr. Chairman, I'd just like to - it's quite easy to illustrate here - this is without MANDAN, and you see the line crossing there someplace around 1993 or 1994. Now if we run the same curve with MANDAN, you'll see it dramatically puts off the requirement for the next power plant. The same load growth, but with MANDAN, let's put it back from 1993-94 up to 1996 or 1997 on this printout. This depends on the domestic load growth and other assumptions that go into making these curves. But that serves to illustrate what the difference MANDAN will make to future construction, or could make.

MR. CHAIRMAN: Mr. Lyon.

HON. S. LYON: Mr. Chairman, just for verification -when you say next construction, you mean next after Limestone.

MR. L.D. BLACHFORD: No, including Limestone.

HON. S. LYON: We're talking about 1993 and the graph was premised on the fact that Limestone presumably would be built about 1988 or thereabouts.

MR. L.D. BLACHFORD: If you had an inter-tie. But I'm just speaking about domestic load, our base case.

HON. S. LYON: The worst scenario.

MR. L.D. BLACHFORD: More or less the worst scenario. I doubt that the load growth will - well, I don't know - but the load growth could be less than 3 percent, too.

MR. CHAIRMAN: Mr. Ransom.

MR. A.B. RANSOM: Mr. Chairman, I just want to be clear then that the information we were given previously made no reference to MANDAN and I assume that the projected requirement date for Limestone of 1992 made no reference to MANDAN as well.

MR. L.D. BLACHFORD: That's correct, it hasn't been signed. It's not a committed project yet and we just left it out of our base case.

MR. A.B. RANSOM: Then how would the information be affected, the information we were given last week and how would the date of Limestone be affected by the conclusion of the MANDAN Agreement?

MR. L.D. BLACHFORD: If MANDAN were included and nothing else came on the line, and our load growth was 3 percent as projected on that curve, it would seem to say that the requirement for our next plant would be deferred two to four years. We've generally said two, but this particular set of assumptions indicates about four.

MR. A.B. RANSOM: So that could mean then that Limestone would not be required until '96 then?

MR. L.D. BLACHFORD: That is possible depending on the assumptions you use. The effect of MANDAN without getting into a specific number of years, the effect of MANDAN considering only the domestic load in Manitoba is to delay the requirement for the next power plant.

MR. A.B. RANSOM: So that based on the assumptions that we were given last week which included the 3-percent load growth if you simply added MANDAN, the conclusion of the MANDAN Agreement, to all those assumptions it would delay the requirements for Limestone till 1996.

MR. L.D. BLACHFORD: That's correct. It would delay Limestone to whatever year.

MR. A.B. RANSOM: I have a number of other questions that I'd like to deal with as well, Mr. Chairman, and I thank Mr. Blachford for the answers to those questions. One fairly simple question, Mr. Chairman, is that how much money would be outstanding approximately at any one time, on the bills that Hydro has - out and unpaid - is it possible to give an approximation on that?

MR. L.D. BLACHFORD: We have these numbers in our monthly statements. The numbers I have here are based on February 28, 1982; we'll give you March. In March of 1981, there was about \$556,000 outstanding for more than 60 days; at the same date March 31, 1982 and on the same basis, there was \$592,000-and-a-few dollars outstanding.

MR. A.B. RANSOM: On another area, when does the present collective agreement expire?

MR. L.D. BLACHFORD: The first collective agreement that expires is the International Brotherhood of Electrical Workers. It expires, I believe, in the first week of June this year; next month.

MR. A.B. RANSOM: Is that the one that would include the greatest number of employees? I believe we were given information earlier that there were 3,700 and some employees in Hydro at maximum over the last year. How many of those would be in that union?

MR. L.D. BLACHFORD: The majority of them. The IBW is the largest union. I'm sorry I don't know, approximately even, how many there are in it but it is the largest union.

MR. A.B. RANSOM: What was the general pay increase then in the current year, the last year of the existing agreement? Is it possible to give an approximation of that?

MR. L.D. BLACHFORD: On the last agreement beginning the first week in June, it was 10.5 percent. Effective as of, approximately early December last year, there was an additional 2 percent added to that.

MR. A.B. RANSOM: It was 10.5 percent in June plus another 2 percent in December. It ran from December to the end of June, '82 then. I assume that negotiations are ongoing now?

