



First Session - Thirty-Fifth Legislature

of the

Legislative Assembly of Manitoba

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

39 Elizabeth II

*Chairman
Mr. Ben Sveinson
Constituency of La Verendrye*



VOL. XXXIX No. 6 - 10 a.m., THURSDAY, NOVEMBER 15, 1990



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

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

Thursday, November 15, 1990

TIME — 10 a.m.

CHAIRMAN — Mr. Ben Sveinson (La Verendrye)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Mr. Neufeld

Messrs. Carr, Doer, Gaudry, Hickes, Laurendeau, McAlpine, Reimer, Mrs. Render, Messrs. Rose, Sveinson

APPEARING:

A. Brian Ransom, Chairman, The Manitoba Hydro-Electric Board

Robert B. Brennan, President and Chief Executive Officer, The Manitoba Hydro-Electric Board

Ralph O. Lambert, Executive Vice-President, The Manitoba Hydro-Electric Board

MATTERS UNDER DISCUSSION:

The Annual Reports of The Manitoba Hydro-Electric Board for the years ended March 31, 1989, and March 31, 1990.

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Mr. Chairman: I call the Standing Committee on Public Utilities and Natural Resources to order to consider the Annual Reports of The Manitoba Hydro-Electric Board for the fiscal year ended March 31, 1989 and March 31, 1990. I would invite the Honourable Minister to make his opening statement and to introduce the staff present today.

* (1005)

Hon. Harold Neufeld (Minister responsible for The Manitoba Hydro Act): Thank you, Mr. Chairman and members of the Committee. The last time we appeared before the committee was in October of 1988 at which time we reviewed the 36th and 37th Annual Report of the corporation. It is our intention at this session of the committee to present the 38th and 39th Annual Reports of the corporation

for the years ended March 31, 1989, and March 31, 1990, respectively. I would hope that we can move through the 1989 report rather quickly, although we will permit questions as wide-ranging on that report as you wish.

We will also review some of the major issues and challenges of the corporation and provide an overview of Manitoba Hydro's submission of its capital project plans for the review of the Public Utilities Board.

The Manitoba Hydro Act confers upon the board of directors of the corporation the authority to carry out such functions as may be necessary to provide for the continuance of a supply of power adequate for the needs of the province and to promote economy and efficiency in the generation, distribution, supply and use of power.

It was on this basis that the board of Manitoba Hydro pursued several initiatives during 1989. The most significant of these initiatives was a 1,000 megawatt power sale to Ontario Hydro. The agreement for the power sale was approved by Cabinet based on the recommendations of The Manitoba Hydro-Electric Board and the Manitoba Energy Authority with the knowledge that the agreement was subject to conditions allowing for a comprehensive public and environmental hearing process.

The Public Utilities Board is now deliberating on its findings after an intensive public hearing and will be reporting on those findings by the end of this month. The environmental review process will also provide the opportunity for substantial public input. I will make my commitment at this time to the committee. If they wish to meet with the Manitoba Hydro after the Public Utilities Board makes its recommendations, we will agree to meet.

At this time I would like to introduce Mr. Brian Ransom, the Chairman of Manitoba Hydro.

Mr. A. Brian Ransom (Chairman, The Manitoba Hydro-Electric Board): Thank you, Mr. Minister

and Mr. Chairman. Before I begin, I would like to introduce to the members of the committee some of the members of the Hydro-Electric Board who are here today. We have Dr. Ed Kuffel, Darlene Hildebrand, Ken Patino, Rod Beaudry and Jack Perkins. Normally our Hydro board meets today, so we were able to conclude our business last night, and we have invited some of the members to come and benefit from the comments, questions and debate that take place before this committee.

Mr. Chairman, I would like to touch on a few major policy issues which the board of Manitoba Hydro has dealt with over the course of the past two years since we had the opportunity to last appear before this committee. The first of those issues that I would like to mention and deal with is the decision by The Manitoba Hydro-Electric Board to request the opportunity to appear before the Public Utilities Board to have an objective review conducted of our long-term capital plans.

As the members of the committee will be aware, there are a number of issues that are before Hydro, before this committee and the Public Utilities Board having to do with the proposed 1,000 megawatt sale to Ontario, the attendant construction of Conawapa, a demand-side management program and diversity agreements with two U.S. utilities, as well as a life assurance program for our coal-burning thermal stations.

* (1010)

The total investment that would be projected in as-spent dollars for these initiatives is in the range of \$6 billion to take place over the next 10 years, and under those circumstances, it was the judgment of the board of Hydro that only by submitting those plans to an objective review by the Public Utilities Board could we, the Government and indeed the public of Manitoba be certain that whatever decisions are ultimately taken are in their best interests.

The Government, as you know, acceded to our request and passed an Order-in-Council last February which empowered the Public Utilities Board to hold those hearings. We had some 19 days of formal hearings plus another two days of final argument. They took place beginning on the 20th of August and ended on the 29th of October.

There were a number of interveners putting forward different perspectives and doing very thorough questioning. The interveners that are

unable to cover their own costs of intervening before the Public Utilities Board are able to request funding of the Public Utilities Board which is ultimately paid by Manitoba Hydro, so this process provides an opportunity for public interest groups to make a very thorough presentation. Consultants were brought in from across the country and from the United States to participate in those hearings, and the Hydro board believes that this is a very major and necessary initiative that has been taken in the public interest.

One of the features of our capital plan deals with demand-side management, and I think it is perhaps worth making a comment here, because the board of Manitoba Hydro played a major role in determining that the corporation would adopt as a minimum a demand-side management target of 100 megawatts and 500 gigawatt hours of energy targeted for the year 2001, the rationale being that 100 megawatts is approximately one year's load growth for Manitoba, and so the objective is to be able to defer subsequent construction of another plant by at least one year.

I think many members of the committee will be aware of the growing interest in demand-side management programs amongst the public and amongst utilities as well. I think this was a major decision taken on the part of Manitoba Hydro, and I would stress again that we regard this target as being a minimum for the year 2001.

Another significant policy question that the board addressed was the long-standing grievances of communities and Native bands with respect to the flooding of the Grand Rapids Forebay that took place in the mid-1960s. That flooding had necessitated the movement of the Chemawawin people from the old post to the present site at Easterville. It had involved some movement of people at Moose Lake and certainly extensive destruction and damage to the natural environment in the Saskatchewan River delta.

Over the years the people of those communities have not been satisfied that Government and Hydro have dealt with them on a fair and equitable basis, so a little over a year ago the Hydro-Electric Board, with the support of the Government, made the decision to hire an independent consultant to review the issue and to determine to the extent that there would be outstanding obligations.

As a consequence of that decision and a consequence of the report of the consultant, we

entered into negotiations with people of Chemawawin, Moose Lake, Grand Rapids and Cormorant community. I am pleased to say that we have reached agreement with the people of Chemawawin First Nation and Moose Lake. Yesterday the agreement was formally signed with the people at Easterville community and Chemawawin First Nation, and will tomorrow be signed with the people at Moose Lake, both the community and the band.

We believe that is a long overdue action on the part of the Government, and we are very pleased to have been able to conclude that agreement and see a settlement made that the people would judge to be fair and equitable.

* (1015)

Another area of policy that we dealt with in the last year had to do with expanded northern service. Many members of the committee will be aware there are significant numbers of communities in the northern part of our province that are served by diesel-electric generation and their service is limited to 15 amps. Anyone who would attempt to operate on the basis of 15 amps would know that you could not make coffee and toast at the same time.

The board judged that is an unacceptable standard of electrical service to be offered to people of this province in this day and age, and hence made the decision that every community should at least be entitled to a minimum of 60 amp service, which would allow for the use of all appliances other than electric heat. We have a plan in place now where several communities in the northeastern part of the province we expect will be served by land lines, and discussions are ongoing between the federal Government, the provincial Government and Hydro for the extension of services in those areas.

In other communities we will establish a minimum of 60 amp diesel service and hopefully would see land lines go into communities like Thicket Portage and Pikwitonei, but there appear to be at least three communities, Brochet, Lac Brochet and Tadoule Lake where the economics are such that it is unlikely to see land lines there in the foreseeable future, but 60 amp diesel service will be provided as a minimum.

The board also made decisions with respect to the establishment of financial targets. The corporation has for a number of years operated without the benefit of firm financial targets in place, and the

board has set as a minimum to have in place by 1994, sufficient reserves to cover the effects of two years of the most severe drought on record. That is a target that has been worked toward previously, but in the longer term then we are aiming to establish a debt-equity ratio of 85-15 with interest coverage of 1.25.

The Public Utilities Board has recommended that the corporation establish financial targets, and we believe that these are realistic. The president and chief executive officer can deal with those in more detail for any members of the committee who wish to pursue that.

Two other points I would like to make that deal with significant policy decisions have to do with the general orientation of the corporation toward customer service. The board has stressed very strongly that we should be orienting ourselves toward individual customer satisfaction. Given the nature of our corporation and its monopoly situation, it is extremely important that our customers, who have no alternative but to deal with Manitoba Hydro, be dealt with in a very sensitive and understanding fashion. While we perhaps cannot point specifically to programs that deal with this, it is a policy thrust that the board and senior management are encouraging and pursuing within the corporation.