MR. L.D. BLACHFORD: They are, yes. They've been going for about one month.

MR. A.B. RANSOM: I don't believe that there is any item in the Annual Report which actually identifies the amount that's paid in salaries. There may be and I may have missed it, but can you give me an indication of the total wage bill of Hydro?

MR. L.D. BLACHFORD: The total gross salary as of March 31st in the previous 12 months was \$95,619,000 and a bit.

MR. A.B. RANSOM: I assume that's approximately the amount that the new payroll tax will apply to then; it applies to total compensation so I assume it can't be too far off that.

MR. L.D. BLACHFORD: Yes, that should be approximately the amount, yes.

MR. A.B. RANSOM: Could you give me some examples of the approximate compensation that applies to different positions in Hydro, especially those in the field. I'm not interested so much in the higher levels but people that would be located in a regional area, linemen or whatever, I'm not sure of the categories that you use.

MR. L.D. BLACHFORD: I don't have that information here, Mr. Chairman, but it can be obtained and given to the member.

MR. A.B. RANSOM: I'd appreciate it if I could get some examples of that then, please. It's my understanding, Mr. Chairman, that the government is carrying on negotiations at the moment with other aluminum companies as well as Alcan; one of those I understand is Kaiser. Are Hydro people involved in negotiations or discussions with Kaiser?

MR. L.D. BLACHFORD: Yes, we've had representation on some of these discussions.

MR. A.B. RANSOM: Would that be the same group of people then that we were told last week were working with the government on the Alcan situation?

MR. L.D. BLACHFORD: No, Alcan is a different case. This is a different group that has been in discussions with the other aluminum companies.

MR. A.B. RANSOM: I wonder if Mr. Blachford then would give us the names of the people who are working in discussions with Kaiser?

MR. L.D. BLACHFORD: Morley Fraser and Paul Jarvis.

MR. A.B. RANSOM: In Mr. Cherniack's introductory statement he said that in regard to Limestone which is the next plant on the boards, the preparatory work is

continuing as heretofore. Could Mr. Blachford tell the Committee then just what is meant by 'continuing as heretofore'?

MR. L.D. BLACHFORD: We're continuing to do our engineering and other work in order to hold the earliest possible date for the first in-service date of this plant with the expectation that some arrangements will be made that the plant will be needed at that time. Currently this date is 1988.

MR. A.B. RANSOM: When did that sort of work begin? Has this been ongoing over the years?

MR. L.D. BLACHFORD: Yes, this has been ongoing over the years. A year ago this similar date was 1987; along about August or September it became obvious that we could no longer hold a 1987 date so it had to slip to 1988.

MR. A.B. RANSOM: Has there been any, during the past year or 10 months, increase in the activities that were necessary to hold this position that Mr. Blachford refers to?

MR. L.D. BLACHFORD: There has been some increase over the year but it is generally an ongoing exercise.

MR. A.B. RANSOM: Has there been any additional amount of money expended then, say, in the last year or the last six months to maintain this position as opposed to what it would have been the year before?

MR. L.D. BLACHFORD: Yes, there has been.

MR. A.B. RANSOM: Could we have an indication of what approximately what sort of expenditure we're talking about?

MR. L.D. BLACHFORD: We spent on outside consultants, in the last 12 months prior to the 1st of March, about \$960,000 for design on the Limestone plant.

MR. A.B. RANSOM: The last how many months?

MR. L.D. BLACHFORD: Twelve months before, approximately, the 1st of March this year.

MR. A.B. RANSOM: How long will it be possible to continue holding this position with respect to Limestone before it's necessary to either get a firm decision that something is going to go ahead, that there are sales that will require that construction of Limestone, or until these holding activities are going to have to be stood down?

MR. L.D. BLACHFORD: I guess you never have to stand them down but periodically you will have to slide the in-service date of the plant by another construction season. This seems to come up about the middle to the three-quarter mark of the year, that you recognize at that time you can no longer hold that date and you have to slip it one year.

MR. A.B. RANSOM: If there was a decision to proceed with construction of Limestone, how long does it

take from the time that the decision is made until you would actually be engaged in what you might call a significant work in the field on the site?

MR. L.D. BLACHFORD: It would depend on the time of the year the decision is made. But if, for example, it was possible to give Limestone a go-ahead within the next couple of months, there could be workers on site on excavation working on and within the Cofferdam by late autumn.

MR. A.B. RANSOM: By late autumn of this year?

MR. L.D. BLACHFORD: This year.

MR. A.B. RANSOM: If the decision is made before mid-July or the end of July, you can have them working there late this year?

MR. L.D. BLACHFORD: I believe so.

MR. A.B. RANSOM: Mr. Chairman, in the annual report it refers to under the foreign exchange on long-term debt, there is a reference there to the valuation of the long-term debt of the corporation as at March 31, 1981 would have been increased by approximately \$326 million when translated at the year-end rates of exchange. That \$326 million then is obviously made up of a number of different currencies and different issues. I can't tell from the annual report or from public accounts or the budget documents just how much of that \$326 million is made up of specific bond issues in different currencies. Is it possible for Hydro to supply me with that information?

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Whilst Mr. McKean and Mr. Blachford are looking at it, it seems to me that there is a certain amount of information here on Page F9. I see a Deutsch Mark loan, a Swiss Franc loan, U.S. loans. I believe that the Finance Department of the government, which of course, is responsible for all borrowing may have it more readily but there are a number of loans here, there's even a Sterling loan there on this list. I don't know, they're all there.

MR. L.D. BLACHFORD: Mr. Chairman, regarding Mr. Ransom's query. If you'd like something that ties in specifically with the \$326 million, I guess we'd have to get that. But we do have I think what he's asking for as of March 31, 1982, it comes out to \$334 million. Would that be sufficient? We'll have a copy made for you.

MR. A.B. RANSOM: And that will show the composition of the \$334 million and it will at least identify the issue.

MR. L.D. BLACHFORD: It's broken down between U.S. dollars, Deutsch Marks, Swiss Francs, Pounds, Yen and units of account, whatever that may be.

MR. A.B. RANSOM: But will it identify the specific bond issues that are involved or does it just show the aggregates because . . .

MR. L.D. BLACHFORD: Just have the aggregate by currency.

MR. A.B. RANSOM: I'm interested in the specific bond issues that are involved.

MR. L.D. BLACHFORD: I'm sorry, it only gives the breakdown by currency.

MR. CHAIRMAN: Mr. Cherniack.

MR. S. CHERNIACK: Mr. Chairman, I've just confirmed with Mr. McKean that as far as he knows they're all listed on this Schedule on Page F9 and F10 except that they're intermingled with the Canadian but I think that they can quite readily be pulled out and if Mr. Ransom wants it done, we'll see to it that it is done for him.

MR. A.B. RANSOM: Thank you, Mr. Chairman.

MR. S. CHERNIACK: Do you want it to be done?

MR. A.B. RANSOM: Yes, thank you. Mr. Chairman, last year in particular I guess, the then Opposition was quite interested in the amount of time that the Chairman of Manitoba Hydro had been spending on his activities. I wonder if the present Chairman would advise us of how he finds the workload in this job and how much time he spends on it?

MR. S. CHERNIACK: I've worried about that time because it's more than I bargained for but I'm guessing, it's about half-time.

MR. A.B. RANSOM: I think, Mr. Chairman, that's approximately the same amount of time that the previous Chairman had indicated that he would spend on the job as well.

Could the Chairman tell us how often he meets with the Minister to discuss questions relating to Hydro?

MR. S. CHERNIACK: I don't keep a record, Mr. Chairman, but we're available by telephone and personally at a moments call. I would say at least once a week, probably more often but certainly we're in fairly close communication.

MR. A.B. RANSOM: Has Mr. Cherniack met with Cabinet to discuss any of the Hydro issues?

MR. S. CHERNIACK: No, Mr. Chairman.

MR. A.B. RANSOM: Mr. Chairman, there have been some fairly strong commitments made by the New Democratic Party during the election and prior to that, concerning such things as immediate orderly development of Manitoba Hydro. It was often interpreted as an immediate commencement on construction of Limestone and in fact, the previous government had been criticized for not proceeding with the construction of Limestone.

Given that kind of commitment which has been made repeatedly for the immediate orderly development of Limestone, I wonder if Mr. Blachford could just outline to the Committee what circumstances might lead to Hydro being able to proceed with immediate

orderly development of Limestone? I appreciate that there can be different interpretations put on what immediate orderly development would be but, I'd perhaps leave it to Mr. Blachford to put his interpretation on what immediate orderly development would be. What circumstances might lead to that?