Finally, the board has also directed that there be greater emphasis placed on environmental concerns. One of our policy directives is that the corporation should strive to apply principles of sustainable development, recognizing that those principles are not at this point defined in such a way that any definition would be universally acceptable, but I believe that the thrust underlying the concern about environment is sufficiently understood that the corporation is in a position to put more emphasis on that area of public concern.

Mr. Chairman, those are some of the major policy areas that we have dealt with in the last couple of years, and I would be happy to deal at greater length with those if the committee desires. At this point, I would like to introduce Bob Brennan who is our president and chief executive officer. Mr. Brennan will have a presentation and will introduce other staff members with us as well. Thank you.

* (1020)

Mr. R. B. (Bob) Brennan (President and Chief Executive Officer, The Manitoba Hydro-Electric Board): Mr. Chairman, I am pleased to have the

opportunity to present the 38th and 39th Annual Reports for The Manitoba Hydro-Electric Board for the years ended March 31, 1989 and 1990.

In addition to reviewing these reports, it is my intention to provide a brief overview of Manitoba Hydro's presentation to the Public Utilities Board with respect to the corporation's major capital project plans. I will also comment on some of the current issues of the corporation.

Firstly, the 38th Annual Report which is for the fiscal year ended March 31, 1989: The fiscal year 1988-89 was not a good year financially for the corporation. The loss of \$26.4 million was the largest ever experienced by Manitoba Hydro, and for the first time in the corporation's history it was a net importer of power from neighbouring utilities.

Hydraulic generation of the integrated system was close to 30 percent lower than what would be expected in a year of median inflows into our reservoirs. This, of course, was attributable to the drought which severely curtailed water flows during much of the '87-88 and '88-89 fiscal years. The importance of the interconnections with neighbouring utilities was certainly reinforced during the '88-89 fiscal year.

The 39th Annual Report which is for the fiscal year ended March 31, 1990: Water flow conditions improved in this fiscal year and hydraulic generation from the integrated system increased by about 23 percent to 18.7 billion kilowatt hours. Despite this improvement, hydraulic generation was still approximately 12 percent lower than what could be expected in a year of median inflows into the system.

The improved flow conditions, together with an average 5 percent general rate increase implemented April 1st of '89, allowed the corporation to record a net income of \$24.2 million for the year ended March 31, 1990. This increased the financial reserves of the corporation to \$116.6 million, an amount still well below the level considered necessary to withstand a severe and prolonged drought.

Current Financial Conditions: In the '90-91 fiscal year, the corporation continues to operate under the influence of low water flow conditions. This is the fourth consecutive year in which well below normal flows have been experienced in the Manitoba river systems. At this time, we are projecting that hydraulic generation for the current fiscal year will

be about 8 percent lower than normal long-term averages.

Nevertheless, with the somewhat improved water conditions and with the average 4 percent general rate increase implemented April 1st of 1990, the corporation is projecting net income of approximately \$50 million for the fiscal year. This amount, together with the approval of a three-year rate increase proposal being submitted to the Public Utilities Board, will allow the corporation to remain on course for attaining its short-term financial objectives.

The three-year rate increase proposal being submitted to the Public Utilities Board for approval is for an average rate increase of 4.5 percent effective April 1st of '91, a further 4.5 percent effective April 1st of '92, and an increase of 4 percent effective April 1st of '93. These proposed rate increases are below the projected rate of inflation and, we believe, provide the best possible balance between fiscal responsibility and customer sensitivity.

The Capital Plans Submission to the Public Utilities Board: In 1989, as Brian pointed out, the board of Manitoba Hydro were faced with a significant decision. With a 10-year lead time required for the construction of new generating facilities and with domestic load growth projections indicating that additional generation would be required by 1999 to meet Manitoba demand and existing export commitments, it was imperative that some action be taken immediately regarding the next source of supply. The action taken at that time was to reach agreement on a number of initiatives. This took place late in 1989 and had considerable implications to the capital development plans of the corporation.

* (1025)

These initiatives were a thousand megawatt sale to Ontario, a 300 megawatt diversity exchange with Northern States Power and United Power Association, a thermal generating plant life assurance program, and a 100-megawatt demand-side management program.

The net effect of these initiatives on the timing of the next generation was that they allowed the corporation to defer by one year, from 1999 to 2000, the requirement for the next power source after Limestone. A further significant feature of the Ontario sale is that it complied with the major

guideline given to management, in that it must result in lower Manitoba consumer rates in every year of the sale than would have been the case without the sale.

The four initiatives resulted in the development of a least cost plan for Manitoba Hydro. The plan, which was submitted to the Public Utilities Board for review, was referred to as the Preferred Development Plan.

The Preferred Development Plan including the proposed construction of new facilities is as follows: (a) the Conawapa Generating Station on the Nelson River for the year 2000; (b) Bipole III, which is a new direct current transmission line and convertor station to bring power from the Nelson River to southern Manitoba, and that was also required for the year 2000; (c) a new transmission line to Ontario for the year 2000; and (d) improvement to the transmission capability with Minnesota for the year 1995.

Manitoba Hydro presented its plan for development before the Public Utilities Board during a total of 21 days of hearings in Winnipeg and two days of public meetings in Thompson.

In summary, the development plan will allow for significantly lower consumer rates than otherwise would have occurred and will also provide Manitoba Hydro with increased system security and additional access to surplus energy markets.

The Public Utilities Board will report on its findings by November 30th, this month.

Some Accomplishments of the Corporation: There have been many accomplishments at Manitoba Hydro in the recent past. Of particular note is the successful commissioning of the first two units of the Limestone Generating Station. It is ahead of schedule and well under the original cost estimates. When Limestone is fully in service in 1992, it is expected to cost approximately \$1.45 billion, substantially lower than the original forecast of \$2.52 billion.

Other accomplishments include: (1) a proposed agreement to provide central system supply of electricity to seven isolated northern communities in the Island Lake area; (2) increased diesel service capacity to residents of the communities of Tadoule Lake, Lake Brochet, Brochet, Shamattawa, Pikwitonei and Thicket Portage; (3) the further extension of French language services; (4) the establishment of short-term and long-term financial

targets; (5) the further decentralization of certain operations of the corporation; and (6) the authorization by the board of Manitoba Hydro to proceed with the finalization of compensation settlements with the Grand Rapids Forebay communities, including the construction of a power line to Crossing Bay and Denbeigh Point.

Manitoba Hydro has also become much more accountable to its customers with public meetings held at various locations in the province several times each year. In addition, the Public Utilities Board itself holds meetings in various rural areas, and the board of Manitoba Hydro makes it a practice to periodically hold board meetings outside Winnipeg.

* (1030)

Some Current Issues of the Corporation: Since I became president and chief executive officer of Manitoba Hydro in March of this year, there have been a number of issues which have been identified as being the primary focus for the corporation.

Among these issues are:

(1) **Customer Sensitivity:** At Manitoba Hydro we are making a more concerted effort to ensure individual customer satisfaction. In addition to such initiatives as providing enhanced service to isolated communities, it also involves a better understanding of the energy requirements of our customers and adapting our operations to meet those needs.

(2) **Security of Supply:** This is becoming an increasingly important issue for utilities in North America and relates not only to having an adequate supply of electrical power, but also to ensure that the supply of power is secure. At this time, Manitoba Hydro's supply is somewhat vulnerable with a single corridor for the major transmission line from the North.

(3) **Environmental Protection:** Manitoba Hydro is committed to a corporate focus that respects and protects the environment in every possible way. The environment is likely to be one of the most important issues confronting the energy sector over the next several years, and Manitoba Hydro regards this as a positive development. The principles of sustainable development are vigorously supported at Manitoba Hydro.

(4) **Aboriginal Issues:** In addition to compensating aboriginal people for damages caused by hydro-electric developments in the past, Manitoba Hydro wants to ensure that aboriginal people have

the opportunity to participate fully in the benefits that will result from future development. In this regard, programs are being developed which will enhance employment opportunities of northern aborigines and will encourage the establishment of aboriginal businesses.

(5) Demand-Side Management: The subject of demand-side management is a very topical one in the electrical industry today. Manitoba Hydro is devising and implementing programs that by the year 2000 will reduce the system load by at least 100 megawatts and 500 million kilowatt hours from what it otherwise would have been. This is a modest but attainable target, and it could be revised upward as the corporation obtains more experience with demand-side management programs.

(6) Non-Utility Generation: Non-utility generation includes cogeneration, self generation and independent power production. It is related to demand-side management because it defers the date that the corporation will be required to add new generating facilities. The corporation will be encouraging non-utility generation projects by contributing up to the avoided cost of new generation.

(7) Health and Safety Issues: Manitoba Hydro is placing increased emphasis on employee and public safety and on providing information on such subjects as electric and magnetic frequencies.

(8) Quality Performance: At Manitoba Hydro, we are constantly striving to improve the quality of our service and our performance. At the present time, we are in the process of developing some key performance indicators which will give us some quantifiable measures of our progress in this area.

(9) Technological Developments: While Manitoba Hydro pursues a development plan based on conventional hydro, there are alternate energy sources that have potential for the long-term future. Among these are solar, wind and fuel cell power plants. Developments in such areas as these and superconductivity are also being closely monitored.

In order to address these and other issues, we at Manitoba Hydro are indeed fortunate in having a team of employees who are committed to the achievement of excellence in their respective roles. I am extremely proud of the employees of the corporation, and I would like to take this opportunity to gratefully acknowledge their contributions towards the provision of electric service in Manitoba.

Mr. Chairman, that concludes the formal part of my presentation. I have with me Ralph Lambert who is the executive vice-president, and we would be pleased to answer any questions the committee might have.

Mr. Chairman: I would appreciate some guidance from the committee. Will you consider the reports page by page or otherwise?

Mr. Gary Doer (Leader of the Opposition): We appreciate the Minister's opening comments in the sense that he has stated, "we would answer as wide-ranging questions as you wish" in the deliberations before us, and we would prefer to deal with those wide-ranging issues. Perhaps I can suggest that both Opposition Parties should make a brief opening statement. Then we can proceed to the questions and issues we would like to address, with the will of the committee.

Mr. James Carr (Crescentwood): We agree, Mr. Chairperson. We think it is in the interests for the fullest possible debate to open questions as widely as we can. We as well appreciate the Minister's offer to do that. We think it is in the interests of the committee to keep it as general and as wide-scoping as possible.

Mr. Chairman: Since that is the will of the committee, then I would ask the critic to give his opening statement.

Mr. Doer: We would like to thank the Minister, the chairperson of the board and the chief executive officer for their statements this morning. I guess, to start off on a little bit of a light note, we will call Jerry Storie the \$1 Billion Minister now that Limestone has come in \$1 billion under budget. Of course, we can have that debate later on, but we had better call him that before he claims it in our caucus -(interjection)- I know he would not. He is too humble, like all of us.

It is a pleasure to be before the committee today. I think this is just one of many processes the Government has established to review the activity of Manitoba Hydro, a Crown corporation that I believe all Manitobans are proud of. The quality of work that the employees deliver to Manitobans we are all very proud of and would want that passed on to the corporation through the executives and board of directors here today.

It is interesting that in the 1960s, the original Hydro developments, probably the only public scrutiny was during election periods of time where it was a public policy debate perhaps during

elections. Since that time, we will have a number of processes to look at these projects. We have the legislative committee, we have the Loan Authority, we have the Public Utilities Board with its extensive review of the capital projects, which we applaud as a very positive initiative in the scrutiny and the cross-examination of capital development.

We have potentially three environmental assessments since Limestone was developed and it was reviewed by the National Energy Board. I think there are now three potential environmental assessments, the provincial Act was passed in '87 and proclaimed in '88, the federal Act was, of course, passed since the Limestone's development, and the Ontario Act has been not only passed but revised, and it will affect certain components of the project. It will present unique challenges and areas of concern, I am sure, to Hydro and all Manitobans. We are not sure whether this project goes before the National Energy Board. There is The Crown Corporation Accountability Act with public meetings and capital plans, so there are a lot of avenues to look at the area of hydro, and I think that is all very positive for the public and for the ratepayers in our province.

There are a number of general issues we would like to raise in the area of hydro development and the report today. I will just outline some of those general areas, which will not be totally inclusive, but it will allow the committee to know, and the members of the committee to know, where the areas are that we are concerned about.

Obviously the whole area of conservation, demand-supply management is a very, very major issue. Yes, the Hydro management and board of directors are coming forward with a 2 percent proposal on the supply side, 100 megawatts, but we would note, and I am sure the Minister has noted, that the other similar electrical utilities in Canada are coming forward for the same year 2000, the year 2001, with proposals for management between 5 and 6 percent, over 6 percent in some cases. We believe that the proposal is one which we should examine at this committee. We believe we should be taking a much greater role in that whole area and raising our targets for energy saving at the 300 megawatt or 6 percent level. We will get into that as we proceed for the year 2001.

* (1040)

The chair of the board mentioned some matters

that were settled in the forebay situation, and I know those are long outstanding issues through various Governments. We will be asking about The Pas situation, Cormorant and Grand Rapids in terms of those forebay settlements, where they are and what status they will have, as well as looking at the whole issue of treaty land entitlement that was raised by MKO and other aboriginal organizations at the Public Utilities Board, what effect Conawapa will have on other waterways, Seal and Hay, for example, in terms of questions that we will be asking, and the whole issue of compensation that is outstanding.

As well, we know that the Ontario proposal will have potential ramifications on land claims in that province, and I know that the transmission line in that province is obviously a component of the Ontario sale.

We will be raising the issue of the cost benefit. We do not plan to duplicate the role of the Public Utilities Board at this committee, but we certainly want to look at the original statements that the Premier, the chair of the board and the Minister have made about the cost benefits to Manitoba and see if those assertions, the two to one ratio, et cetera, still hold 11 months later in terms of this proposal.

We have a number of concerns that we will be raising about the environmental process. Where does it fit in Manitoba? Where do we fit with the federal process in the province? How do we fit with the Ontario environmental process? We will have more detailed questions and concerns to raise this morning and as we move along, I am sure at other committee meetings that we may have on this proposal.

The transmission line, Bipole III—we will have a number of concerns about the cost benefit and the issues that obviously will arise with the transmission line down the east side of Lake Winnipeg and the different effect of going from DC to AC in the Province of Ontario.

I have mentioned land claims. We will also be looking at all the training programs the Government has in place, particularly for aboriginal people, for Northern people, the job content and those issues that we will be very concerned about.

We are also very worried about what this development will mean for advancing future developments in Hydro, particularly the Wuskwatim project. I know the chair of the board and the Minister

will be aware we have raised that issue before, the Burntwood River and what effect this project, the sale, will have on the advancement of Wuskwatim. We will want to know just generally how that fits in the best interest of Manitobans, and particularly those people who would reside in the North.

Finally, we will be asking questions on Manitoba content and the policy of the Government. We have asked questions in Question Period, but 20-second questions and 20-second answers do not necessarily deal with the very complicated issues that arise from procurement policy, preference clauses and those types of things. We want to ensure that Manitoba content, the policy, is in place and that it is subject to the scrutiny of this committee.

Finally, the chief executive officer has mentioned the reduction again this year of the load or the supply due to the drought or the dry weather conditions again this year. We will want to ask some questions about this latest information—it is even drier than we thought—and whether that is affecting the projected production of Manitoba Hydro, whether there is any long-term analysis on the so-called greenhouse effect, what effect that will have on Hydro and the sale that we are making and proposing, and the effect it will have on the province.

Those are just some of the general issues that we will be raising. We would just like to alert the committee to that. I am sure you are well-prepared; I notice you have all the material there. Those are some of the issues that generally we will be raising at this committee, and we look forward to the debate and to the questions I am sure will be provided to us.

Mr. Chairman: I now ask the critic for the Second Opposition (Mr. Carr) to make his opening statements.

Mr. Carr: Mr. Chairman, let me begin by thanking the Government for agreeing to ask officials of Manitoba Hydro to come back to this committee after the recommendation of the Public Utilities Board is known and before the date of December 31st, the date after which the schedule of penalty kicks in on the Hydro sale to Ontario, beginning at some \$20 million on the 1st of January, if for any reason Manitoba gives notice to withdraw from the agreement. Let me also thank Mr. Ransom and Mr. Brennan for so quickly offering the Opposition Critic a briefing. Within just a very few days of the request, members of the executive entertained me in the

board room of Manitoba Hydro with a cup of tea, and I was able to ask questions that were quite fully answered, and I appreciate that opportunity.

I do not think I have a conflict, Mr. Chairperson, because Mr. Ransom is a constituent of mine. Manitoba Hydro is actually a constituent of mine as it is physically in the riding of Crescentwood which gives me, I suppose, more than a casual interest beyond those of a critic. I also do not think there is necessarily a conflict in that when Mr. Ransom was in political life and running for the leadership of his Party, I was writing columns for some of the newspapers in Winnipeg, and some people thought I favoured Mr. Ransom over his opponents, but I will not let that get in the way either.

Mr. Doer: Another independent columnist.

Mr. Carr: That is right.

Mr. Chairperson, Hydro is big business in Manitoba. The long-term debt of Manitoba Hydro is some \$3.6 billion, which represents more than a third of the total accumulated debt of the Province of Manitoba, which is somewhere around \$10 billion. The finance expense alone in the year 1989-90 was \$241.7 million, which is a larger figure than what Manitoba Hydro needs to operate its own administration in any given year. These are very big numbers, and obviously the capacity of Manitoba Hydro to borrow in the name of Manitoba has an impact on this province's ability to provide borrowing and influence ultimately its credit rating. Manitoba Hydro, in addition to its service to consumers in Manitoba and the supply of hydro-electric energy, is also a huge borrower, which impacts on the general finance of the province.