MR. L.D. BLACHFORD: For the orderly construction of the power plant, this is what I mean by maintaining our forces in order that we can meet an in-service date of this stage in 1988.

Now, if you're referring to when the power will be needed, the Western Grid will trigger Limestone before an aluminum smelter would.

MR. A.B. RANSOM: I take it that we're talking about in this case the grid or an aluminum smelter as being those projects which could result in immediate orderly development as far as Mr. Blachford is concerned, which might result in it proceeding prior to 1988.

MR. L.D. BLACHFORD: Mr. Chairman, I'm sorry the circumstances are that in a commitment to an aluminum smelter now would not immediately trigger Limestone as far as supplying the load is concerned.

MR. A.B. RANSOM: Then how soon would a commitment to the inter-tie require the construction to begin?

MR. L.D. BLACHFORD: If an inter-tie were committed for an in-service date as soon as possible, then this would immediately trigger a Limestone plant.

MR. A.B. RANSOM: So by that definition then the only way that immediate orderly development could take place is if the Western Inter-tie is concluded?

MR. L.D. BLACHFORD: The Western Inter-tie, if it were to be built as soon as possible, would trigger Limestone immediately.

MR. A.B. RANSOM: Are there any other circumstances that Mr. Blachford can foresee then that might fulfill that requirement of immediate orderly development?

MR. L.D. BLACHFORD: More load, or a place to sell the power is what will trigger the plant, the construction of the plant.

MR. A.B. RANSOM: But the load is expected to grow at a rate of 3.4 percent over the next 10 years. I assume there would have to be quite a significant increase in the load demand then before it would be set?

MR. L.D. BLACHFORD: It would, but presumably there are other ways that you can make a load grow, such as the idea of running trains on electricity between here and Thunder Bay. However, something like that would not happen immediately. It would not trigger things very quickly; load in whatever form.

MR. A.B. RANSOM: Well, Mr. Chairman, this perhaps places the Chairman of Hydro in a difficult position in that the Chairman has been, of course, a New Demo-

cratic member of the Legislature for many years and was part of that party when they were condemning the previous administration, for instance, for deferring or stopping the construction of Limestone and for deflating the construction industry in the province. He was part of that party that was condemning the previous administration for proceeding with what I believe he had termed as a phony rate freeze and which as recently as a year ago, at least in March of 1981, the party was still on record as saying that it was a phony rate freeze and commitments have been continually made over the past few months right up to and including the election that the government would proceed with immediate orderly development of Limestone. Certainly the feeling that the public had was that, if the New Democratic Party were elected to government that they would proceed with the construction of Limestone as a means of revitalizing the economy.

When we look at the graph that was handed out last week, which put the expenditure on the basis of '81, '82 dollars, we can see how much the impact of the money that was spent in the 1970s to accomplish that purpose to a very great extent, to continue to stimulate the economy and there's a possibility that the New Democratic Party had been sort of hooked on that kind of expenditure to stimulate the development of the economy.

Now, I'm wondering how Mr. Cherniack is going to balance the commitment that he has on the one side to the party, which is now the government, to immediate orderly development as a means of stimulating the economy of the province, how he's going to balance that with his responsibility as Chairman of Manitoba Hydro. Because it's evident now that from the information that we've received during the past few days, that it's not possible to proceed with Limestone construction unless there are some of the projects which the previous government had been negotiating, unless some of those projects are concluded or unless there is some as yet unidentified or a very ill-defined project such as electrification of railways included, it's not going to be able to go ahead before 1992 and if MAN-DAN is concluded, which seems to be a probability rather than a possibility, that Limestone is not going to be required until 1996. So it's going to be very difficult I believe for the Chairman to maintain his loyalty to the party and his responsibility to Hydro at the same time.

I'd like to hear from the Chairman how he plans to balance those two things.

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Mr. Chairman, I'd like to comment that the Chairman's been asked to comment on policy which I've articulated in the House. I said that the New Democratic Party Government is proceeding with immediate orderly development of Limestone. We have indeed negotiated a Northern preference clause and a Northern preference committee with the Allied Council for the fuller participation of Northern people in the Hydro developments.