The web of corporate relationships that Manitoba Hydro finds itself in is really quite a labyrinth. The Leader of the Opposition (Mr. Doer) made reference to it in a positive way, and there is a positive element to the sets of checks and balances that are in place. We agree with the process of appearing in front of the Public Utilities Board. We believe that is in the public interest, and we encouraged it at the time. We are grateful that it is occurring, but that is not the only level of check and balance. We have a Crown Corporations Council, which was established by this Government some 18 months ago with a mandate to review the mandates of the Crowns, including Manitoba Hydro, with an additional responsibility to review capital expenditures of Hydro.

We have been questioning the Minister of

Finance (Mr. Manness) in the House with mixed results. His first position was that the Crown Corporations Council would not be in a position to make a formal recommendation to the Government by December 31. Upon subsequent questioning, the Minister of Finance changed his mind and said that there would be a report from the Crown Corporations Council by the end of the year, but we would not have an opportunity in this committee to question members of the Crown Corporations Council. The Government therefore is in a position of perhaps having to evaluate competing advice from the Public Utilities Board and from the Crown Corporations Council.

There is yet another level, and that is the Manitoba Energy Authority. The chairman of Manitoba Hydro is also the chairman of the Manitoba Energy Authority. The Energy Authority presumably had something to do with the export sale to Ontario. The questions arise as to the usefulness of the Manitoba Energy Authority in this day and age, and we will be asking—well, the Minister says they will be appearing later. He is in charge of the Manitoba Energy Authority and Manitoba Hydro, and he will certainly, within probably a very few minutes, be asked to evaluate the role of the Manitoba Energy Authority, as will the chairman of Manitoba Hydro.

* (1050)

The conservation issues are of enormous importance. We can all remember in the wake of the oil crisis in the 1970s that conservation was the buzz word, that we had all rededicated ourselves to the notion of conservation in a time of dwindling supply. We have not done very well. We have done some fairly extensive research on conservation programs in utilities across the country, and we intend to take some considerable time in laying out options that we believe are in front of Manitoba Hydro. One hundred megawatts by the year 2001, we believe is not sufficient. We intend, in as positive a way as possible, to ask the chairman and the president of Manitoba Hydro to respond to initiatives taken by other authorities, and to query why they have not been initiated here and what the plans of the utility are.

Hydro, of course, is a very important employer—more than 4,000 employees now, I believe, in Manitoba Hydro. Then all of the issues of employment are important enough to be raised,

issues of employment equity, issues of affirmative action.

The whole area of contingent liability is very important. We will want to know from the corporation, at the time that the Grand Rapids development was undertaken, what were their projections of contingent liability?

Similarly, with the flooding of South Indian Lake and with the regulation of Lake Winnipeg, what did the corporation at that time, when it was making its original assumptions, set aside for mitigation as a result of flooding, as a result of dislocation, as a result of, in a substantial way, affecting the lives of people who lived in those areas? What is the actual dollar figure of mitigation compared to what the corporation had anticipated it would be at the time that the flooding occurred?

We will ask more specific questions about that later, but it is also important in the context of the Ontario sale and the Conawapa development. We will be interested in knowing just what contingency liability plans the corporation anticipates, and how that relates to the track record of the corporation in the experiences of the last 25 or 30 years. We will be interested in asking questions about the status of negotiation with the Northern Flood Committee. We are interested in the chairman's comments this morning that there apparently is some agreement with Grand Rapids bands, and we will want to know the details of that as it compares to the corporation's initial estimates in the mid-1960s.

Also, we have been questioning the Minister of Energy (Mr. Neufeld) over the last number of days in the House about what has been spent to date on the Conawapa project. Now that is important, because as a Leader of the Opposition has already indicated, there are a number of sets of approvals which are required before we can have any comfort level that this project is actually going to occur. We have made reference already to the Public Utilities Board, there is the Crown Corporation Council and then there is a complex, an interconnected set of environmental reviews which cannot possibly be finished before January 1, 1991, because they have not even begun.

The question therefore is: How much has the corporation already committed to a project which has not received the necessary approvals? We questioned the Minister of Energy in the House last Friday and his answer was \$100 million. Frankly, Mr.

Chairperson, I was expecting the answer to be something more like \$45 million or \$50 million. The Minister was out by \$50 million and then explained to the House some time later that the board of Manitoba Hydro had revised down its estimate of expenditures in the fiscal year ending March 31, 1991, from \$132.9 million to some \$63 million, of which \$42 million had already been spent. We will want to question the corporation closely on how those monies have been committed to date and whether or not that is prudent management, given that the approvals which are necessary are not yet forthcoming.

Mr. Chairperson, in a general way, those are some of the issues that we intend to explore with the Minister who is ultimately responsible for the actions of Manitoba Hydro and with the chief executive officer and the president, and we look forward to likely many hours of stimulating debate.

Mr. Chairman: I would like to remind all Members that the business before the committee today is the Annual Reports for The Manitoba Hydro-Electric Board for the fiscal year ending March 31, 1989 and March 31, 1990. I would just—

Mr. Doer: Mr. Chairperson, were you going to give us more instructions? I am sorry.

Mr. Chairman: I had something in mind but, Mr. Doer, you have the floor now. Just continue with your questions.

Mr. Doer: The Premier (Mr. Filmon), when he announced the establishment of the sale of Conawapa, established a special committee of Cabinet to oversee the project development. Could the Minister please tell us who is on there?

Mr. Neufeld: The Ministers on the special committee include the Minister of Northern Affairs (Mr. Downey), the Minister of Education and Training (Mr. Derkach), the Finance Minister (Mr. Manness), the Minister of Industry, Trade and Tourism (Mr. Ernst) and, of course, the Minister of Energy and Mines (Mr. Neufeld). I may have missed one or two.

Mr. Doer: I gather—with the chair of the Energy Authority and the chair of the board telling you some of the names there, does this committee meet?

Mr. Neufeld: The committee has met on numerous occasions. We meet at least once a month, but to be asked to name every Member on the committee at such short notice sometimes leaves one without

naming every one of them, and I make no apologies for that, Mr. Chairman.

Mr. Doer: Can the Minister tell us at what stage the committee is, pursuant to the instructions and public announcements the Premier made on the Cabinet committee?

Mr. Neufeld: Do you mean at what stage the various subcommittees are, or do you mean at what stage the implementation of the actions are?

Mr. Doer: The Premier made a number of comments about the activity and role of the committee, and I would just like to get a status report from the Minister on how far that committee has gone in the activity that the Premier outlined for the committee at the public announcement last year, 11 months ago.

Mr. Neufeld: The committee of Ministers has set up a number of working committees made up of Deputy Ministers and people from Manitoba Hydro. These committees have been charged with bringing forward, among other things, the types of workers that will be needed in the construction of Conawapa. They have been charged with finding out the numbers of workers of each type, trades of each type, that are available today. They have been charged with determining at what time during the period of construction the trades will be required. They have been charged with finding out whether or not there are some possibilities or probabilities for industry offsets. That is a small number of issues that they have been charged with, and the sub-committees have been meeting and reporting back to the committee of Ministers on a regular basis.

* (1100)

Mr. Doer: I wonder, can the Minister table the plans to deal with the activities that the Premier outlined? Firstly, is the plan the committee has established for dealing with environmental concerns, as opposed to the Hydro corporation, which we will talk about later; secondly, the Manitoba industry first-opportunity activity that the Premier outlined; thirdly, local skilled workers as the Minister mentioned that would be reporting back to Manitobans in the terms of employment and training; and fourthly, the policy it was instructed to develop on employment preference for aboriginal people and northern residents.

Mr. Neufeld: Of course, as far as the environment is concerned, I should say the Minister of

Environment (Mr. Cummings) is also on the committee. The terms will be decided not by the committee of Ministers but by the Department of Environment and the people who indeed do the environment assessment. They will be the ones that establish the rules for that part of the project.

As far as the skills are concerned, the first thing we have to determine is the number of skills in each trade, the number of people in each skill that are available today, in the North primarily, and the number of courses we should be asking the Department of Education and Training to implement, and where they are going to implement them.

As far as employee preference is concerned, we are on the record as saying that the northern Natives will be receiving some preference. A lot of that will depend on the numbers that are available and the skills that are available as they are required.

Mr. Doer: The Minister is unable to table any reports or results of the committees that were established by the Premier 12 months ago for Conawapa. I was just wondering whether he could table the reports that the committee has prepared to implement the plans that the Premier publicly stated would be carried out by this Cabinet committee; and secondly, more specifically, in all the areas we have identified but more particularly in the terms of reference in the environmental planning, could the Minister please table the terms of reference that will be used shortly for the environmental assessment of the projects that are proposed?

Mr. Neufeld: As far as the terms of reference for the environmental assessment are concerned, the Manitoba Hydro has been working on the environmental effects of the projects, and I might ask Mr. Brennan what—

Mr. Doer: I understand that the Hydro has to forward an environmental assessment from their perspective, as a proponent of the project. What I am asking the Minister is: What are the terms of reference that the Department of Environment has established as the referee of the project or the independent arbiter, if you will, on the environment? As the Minister has stated, those terms of reference have been a matter of discussion in the Cabinet committee. Can the Minister table today the terms of reference that will be used for the environmental assessment in terms of the independent

environmental process as opposed to the Hydro which, of course, is the proponent of the project?

Mr. Neufeld: Of course, Mr. Chairman, the environmental assessment that will be made will be under the authority of both the federal and the provincial Acts. I do not think that I am in a position to determine what terms of reference they are going to use. That will be their decision.

Mr. Doer: Maybe I am a little confused, but the Minister mentioned that this will be dealt with by the Cabinet committee. Has it reported to the Cabinet committee? Are we aware of those or what is the status of those? The Minister mentioned that the Minister of Environment (Mr. Cummings) is part of this committee and those terms of reference will be developed. It is also referred to in the Premier's statement as part of the committee work. I just was curious. I think Manitobans should know what the terms of reference are, and if the Minister is not aware of those, we will move on.

Mr. Neufeld: At this point in time, we are uncertain as to whether we are going to have one environmental assessment at which both the federal environmental people and the provincial people will be at the table, or whether we will have two assessments. We are not at that point as yet. We do not know whether or not we are required to have two environmental reports.

Mr. Doer: When will the Minister know, and what are the penalties if there are delays or cancellations of the project based on environmental decisions?

Mr. Neufeld: As Mr. Doer is probably aware, there are a series of penalties ranging from \$20 million to \$100 million, depending on when the project might be stopped. I believe there must be about six or seven dates that affect the amount of the penalty. It depends on what stage the project might be stopped. That would determine the penalty.

Mr. Doer: The other question was: When will the Minister know what process will be used? I am assuming there will be three processes, the Manitoba, the Ontario, and the federal. When will the Minister know?

Mr. Ransom: I just wanted to add something with respect to the question about penalties. Perhaps there is a misunderstanding there that automatically, say on the first of January, the penalty goes to \$20 million. It is a cap on the amount of money that Manitoba Hydro would have to pay to Ontario Hydro if we cancelled because of failure to

get licences. It could well be that Ontario Hydro will have spent, I would not say nothing, but very little of that amount of money in the first two or three months, for example, because of the process that they are going through. That represents a cap and not a set amount of money.

Mr. Doer: Why did we negotiate potential penalties in an agreement? Is the Minister saying that the instructions were to negotiate a cap of liability? Why did we not just exempt any liability if environmental panels were not able to grant a licence both provincially or federally based on environmental reasons? Why was our negotiating position and settlement not that there was no liability? In other words, instead of negotiating a cap, negotiate a clause that would not allow for any liabilities if the project was stopped for environmental reasons.

Mr. Ransom: That was a decision that was taken by the electrical energy marketing committee and recommended to the respective boards of the Energy Authority and Hydro and ultimately to the Government.

There are two reasons for it. One would be that it was necessary to deal with the question in the contract rather than leave it open-ended, because there is always the possibility that licences could be denied, and without the subject being dealt with in the contract, then it would simply have been subject to legal action with all the uncertainties thereto.

If we had agreed to exempt it, then it would have put Manitoba Hydro at a disadvantage, because Manitoba Hydro will be expending and investing considerably more money than Ontario Hydro will, since Ontario Hydro is only responsible for building the transmission line in Ontario. If we had exempted them from paying any penalty, then by the end of December '93, we might have invested \$500 million, and if we had given them the opportunity to withdraw without having to pay for our costs, we would have been at a tremendous disadvantage.

Mr. Neufeld: I think that rather than refer to these as penalties, we should refer to them as recovery of costs incurred by either Manitoba Hydro or Ontario Hydro at the point that one or the other decides to withdraw from the agreement.

Mr. Doer: Would it not have been more prudent in terms of the planning to have all the environmental licences, provincial, federal and Ontario licences in place first before any construction or acceptance of the final agreement? Given that now the

corporations—even Repap which was originally going to proceed on three separate licences is now holding off until all three licences have been issued—would it not have been the more preferred route to get all of the environmental licences in order with no penalties, prior to any construction going ahead that could be stopped by the environmental process?

* (1110)

Mr. Ransom: Mr. Chairman, in an ideal world, I think that would be preferable, but the Member will realize, the environmental issues have gone from being non-issues 30 years ago, as I believe the Member made reference himself, to a situation where they have at last gained the recognition that many of us would acknowledge that they should have, and because of those circumstances, environmental studies have not in the past been done apace with engineering studies. Environmental questions have generally been considered as add-ons instead of being primary issues.

Given that Manitoba Hydro was faced with load growth projections that showed that we needed a new source of generation by 1999, then it was necessary to make some commitments and then try and make satisfactory provisions in recognition of the fact that some of this environmental work had not been done and that indeed licences might be denied. We will no doubt come to discussion of some of the things that were done to extend the date of when we would require the next source of supply, which also gives us an additional period of time to deal with these environmental issues.

Mr. Doer: We will come to that. I think I mentioned and you mentioned in the opening statement on the 2 percent versus other goals. I would agree with the chairperson that a couple of years ago even, or three years ago, things were different, quite a bit different. The Oldman River as I recall it, and even the corporate change in decision-making from Repap, based on court decisions, took place before the Premiers of Ontario and Manitoba announced the agreement with the penalties.

My question is: Would it not have been better management in terms of sustainable development and also economic management to have clauses in the agreement to basically state that all licences will be granted and, therefore, no liabilities. Even corporations, as I say, have learned now it is bad

business to proceed with any stage of any deal prior to all of the licences or all the green lights being either given or withheld.

Mr. Ransom: I just do not think that would have been prudent under the circumstances that prevailed, and that is a judgment. I guess that individuals might make different judgments. Our judgment was that this was the prudent way to proceed, and the Member will realize that under the previous board at Manitoba Hydro some decisions had been made with respect to the sale of 200 megawatts of power in the late 1990s that contributed to the earlier requirement for a source of supply for Manitoba's own use, which said that we then had to deal with the best information we had available, which was that a new source of supply would be required by 1999. Also of course, it enters significantly into it that Ontario Hydro required the power sale to begin in the year 2000, and that if it was to be delayed significantly past that, then their interest was certainly diminished, if not entirely removed from the picture.

Mr. Doer: We will just agree to disagree with that point. What is our total potential liability? The Member mentioned the caps, but what is the potential exposure if environmental licences are not granted pursuant to the agreement between Ontario and Manitoba?

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

Mr. Brennan: I think that depends on when it happens, when we know for sure that the licence is not forthcoming. Right now, we are minimizing any expenditures we have in terms of physical structures. We would like to build a transmission line into the facility for construction power, as well as a road. Those are the only two items that we would like to do physically, before such things, if we had a licence.

The actual expenditure we are projecting for those additional expenditures over and above that which has been done to date is about \$12 million in the current year and \$47 million next year. That takes it to the end of March of '92.

Mr. Doer: I understand the positive or optimistic scenario or the best-case scenario would be—obviously I think we would know what the penalties would be and the costs would be. What would be the worst-case scenario that Hydro has calculated if all things go wrong? I think we can see

what has happened with environmental assessments, their state of delay and state of some ambiguity, and certainly we have seen a lot of things that have developed that have delayed, if not stopped projects. What would be the worst-case exposure to Manitobans or Manitoba Hydro consumers if the environmental licences were not granted?

Mr. Brennan: Inasmuch as that is all we are intending to do until such time as we have the licence, I cannot imagine the exposure being any greater than the numbers I have said.

Mr. Doer: The whole issue of environmental assessments—the Minister mentioned that he was unaware of how the federal assessment and the provincial assessment would work together. When will he know how that is going to happen? If he does not know, what is the projected plan, subject to the Public Utilities Board, for dealing with these issues in terms of the environment process?

Mr. Neufeld: We are hoping that the new federal environmental Act would be passed before the environmental assessment on the projects are made. In talking to the Minister of Environment (Mr. Cummings), he would hope that one assessment and one recommendation would be required on the projects, but at this point in time, until the new federal Act is passed, we will not be able to say with any degree of certainty how it will be done. There are those who think that two separate assessments may have to be made, and there is a school of thought that thinks that one combined assessment might be all that is required.

Mr. Doer: The Minister mentioned the new federal Act. Would his understanding be, under the proposed new federal Act which is still as I understand it in discussion stages, that navigable waters, fisheries, and other federal interests would not be considered for purposes of Conawapa, and therefore it would only be a provincial process, or is the Minister assuming that it will have to go to a federal environmental assessment, given the decisions of the court dealing with fisheries and navigable waters, et cetera, in previous environmental controversies?

Mr. Neufeld: Obviously the provincial assessment Act will have to be followed. We are hoping that the federal people and the provincial people can work together in the assessment process, but we are not

certain at this time whether or not that will be the case.