We are pursuing negotiations with suppliers to ensure that there is greater Canadian and Manitoba content. We are proceeding in discussions with the Federal Government to see if we can get special training programs in place to ensure that we do get fuller

participation of Northern people, not only in the construction, but in the longer-term operations of Limestone.

I have said that we believe that an inter-tie does offer the opportunity of getting a firm power commitment, that it would be necessary to proceed with Limestone. I have said that we are pursuing other alternatives as well to the south of us which could, in fact, create the demand for 1,000 megawatts which would indeed be sufficient, had any of those negotiations been fruitful over the course of the last three or two or one year or if, in fact, we would be able to bring one about over the course of the next six months or so with respect to a major sale to the south of us and that, as well, could provide the firm power demand required in order to trigger Limestone, the actual construction of Limestone.

We believe that the development of those alternatives as quickly as possible is indeed the orderly development of Manitoba Hydro. That is the policy of the New Democratic Government. That's the policy that has indeed been communicated to the Chairperson of Manitoba Hydro and that is the policy that he and the board and the staff of Manitoba Hydro are operating under.

MR. S. CHERNIACK: Mr. Chairman, I just respond to Mr. Ransom by saying that when I was a member of the Opposition to his government, I criticized them about a number of matters. I believed then and I believe now I was correct.

Since the new government was formed, my role in Hydro makes me committed to developing Hydro in the best possible way for the benefit of the rate payers and the Province of Manitoba.

My commitment to the NDP is my commitment, it's not of current concern, be it to the Hydro or to Mr. Ransom. But certainly it is my responsibility as long as I feel able so to do, to work on behalf of the benefit of Manitoba Hydro in accordance with the policy of the government as it is interpreted to me and as I interpret it.

I might say that the more you're involved in any project the more you learn. I'm learning a great deal. I expect I would know more the next time around, a year from now, and be able to give whatever additional information I learn then. But I did learn that the planning, the expectation was a great deal greater than appeared to be when I learned more about the future demands on Hydro.

MR. A.B. RANSOM: Mr. Chairman, the Chairman may be correct in his statement that his commitment to the NDP is not my concern, but his commitment to the NDP Government, I think, is a legitimate concern for members of the Committee and because of Mr. Cherniack's background as a long-time MLA for the New Democratic Party, I think it is a concern to us and to the people of Manitoba how the Chairman is going to distinguish between what is in the interests of Hydro and what is in the interests of the New Democratic Party Government because this is a departure to have this sort of appointment to the Chairmanship of Hydro.

Previously, I believe it's correct to say, that the people who have been Chairman of Hydro have all been

people who have had some technical background in Hydro matters. We know that the Minister has stressed very strongly the technical nature of things such as Hydro rate increases and the Hydro rate freeze, so we are concerned to know how this sort of thing will be balanced because we would not want to see that Hydro was used to fulfill some of the promises that have been made by the party prior to being in government.

The Minister made some comments about Northern participation and suppliers, Canadian content and special training provisions, all of which are very worthy things to pursue, all of which we were pursuing in some measure, at least, and it should be obvious to him that those sorts of things are not going to be of any great significance if the development of Limestone is not taking place. That's what we've been talking about, is the immediate orderly development of Limestone because the commitment was by the New Democratic Party, that somehow they were going to be able to get this construction back on the rails and that we were going to see the same kind of construction activity when the New Democrats were returned to power that we saw in the 1970s as a consequence of the building.

Now it seems evident that the only way that kind of immediate orderly development could take place would have been if the Western Inter-tie Agreement had been signed the day after the government came into power. They're not contemplating anything in any kind of detail; they're not contemplating anything that could have led to the immediate orderly development of Hydro, of Limestone, in the way that it's been described to the Committee.

In fact they have set back the timing of the development of Limestone because there was an Interim Agreement that had been agreed to, at least by the three Ministers who were negotiating on the Western Power Inter-tie, and that those three Ministers were prepared to recommend that agreement to their respective governments and the then Premier Blakeney had made reference to that proposed agreement as one that could have allowed an Interim Agreement to be signed, I believe his words were, 'within the next few short weeks,' and that was stated, I believe, around the 31st of October.