Mr. Doer: Just so I get it straight, are you proposing that the provincial assessment Act be the only process and that Conawapa be exempted from the federal environmental process?

Mr. Neufeld: Not at all. Both Acts have to be satisfied. My hope was that the two could work together during the hearings and come up with one recommendation, a joint recommendation that would satisfy both Acts. We are not certain at this point in time whether that is possible. Indeed we have some advice that suggests it may not be possible.

Mr. Doer: I guess that comes back to my question: When will we know and what does that mean for the project? Has the Manitoba Hydro prepared an environmental assessment position, as a proponent, and can we have a copy of that or can it be tabled, the proposed environmental assessment?

Mr. Brennan: I believe it is public as soon as we make the application, but I am not sure. I will check that, but we are in the process of making an application shortly.

Mr. Doer: Okay, we will come back to that point. The federal assessment—there are now proposals at James Bay, there are proposals in Ontario Hydro affecting Hudson Bay and now Conawapa. Does the Minister fear that environmental organizations across the country will ask the federal Government that all three projects, in that they potentially affect one body of water, would be evaluated together, thus potentially causing a considerable delay for the projects?

* (1120)

Mr. Neufeld: I would only hope that would not be the case. While it affects in the end one body of water, the effects on the land side of the project are totally different.

Mr. Doer: I understand the Minister's position that they would not be considered together. Is the Minister aware that environmental groups across the country are working toward a position to the federal Government, potentially utilizing the courts, to have James Bay, the Ontario projects and Conawapa, all of which are—yes, the land base is different, but the water impact, they would argue, is the same—to be considered as one ecosystem and therefore as one environmental process? Is the

Minister aware of that, and where is that in terms of the federal Government's thinking right now?

Mr. Neufeld: I was not aware there were groups working toward that end. I will certainly make the Minister of Environment (Mr. Cummings) aware of it, if he indeed is not aware of it now.

(Mr. Chairman in the Chair)

Mr. Doer: I would ask the chairperson of the board whether he is aware of that, and what would that do for the planning and construction of the proposed Conawapa project?

Mr. Ransom: I am not specifically aware of that particular approach, but Hydro certainly is cognizant that there are individuals and organizations who are opposed to these types of developments, and will use whatever means are available to them to delay or prevent the projects from going ahead.

We have taken steps, we believe, to fulfill our obligations to the best extent possible in terms of meeting requirements that might be placed on us by the federal Government and by the provincial Government, but there is always a risk something like this could happen. I mean, the globe is an ecosystem. How far does one go in logically pursuing these questions of environment? All we can do is make our best effort to satisfy concerns that regulators have to deal with, and we are prepared to do that in any manner that is required of us.

Mr. Doer: When would the Government expect a decision from the federal Government on whether it is going to be a joint process, an independent process, in terms of environmental assessment, and again, what will that mean for Manitoba Hydro's planning? Will they be proceeding notwithstanding what happens with the federal Government or will they wait, subject to the PUB approval and the Manitoba environmental process? Will they wait until they find out what will happen or the status of the federal environmental review process?

Mr. Neufeld: There were a number of questions there. I would expect that the Minister of the Environment (Mr. Cummings) is in constant touch, and I know he is, with his federal counterpart, and they are discussing the issues that will come to bear on the assessment of this project. When the decision will be made, I do not know. That will be the decision of the respective departments. It may well be that Manitoba Hydro will ask for a dual assessment and recommendation, or they may ask

for a single joint one. That is a decision I do not think has been made by Manitoba Hydro at this point, but I will let Mr. Ransom speak to that.

Mr. Ransom: Given the uncertainty that is out there that the Member refers to, the court cases and the guidelines that have become legislation, et cetera, we intend to proceed on the basis of the most stringent interpretation of what is presently in place, and I believe I am correct to say, and Mr. Lambert can correct me if I am wrong, we had the licences from the province to construct both the road and the power transmission line to the site, but given the uncertainty of the federal process, we went back and in effect made application to the federal Government as well.

Mr. Brennan: We now have the licence from the federal Government. There are some conditions attached to it, and we are talking to them about the conditions.

Mr. Ransom: There is an example of how we will proceed in the face of uncertainty, simply assume the most stringent requirements and proceed from there.

Mr. Doer: Therefore, is this committee to assume that there will not be any construction of any phase of Conawapa unless there is a federal environmental licence issued, notwithstanding the confusion, but until there is a licence issued, either through a joint process or an independent process or through a sole process, there will not be any proceeding of any construction without a federal environmental licence? That would be the stringent test, I would imagine, that the chair of the board has talked about.

Mr. Brennan: The only licences we have at this point, of course, are for the road and the transmission line. We got those from the federal Government. At this point, it is not our intention to proceed any further without licences.

Mr. Doer: The executive officer mentioned that they have a licence with some conditions attached that they would like to talk to the federal Government about. Could we please have the conditions and the concerns of Hydro about what those conditions are, and will it affect the construction that the gentleman just talked about?

Mr. Brennan: I believe it is available. Ralph is probably best to talk to it. It is my understanding that some of the conditions—after the discussion we are hopeful of getting on with the work. We do not see

any big insurmountable problems, but I will let Ralph talk to it.

Mr. R. O. (Ralph) Lambert (Executive Vice-President, The Manitoba Hydro-Electric Board): The conditions that were referenced in the permission to proceed with the road and the transmission line were conditions in respect to the manner in which we would carry out the construction, the manner in which we would, for example, clear the trees and dispose of the trees and things like that.

We have since been back to the federal Government and had some discussions. At the moment, as far as we can see, there is going to be no difficulty in sorting those out between ourselves and the environmental people that we are dealing with.

Mr. Carr: I would like to maintain this line of questioning in order to get a more specific answer on the issue of exposure of Manitoba Hydro in the possible case that necessary approvals are not forthcoming. Now, I believe I heard the president say that the total exposure up until March of 1992 would be \$47 million, plus \$12 million that had been spent, which would make a total of \$59 million. Do I have that correct?

Mr. Brennan: I do not think you do. We have the money that is spent to date on planning studies; in addition to that money that has already been spent, we are proposing to spend approximately \$12 million in the current fiscal year and \$47 million next year.

Mr. Carr: How much money has been spent to date?

Mr. Brennan: In terms of planning studies, we look at all the alternate sites, but in relation to Conawapa and the Bipole, I believe the amount is \$45 million, of which I believe it is somewhere in the neighbourhood of—I would have to check it, the amount that has been advertised.

Mr. Carr: I think it is important that we know that figure. I want to just spend a minute or two comparing the figures that were just given to us by the president with Manitoba Hydro's own capital forecast, a document I tabled in the House last week. That forecast, which I believe was dated not very long in the past, anticipated that Manitoba Hydro would spend \$132.9 million on the Conawapa Generating Station by March 31, 1991.

Under some close questioning, the Minister in the House said that the board of Manitoba Hydro had revised that figure last week at a board meeting on Thursday. Could the president clear up that confusion by specifically answering how the figure \$132.9 million was arrived at, why it was revised, to what extent it was revised, by whom and when?

Mr. Brennan: The \$132.9 million figure is the estimate for the '90-91 fiscal year for Conawapa and the Bipole. It includes all those types of expenditures required to maintain a 1999 in-service date, not a 2000 in-service date. It was the last official forecast approved by the board of Manitoba Hydro prior to the four initiatives being incorporated into our forecast, so it is an outdated forecast, Mr. Carr.

Mr. Carr: Then, of course, we are interested in the forecast that is current, and I would like the president, if he would, to do a simple mathematical addition for us. Add, if he would, dollars spent to date including planning studies, including any engineering work, including any preparatory work on roads and transmission lines, up until March 31st, and then add the cap penalty of withdrawal figure from the export agreement with Ontario Hydro. What does that figure total?

Mr. Brennan: Firstly, I am not sure if that is a fair analogy of what our costs to date would be. The costs we incurred to date are not related to the sale at all. They are ordinary planning studies that would have been required in any event. These are the type of studies that allow us to come up with the type of specifications that will result in good tenders on our job once the actual contracts are awarded. It was actually the delay in the type of studies we could do that assisted in us getting Limestone at the price that it is actually coming in at.

Mr. Carr: Mr. Chairperson, I do not know whether I am interpreting the president correctly or not, but I think implicit in what he said is that Conawapa would be built or studies to prepare for its construction would be necessary even if there was no export agreement with Ontario. Is that what he is saying?

Mr. Brennan: I believe I am saying that. If that was not the case, as a matter of fact, we would probably be spending more money on Conawapa or on Wuskwatim as well, and keep carrying them both along until such time as we decided which was in the best interests of our consumers.

Mr. Carr: Mr. Chairperson, I am not going to give up easily on this, because I want to come up with a

figure, not obviously to the cent or to the dollar, but a ballpark figure of what the cost of lack of approval would total. We can do it over a series of dates, because the schedule of the contract is clear. Using, as the chairman has indicated, a cap figure, because we know the contract states that it is the lesser of the cap and dollars spent by Ontario, if environmental approvals or other approvals are not forthcoming, could the president tell us how much Manitoba Hydro will be out? For argument's sake, let us say January 1, April 1 and December 31 of 1991.

Mr. Brennan: It is easier for me to give March if that is okay.

Mr. Carr: Sure.

Mr. Brennan: At that point, the capital expenditure forecast for the current fiscal year takes our unamortized planning studies, charges it into the project, and that was the number you were originally looking for.

Mr. Carr: What number is that?

Mr. Brennan: \$42 million for Conawapa and \$2 million for the Bipole.

Mr. Carr: Then, the cap on penalties on that date is what?

Mr. Brennan: This is just transferring past costs in, so at this point there is nothing—to that we would have to add any additional costs we had in that year, there is some interest attracted to that, and in addition to that we would have an outlay of approximately \$12 million in new expenditures in the current year.

Mr. Carr: We are not getting very far, I am afraid, Mr. Chairperson. I am looking for the figure in the contract which is a penalty for withdrawal. It is at least \$20 million, it may be more by then. Before I finish, the president told us just a few minutes ago that the forecasts had been revised from \$132.9 million by the end of the fiscal year to some \$63 million by the end of the fiscal year. That is what he told us a few minutes ago, and now he says that figure is \$45 million. What happened to the difference between \$63 million and \$45 million?

Mr. Neufeld: I think the number you are looking for, Mr. Carr, is the \$42 million or \$44 million spent to date, plus the money that will be spent to March 31, plus interest that the money that has been spent attracts, plus the penalty at March 31. Is that not correct?

Mr. Carr: Could the Minister please tell us that total?

Mr. Neufeld: Assuming that the first total of expenditures including interest on the expenditures to date equals \$62 million, and then a \$20 million penalty would make that \$82 million. I think the penalty is \$20 million, is it not?

Mr. Carr: We are also told by the Minister and by the chairman that the environmental review process is uncertain. It is possible that uncertainty will create a period of time before the necessary approvals are forthcoming. Would the chairman believe it unreasonable to suppose that it may take most of 1991 to get the environmental approvals?

Mr. Ransom: I do not think that is unreasonable.

Mr. Carr: The chairman agrees that it is not unreasonable to assume that it may be the end of 1991 before we get necessary environmental approvals. Therefore my question is: What is the total exposure of Manitoba Hydro by the end of 1991?

Mr. Brennan: We have additional expenditures planned for the next fiscal year of \$87 million. Some of those expenditures would go on regardless of whether or not we were committing ourselves to Conawapa.

Mr. Carr: How much?

Mr. Brennan: \$87 million, and that would take it to the end of March of '92, but you could back it up to December if you want.

Mr. Carr: The president also talks of conditional licences from the Government of Canada to build the transmission line and the road to the site. Does Manitoba Hydro intend to proceed with tenders before all approvals are in place?

Mr. Brennan: The main approval that would be left would be the approval of the Public Utilities Board and the Government, and what we are proposing to do in the case of the road is to issue tenders subject to the approval of the Public Utilities Board.

Mr. Carr: Can the president or whoever wants to answer tell us what the costs are associated with construction of the road and the transmission line and when he expects work to begin?

Mr. Brennan: We are proposing in the '90-91 fiscal year for the road to spend \$7 million, and in the '91-92 year, to spend \$16.3 million on the access road, and in the case of the power, \$7.5 million.

Mr. Carr: Mr. Chairperson, so the running total is

now getting larger of commitments, or is this part of the figure?

Mr. Brennan: Those numbers were included in the other ones I gave you.

* (1140)

Mr. Carr: Okay. What I think we have established is that there is a considerable financial exposure on the part of Manitoba Hydro, and I suppose we could argue with the chairman for a long time whether or not the terms of the agreement were prudent. The fact remains that there is, at least to people who are in the salary of Members of the Legislature, an enormous amount of money that Manitoba Hydro is investing through the terms of the agreement, through the commitments to build the transmission line, through the commitments to build the road, through the planning studies, through the engineering work, in advance of the necessary approvals which are necessary in order for this project to proceed. Have I got it right?

Mr. Brennan: I guess we are not quite in agreement, because with or without the sale, we would be spending a good proportion of that money on planning studies regardless. The main commitments that we would not make if we did not have the sale would be the road and the construction power. We would not do that for sure.

Mr. Carr: I would like to move on to a different set of questions, and I referred to them in my opening statement. While we are in favour of the Public Utilities Board's review of the capital plans in Manitoba Hydro, we think that is a good thing, I would like to ask a series of questions to the Minister and to the chairman on the role of the Manitoba Energy Authority.

The Manitoba Energy Authority seems to have a competing rather than a complementary mandate to Manitoba Hydro, and if you look at the statutes you can almost word for word see that each has a responsibility to ensure a supply of hydro-electric power to Manitobans.

The chairman of Manitoba Hydro is also the chairman of the Manitoba Energy Authority. I listened with a little amusement and a little interest to Mr. Ransom when he said that the Energy Marketing Committee had made a recommendation to both the Manitoba Energy Authority and to Manitoba Hydro, which presumably means Mr. Ransom made two recommendations to himself. He made a recommendation to himself as chair of the

Manitoba Energy Authority, and he made a recommendation to himself as chair of Manitoba Hydro. Maybe the first question is to Mr. Ransom: Does this thing work? Do we need the Manitoba Energy Authority?

Mr. Ransom: Mr. Chairman, the Legislature in the past has seen fit to pass The Manitoba Energy Authority Act for a number of purposes, one of which was to deal with the question of export sales and imports as well, I believe, and it has functioned in that capacity now for a number of years.

When I made reference to the Electrical Energy Marketing Committee, that is indeed a committee of the Manitoba Energy Authority, which oversaw the negotiations with respect to the Ontario sale and diversity agreements and those kinds of things. The members of that board are drawn from both the MEA and from Manitoba Hydro, so it does give the advantage of having people with the Energy Authority who cannot be charged with having a bias towards wanting to build plant and to build their institution.

They give a more objective—or at least they view from a more objective perspective, and I think it works satisfactorily. That is not to say that there would not be other ways of doing it that would be equally satisfactory.

Mr. Carr: Mr. Chairperson, at the risk of putting the cat among the chickens, does the Minister agree?

Mr. Neufeld: I think it is incumbent on Government to review all programs, agencies they have under their control, on a regular basis. I do not think it is any secret to Mr. Ransom that the Manitoba Energy Authority is being reviewed. I have discussed this with Mr. Ransom, and when we come to a conclusion as to the future needs of the Manitoba Energy Authority, we will make a recommendation to Cabinet.

Mr. Carr: There is another level of authority and presumably of approval, however informal that may be, and that is the Crown Corporations Council which was established by this Government some 18 months ago.

As I referred to in my opening remarks, there seems to be some confusion of the role that the Crown Corporations Council has played and is expected to play through the number of days leading up to December 31, 1990. Can the Minister tell us what the Crown Corporations Council's involvement has been in the analysis and review of Hydro's

capital plans? Is he expecting a report from the Crown Corporations Council that can be viewed by a committee of this Legislature, and when is he expecting that report to be tabled?

Mr. Neufeld: Mr. Chairman, I met with the chairman of the council within the last couple of days. I think when the report of the council is rendered, it will be to the Minister of Finance (Mr. Manness) under whose jurisdiction the council operates. The council has kept itself fully informed with the hearings by having a member of their council attend all the hearings of the Public Utilities Board. They will be assessing the information gathered by the Public Utilities Board, they will be discussing with the Minister of Finance their reaction to the presentations that have been made, and will indeed in all probability make an assessment of the presentations and of the recommendation that the Public Utilities Board makes.

Mr. Carr: I have many more questions on the role of the Manitoba Energy Authority and the Crown Corporations Council, but I know other Members want to speak, so I will just open up another area and then I will give the floor to the Leader of the Opposition (Mr. Doer).

The Annual Report of The Manitoba Hydro-Electric Board year ended March 31, 1989, has a very important photograph on the front cover. In passing, let me congratulate the public relations department of Hydro, they are doing a terrific job with the graphic material. The writing is clean and clear, and I think it is a very accessible document, but I am absolutely perplexed by a photograph of likely a Manitoba farmhouse with no fewer than 11 lights on in the house. Mr. Chairperson, this thing looks like it is on fire. If you look at it closely, you can see that every possible light in the house is on. I am going to use that symbol as a way of getting into a discussion of energy conservation and to question Manitoba Hydro on the demand-side management goal of 100 megawatts by 2001. How did the corporation arrive at that figure and how much do they anticipate that will save the utility?

Mr. Brennan: First of all, the target was established to equate one year's load growth, both in terms of capacity and energy, and it was an attempt to defer plant for that period of time. The actual saving is the saving of deferring any plant in our system by that amount, less the cost of the programs. In actual fact, in the short term it causes rates to go up, but in the longer term it is beneficial.