So given that statement by then Premier Blakeney that an Interim Agreement could have been signed within the next few short weeks, we could have had construction under way this summer. Now that doesn't seem to wash, Mr. Chairman, with the government's commitment that they would have immediate orderly development. What we were seeing was immediate orderly development by the previous administration. It now appears that development is going to be substantially set back by the activities of this government.

MR. CHAIRMAN: Mr. Minister.

HON. W. PARASIUK: Yes, I have commented on this in the House before when I asked the other Ministers in Saskatchewan and Alberta whether they had submitted this to their Cabinet, they said they hadn't. When I looked at the Interim Agreement it was the judgment of myself and the committee that I relate to, of Cabinet, that there were some very serious weak-

nesses to the agreement. I can't go into those because we are negotiating on those points right now with the other two governments.

I'm quite prepared at the appropriate stage, to make that public but we believe that if that agreement had been left as it was at that time, that there could have been some very serious problems. Given that, that could have been and would have been, disorderly development, so we proceeded to see if we could tighten up those clauses because the implications were very serious to the province, we believe we are doing that. The only thing that has, in a sense, slowed it down somewhat now has been the election campaign in Saskatchewan and the election of a new government.

I have been in contact with the new Minister. He is to get back to me as soon as he can with respect to a date for our next meeting between the government representatives and then Hydro representatives of Manitoba, Saskatchewan and Alberta. I've talked to the Alberta Minister and we are awaiting the word from the Saskatchewan Minister as to when he feels he can meet with us. We hope we can meet as soon as possible and that we can proceed with the firming up of an agreement as quickly and as expeditiously as possible.

MR. S. CHERNIAK: Mr. Chairman, I just want to respond to those comments or questions of Mr. Ransom in regard to my role. I'd like to point out to him that before I accepted this position, this appointment, I did look into the question of the role of the Chairman and confirmed that those who recommended the separation of the Chairman from that of the present Chief Executive Officer, did so to some extent on the basis that they thought it was advisable that the Chairman should be outside of the administration and not necessarily a technical person. I agreed with that and I felt that if I came in with an expertise it might only be to inject myself into that area which was none of my business and that was the administration of the Hydro operation on a day-to-day basis, so I accepted that the role of Chairman is one that need not be, and in my opinion now should not be, one of high technical knowledge in the field of hydro-electric generation.

Secondly, the question of the commitment that I have to the NDP not being Mr. Ransom's affair, my commitment to the NDP Government, of course, is one where I am committed in the light of what I think is best for Hydro to advise the government on what I think is best for Hydro and for the government then to discuss with me those features which they feel are beneficial for all of Manitoba.

So, Mr. Chairman, when the rate freeze, which I criticized some three years ago as being unnecessary and therefore phony or artificial, I think I was right and I think the figures that were shown then and are available now are correct, based on the assumptions that were made and given to us at that time. The factors that made them different from what they turned out to be were reviewed this morning at some length. I've no problem about that.

But I do feel, Mr. Chairman, that the best role I can play is one that in connection with the rate freeze, when the figures were presented the foreseeable overall deficit in the not too distant future at the recommendation made by the administration of Hydro

that the rates be increased was passed on to the government. It was the government that made the decision not to proceed with unfreezing the rates, in spite of the fact that Hydro projections are that at this stage they ought to be unfrozen and that the rate increase is justified and they believe will prove necessary.

MR. CHAIRMAN: Mr. Doern.

MR. RUSSELL DOERN: Mr. Chairman, just briefly on this point. Mr. Chairman, I just have a couple of minutes here so the Leader of the Opposition can have his comments.

I want to respond also to Mr. Ransom's remarks where he's apparently trying to make a case for experts in fields over generalists. I don't know whether he could defend or provide the information on all the backgrounds of the various four chairmen under his government. I happen to know John Bulman. I happen to have a very high regard for him. He was the appointee of the Telephone System but I don't know whether he was an expert in communications or had a background in communications prior to becoming the Chairman. He certainly had a background as a businessman.

Mr. Chairman, the question that the Conservatives are raising is whether or not people who are not experts can fill positions of general managers and similarly — (Interjection) — Well, people who are NDP MLAs who were former Ministers who were lawyers; who have extensive experience in government and in public service, I would say are well suited to filling such positions.

I would simply remark that there are many people who had non-technical backgrounds who filled positions with some ability and some expertise over a period of time. I would say to Mr. Ransom that prior to his appointment as Minister of Finance, I wasn't aware of his background in the field, probably a background that he acquired as he went along just like other people in that particular portfolio.

So I'd simply say, Mr. Chairman, that the requirement to be a Chairman of a Crown Corporation in Manitoba such as Hydro, isn't a degree in engineering. It's a general grasp of the area and the ability to run a board. That would strike me as more important than a couple of degrees in engineering. The experts can be hired and their expertise can be drawn upon and I think the argument put forward by one or more members of the Committee in regard to the Chairman, are pretty weak and pretty thin.

HON. S. LYON: Mr. Chairman, a few questions to the Chairman and perhaps to the President as well.

Can the President first of all tell us, Mr. Chairman, who were the principal representatives of Manitoba Hydro on the Western Inter-tie negotiating team? Who were they prior to November 30th?

MR. L.D. BLACHFORD: The Chairman was involved prior to November 30. We also had the manager of System Planning who was heavily involved as well as the gentleman who is the comptroller. Anyway, he's the manager of Financial Planning and he also fulfills the role of comptroller. Mr. Brennan.

HON. S. LYON: Mr. Brennan. So that Manitoba Hydro has had a consistent and high-level input into the negotiations on the Western Inter-tie that led up to the Interim Agreement that has been referred to and signed I believe in October of 1981?

MR. L.D. BLACHFORD: Yes, they did have high input into it.

HON. S. LYON: Mr. Chairman, to the President, it's my understanding that Interim Agreement which was unanimously recommended by the then three Ministers to the then Premiers of the Provinces of Alberta, Manitoba and Saskatchewan, it was understood that the Agreement would then be submitted to the legal staffs of the governments in question and then thereafter presumably, to the Executive Councils or the Cabinets of those governments. Was that your understandings?

MR. L.D. BLACHFORD: Yes, I believe that was what was to happen in the next step.

HON. S. LYON: As one would expect in matters of that sort, lawyers being lawyers they would try to tighten up agreements from the standpoint of Manitoba or Saskatchewan or Alberta. That was not anything unusual in your expectation, was it?

MR. L.D. BLACHFORD: No, there's nothing unusual in having lawyers look at it.

HON. S. LYON: Mr. Chairman, to the President, were you aware of any serious deficiencies in the Interim Agreement which still had to be reviewed by the lawyers before going to the governments, of a nature that has been mentioned this morning by the Minister in rather vague terms about serious deficiencies, alleged deficiencies in the Agreement?

MR. L.D. BLACHFORD: I wasn't aware of any legal deficiencies in it but I certainly didn't look at it from that point of view.

HON. S. LYON: So when the Minister speaks here and in the House and elsewhere about serious deficiencies in the Agreement, you don't know what he's talking about, do you?

MR. CHAIRMAN: Mr. Parasiuk.

HON. W. PARASIUK: Point of order, Mr. Chairman, we can have the Leader of the Opposition trying to ask the President to comment on negotiations that are presently under way that he himself has been present at because the President, the Chief Executive Officer of Manitoba Hydro, the person in charge of the entire administration is now involved in the negotiations, Mr. Chairman.

He has been at the meetings. He has been apprised of what's been going on. Those negotiations are presently in process and the former Premier, who I think should know better, is just trying to open up into the public arena, those negotiations at a critical time when I think they should be left to be completed.

HON. S. LYON: Mr. Chairman, speaking to the point of order, I can assure you that the purpose of the question is to elicit truth. We can hear the Minister's version of the truth any time in the House. What I'm more interested in at this stage and I think that the members of the Committee are more interested in, is getting at some of the facts and the truth through the officers of the corporation. We have that opportunity once a year. We can hear the Minister prattle on at any time.

Now, Mr. Blachford, I return to the point that I referred to before. Were you aware of any serious deficiencies in the Interim Agreement that was signed on October 9th, I think it was, of 1981?

MR. L.D. BLACHFORD: You were referring previously to legal matters. I'm not aware of any legal complications in that agreement. As I say, I'm not a lawyer. It was turned over to the lawyers, as I understood, for them to have a look. Again, this was the government who did this.