Mr. Doer: There is a matter we raised in our opening statement. First of all, we were not able to conclude on the environmental issue, but it is safe to say that it is our conclusion, from what we have heard in the answer to our questions today, that we have a state of environmental chaos in terms of the proposed Conawapa project.

The Government does not know whether it will be a single application; the Government does not know whether it will be an application to the provincial sector, and then one to the federal sector; it does not know whether it will be joint application; it does not know whether it will potentially be heard as a federal application with other ecosystems, James Bay II and other Ontario systems.

Suffice it to say, we would recommend strongly that there be no proceeding with the project, as I think Hydro is doing, until all the licences are guaranteed. We have seen with court cases in the last 15 months, a series of both private and public projects that have been stopped by the courts after they have been halfway or two-thirds complete.

* (1150)

We even have a situation in Saskatchewan today where a Government is going against what we would consider to be a court decision and recklessly proceeding contrary to the licence they were given. Certainly we would not want that to be the modus operandi of Hydro and the Energy Authority. I know that would be consistent with the Minister's thinking and the chair of the board, so in terms of where we are—the environment we really do not know a thing of where we are and when it is going to happen. We do not have a clue when the Act will be passed, what it will mean, what the process will be and how that will affect, either positively or negatively, the construction of the Conawapa project and the revenues projected in terms of the Ontario sale.

I mentioned in my opening statement the conservation number, and I was curious that the Manitoba Hydro has chosen a number of 2 percent or 100 megawatts that is quite a bit below other similar utilities in Canada, British Columbia, Ontario, Quebec, to name a few. Of course, those projections have been going up over the last couple of years just as environmental concerns have been rising.

I was wondering whether the Minister is satisfied with the fact that Manitoba has a 100 megawatt target for conservation and energy saving as

opposed to a range of close to 6 percent for the other major utilities, which would produce a saving of 300 megawatts, and by Mr. Ransom's own calculations, have our demand predictions at least in a pause situation for at least three years, which obviously is to everybody's benefit if one year is 100 megawatts.

Mr. Neufeld: Mr. Chairman, I think we have to recognize at the outset that the 100 megawatts that has been set by Manitoba Hydro is a minimum. If there are opportunities for conserving greater amounts, by all means we will do that, but I think we have to remember that if we are going to err, we should err on the side of caution. We have to remember that in the year 2000 we will be in need of additional generation if present projections are accurate.

If we indeed can conserve more than the 100 megawatts by the year 2000, that is a bonus for us. I think we have to make certain that when the light switches are turned on in the year 2000 something happens.

Mr. Ransom: I would just add a bit to that. This question has been probably the central question before the Public Utilities Board, because it is obviously an issue of great significance to the utilities and their consumers and to the environment. It is very much open to one's judgment about what is possible to achieve, because in many cases we are talking about targets that utilities have set and not actual levels of demand-side management that have been achieved. We put forward the view that we are doing what is prudent, because we have to be responsible for seeing that there is a supply of power, as the Minister has said, but this is a central issue. The Public Utilities Board heard a great deal of testimony with respect to it from expert witnesses from various places in the United States and Canada. We will look forward to the Public Utilities Board assessment of the question and what their recommendations would be.

Mr. Doer: I recognize that. I have read the testimony, and I appreciate that it is a very, very important issue in the Public Utilities Board. I think it is the most important issue too for the Members of the Legislature, and I think it is the most important issue in terms of public policy that we could be dealing with today in terms of Manitoba Hydro. I think it is one of the most important issues, and the reason why so many people were raising it and debating it and continue to debate it is because it is

becoming one of the central issues in terms of energy and utilities in North America.

My question is to the Minister: How can we have a target that is really one-third of British Columbia? It is a target they have stated. It is also their minimum target. They are at 5.9 percent. Quebec is at 5.6 percent. You could argue Ontario is at 6.7 percent, although the utility as per Manitoba Hydro would argue it is 5.4 percent because the customer generation of 1.3 percent is still in dispute, and I have read the testimony.

My question to the Minister is—and I think this is a very important issue for the Legislature, I really do. I mentioned before that I did not see us second-guessing the Public Utilities Board, but I also see this body, the Legislature, this committee, establishing the priorities or the kind of public issues for the future as much as we can, along with the Government, of course, who has ultimately the majority.

My question to the Minister is: Why is our minimum way below the other minimum for targets in this area?

Mr. Neufeld: Mr. Chairman, I think that we as Government must set the targets for the utilities on the best professional advice we can get. Our best professional advice at this point is that there is a good opportunity of conserving 100 megawatts of power, and that, of course, as has already been mentioned several times, is a minimum. If we can indeed conserve more, Manitoba Hydro will conserve more. Manitoba Hydro has a demand-side management program which over the next 10 years will cost them some \$115 million. That speaks for itself as a dedication to the conservation of energy.

Our department is working together with Manitoba Hydro in an effort to supplement the work that they are doing. I think we are doing all that we can with the resources we have available towards demand-side management. If there is an opportunity to save more than 100 megawatts, we indeed will, but I think we have to start with an amount that we think we can reach and not shoot for a target that may not be reachable, and then set our development plans on the basis of a target that is not reachable. We must set our development plans on a target that is reachable.

Mr. Ransom: Mr. Chairman, the programs that utilities put in place to achieve these targets are rather complicated programs that take some time to

develop, and I would point out to the committee that Quebec and Ontario and B.C. have all been involved in demand-side management programs considerably before Manitoba Hydro.

It was not until a year ago under this board that Manitoba Hydro was encouraged and set a target for demand-side management. Up until that time, power that would have been saved through demand-side management or indeed non-utility generation would have been priced against the surplus cost of power, the surplus price for power. It was not until the board of Manitoba Hydro made the decision that Hydro should begin to value power saved through demand-side management or non-utility generation at the avoided cost of the next generation that it then became possible to establish this kind of a target. We admit Manitoba Hydro is late in coming to realize the opportunities for demand-side management, and given the lateness of our coming to this, we believe that the targets we have established are prudent.

Mr. Doer: The Minister -(interjection)- No, I cannot listen to you while I am asking a question. I get my best intelligence when I hear you across the table. -(interjection)- Well, I do not want him to miss my question too.

Yes, just a logistical question. We are going right through to 12:30 are we not, or what time are we completing?

Mr. Chairman: The Minister will have to be elsewhere, I am told, and I talked to a couple of people on the committee here and it seemed to be to pass it along, so—

Mr. Neufeld: If there were an opportunity to finish by 12:30, I would say I would go through to 12:30, but I can see there is no opportunity at all. There is no possibility of finishing by 12:30, so we are going to have to meet on another day in any event, so—

Mr. Doer: I am sorry, because we want to pursue this issue a fair amount. The Minister mentioned that his "experts" had stated that this was the prudent way to go. Has the Minister read the testimony of Dr. Chamberlin, who was a hired consultant for Manitoba Hydro, a person who has represented utilities before throughout North America, and an individual, as I understand it, who normally is "conservative" on his estimates for capacity and supply-demand management.

Mr. Neufeld: No, I have not read his testimony.

Mr. Doer: Dr. Chamberlin stated, and again under

cross-examination, that if he had to bet his pension or some monetary equivalent—as I say, he has been hired by Hydro, the utility—he says it is possible for Hydro to achieve as much as 4 or 5 percent by the year 2000.

* (1200)

I would ask the Minister, if their own consultants are saying under cross-examination that they would be willing to even bet their own pensions, and I do not know what kind of a pension he has, but would the Minister not consider him an expert that he should be listening to in terms of the way in which we are establishing the targets for Manitoba Hydro?

Mr. Neufeld: I would have to get details from Mr. Chamberlin as to exactly how he arrives at his 4 or 5 percent. I believe that he may have included things like cogeneration, which we do not know the possibilities for at this point in Manitoba. He is dealing with something that is 10 years hence. Indeed we may well have conserv ed a greater amount 10 years from now.

We have said all along that there are opportunities for conservation that are greater than the 100 megawatts, but we do not know what they are at this point, and until we do, we should not set development targets for conservation except what we know or feel very strongly we can meet.

Mr. Chairman: The time now being 12 o'clock, what is the will of the committee?

Mr. Doer: This is a fairly important debate we think for the members of the committee I am sure. My colleague agrees and we have lots of other issues to go over. We have not even talked about forebay; we have lots of questions on that.

When are we meeting again, the Hydro committee?

Mr. Chairman: I do not have a date.

Mr. Neufeld: That would be up to the House Leaders to decide. I have not been advised of any future date.

Mr. Doer: Well, I would ask that the Minister and the House Leaders have an early date, because we are sort of in a state of suspended animation here on some of these issues that are fairly important to us.

Mr. Neufeld: I recognize the importance attached to these meetings by the Members of the Opposition, and I will do everything I can to convince our House Leader that we should meet at the earliest possible time.

Mr. Chairman: Is it the will of the committee to rise? The time now being 12:00, this committee rises.

COMMITTEE ROSE AT: 12:03 p.m.