HON. S. LYON: Mr. Chairman, to the President, as the Chief Executive Officer and President of Manitoba Hydro, were you aware of any deficiencies in that Agreement that were bad for Manitoba Hydro or for the people of Manitoba?

MR. CHAIRMAN: Mr. Mackling.

HON. A.H. MACKLING: Mr. Chairman, on a point of order. Mr. Chairman, the Minister responsible has indicated that negotiations are ongoing in respect to an Agreement. He has indicated that he was concerned about deficiencies in the Agreement. For the Honourable Leader of the Opposition to want to evaluate what those deficiencies are during the course of ongoing negotiations, is improper.

Now, Mr. Chairman, the fact is that the Agreement is under negotiation. It will be open to the Leader of the Opposition when negotiations have concluded, to be able to examine the record as to whether or not the negotiations were successful, what changes were made in the agreements that he talks about and that would be appropriate. To ask the President of the Corporation at this time to go into a detailed review of those agreements when they're under negotiation would be improper. It would certainly jeopardize the position of the Corporation in its negotiations and indeed, would be improper.

HON. S. LYON: Mr. Chairman, to the alleged point of order, let me say this. I have asked the question of the Chairman stimulated by comments made by the Minister here and on other occasions, that there were serious deficiencies in the Agreement.

The President, the Chief Executive Officer of Manitoba Hydro has been in that position fortunately for a considerable period of time. I'm merely asking him if he was aware of any such major deficiencies in the Agreement over which he had some power of superintendency and some power of control up until, at least, November 30th that I know of. There's nothing out of order about that question at all.

MR. CHAIRMAN: As a Chairman I have a responsibility

and I believe there was a Point of Order raised. I believe, and I am not a lawyer, there is an argument going on between lawyers, but as the Chairman I have a responsibility as well and I believe that there is a point of order. Negotiations are currently going on so I believe that there was a point of order. So if you want to choose to pursue in some different light, proceed.

HON. S. LYON: Mr. Chairman, I'll rephrase the question because there is clearly no alleged point of order in what I was asking before. I'll ask this question, was the Chairman aware of any serious deficiencies, substantive, legal or otherwise in the Interim Agreement up to and including the 30th of November, 1981? Then the answer is, of course not.

HON. A. MACKLING: Mr. Chairman, the same point of order prevails because essentially it's the same question.

There is before this Committee knowledge that negotiations are ongoing, that certain proposals were put on the table for discussion with other jurisdictions and the Minister has indicated a concern about weaknesses in those negotiations. Now for anyone to be asked to detail the specifics of that Agreement and to make that public evaluation at this time, would certainly jeopardize the fair negotiation of those agreements.

Now it's open for the Leader of the Opposition to say there was no provisions that were weak in the agreements, that doesn't jeopardize the negotiations. But to ask the President for chapter and verse of the particulars of the Agreement and his indication where they're strong and where they're weak, is improper.

HON. S. LYON: On the alleged point of order, the Member for St. James misconstrues the line of the questioning and I'm not asking the President of Manitoba Hydro for chapter, line and verse on the Agreement at all.

I'm merely asking the President of Manitoba Hydro, and I believe that he has already partially answered the question, if he was aware of any serious deficiencies in the Interim Agreement which was approved unanimously by the three Ministers and the major principles of which, to go further, on the secrecy kick that the Minister is on, the major principles of which were made public at the time the Interim Agreement was announced, is the President aware of any serious deficiencies in those major principles that were made public?

MR. CHAIRMAN: I believe it is a repetition of the same question.

HON. S. LYON: No, it isn't, Mr. Chairman. The major principles of that Agreement for your information, Mr. Chairman, were made public in October of 1981. I'm asking the President of Manitoba Hydro if he is aware of any major deficiencies in those major principles.

MR. CHAIRMAN: The Minister of Natural Resources on a point of order.

HON. A. MACKLING: Mr. Chairman, the Leader of the Opposition has now asked a specific question

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about matters that are on the public record and the question is in order, but not the previous question.

HON. S. LYON: We're really happy to have that judgment from the Member for St. James.

HON. A. MACKLING: Well, you should 'be because it's fair.

MR. CHAIRMAN: The hour is 12:30. It's quite obvious we're not going to complete the report by today so there will have to be another meeting, the time of which will be announced in the House.

Committee rise