

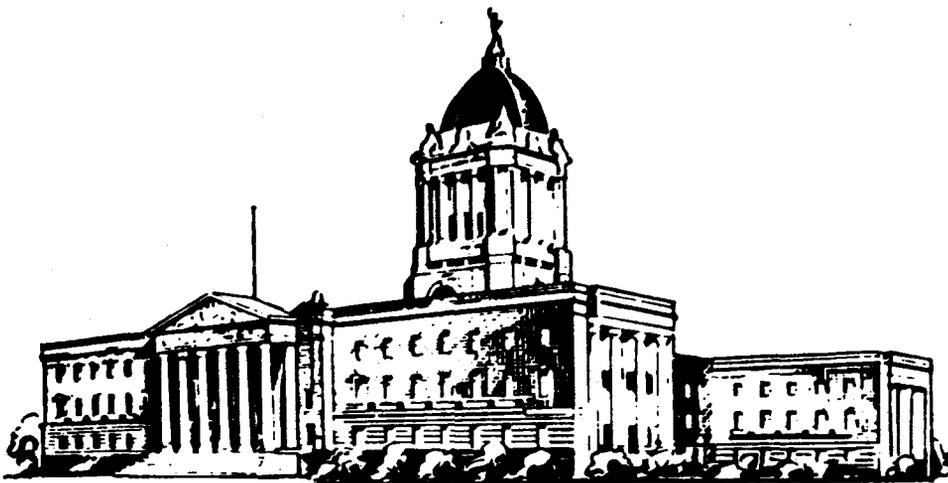


Third Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

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

39-40 Elizabeth II

*Chairperson
Mr. Bob Rose
Constituency of Turtle Mountain*



VOL. XLI No. 7 - 10 a.m., TUESDAY, MAY 26, 1992



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
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WOWCHUK, Rosann	Swan River	NDP

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

Tuesday, May 26, 1992

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Bob Rose (Turtle Mountain)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Downey

Messrs. Edwards, Gaudry, Helwer, Hikes, Laurendeau, McAlpine, Neufeld, Penner, Rose, Storie

APPEARING:

John S. McCallum, Chairperson, The Manitoba Hydro-Electric Board

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

MATTERS UNDER DISCUSSION:

Annual Report of The Manitoba Hydro-Electric Board for the year ended March 31, 1991

* * *

Mr. Chairperson: Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning the committee will be considering the March 31, 1991, Annual Report of The Manitoba Hydro-Electric Board.

Prior to commencing consideration of the report, I have been advised that as part of the presentation to the committee this morning, the officials from The Hydro-Electric Board wish to show slides. Is the committee agreeable to that? Agreed and so ordered.

Does the minister responsible wish to have an opening statement, and would you please introduce your staff?

* (1005)

Hon. James Downey (Minister responsible for The Manitoba Hydro Act): Mr. Chairperson, I

would just like to say pass. I have a little more of a statement than that, but the objective really is to pass this report if the members would so agree.

I have a brief statement to make but, first of all, I would like to introduce the Chairperson of the Board, Mr. John McCallum, who is at my immediate left; Mr. Bob Brennan, who is the President and Chief Executive Officer; and Mr. Ralph Lambert, who is the Executive Vice-President of Manitoba Hydro.

I really enjoy the opportunity to discuss Manitoba's hydro industry at every opportunity. I am very proud of it and want to say before this committee that I am pleased to be the minister responsible, not only as the Minister responsible for Manitoba Hydro, but also because I firmly believe that hydro development has historically played an integral role in the economic development of our province.

Before I expand on hydro development initiatives in our province, I would like to extend my sincere thanks and commendations to the board and to the staff of Manitoba Hydro for their ongoing commitment to excellence. One just has to see the operations and the people working for Manitoba Hydro when we run into difficult ice storms and weather difficulties and their commitment to provide the essential power source to the people of Manitoba. Their hard work and dedication to promote hydro and maintain high quality service in our province is clearly evidenced, and the people of Manitoba reap the benefit from their efforts.

For the people of Manitoba, indeed all Canadians, the '90s have certainly become an era of environmental awareness and frugal spending. I believe hydro development in our province addresses both these concerns.

Our abundant hydroelectric resources have resulted in relatively low rates for electricity and cleaner air. In addition to this, hydro is a renewable resource. Manitobans have benefited from lower rates. In fact, Manitoba Hydro was able to boast that it was amongst the lowest published rates in

North America last year. They are projecting a 2.65 percent rate of increase for this year followed by two years at the rate of inflation. A rate increase of 1 percent is then forecast for every year thereafter to the year 2002.

With minimal increases like these, Manitoba will continue to offer rates that are among the lowest in North America. Low rates are a benefit to Manitobans by making it more attractive to industrial development. These low rates combined with Manitoba's highly skilled work force give us a competitive advantage. The end result is more jobs and an expanded industrial base.

Manitobans have traditionally supported initiatives that enhance the development of hydro in our province. We are continuing this tradition, but we have added two processes to ensure that each project is carried out with sound business planning and management. This includes adhering to principles of sustainable development and following strict environmental guidelines.

These processes were put into effect in the planning stages of the Conawapa project and the Bipole III. The board of directors and management of Hydro are recommending that we proceed with the Conawapa project. We have sent this project proposal for review to two independent boards, the Public Utilities Board and the Clean Environment Commission.

In addition to the economic benefits directly related to the sale of hydro to Ontario, our government sees great potential for growth in job opportunities in the Conawapa and Bipole III projects. We are currently studying options to help northern residents upgrade their existing skills. This in turn will enable them to take advantage of jobs arising from these initial projects and any future projects.

The process of building major generation and transmission facilities also adds to additional opportunities for economic development through industrial offset provisions from Manitoba Hydro equipment suppliers. I want to ensure all opportunities are fully explored and taken advantage of.

While we are developing new initiatives, we are also exploring options to expand or improve the efficiency of our current generating facilities. Manitoba Hydro is embarking on a comprehensive review of its own generation and transmission

efficiencies. Purchases from nonutility generation are presently under active consideration as cogeneration possibilities.

While we expect both Conawapa and Bipole III will have minimal and short-term impacts on the surrounding environment, not all Hydro projects have been as fortunate. I am referring in particular to the flooding that occurred in the Grand Rapids forebay area and flooding related to the Northern Flood Agreement communities.

Our government requested a review by Manitoba Hydro to determine whether there was a moral obligation to pay damages to the peoples affected by the Grand Rapids forebay project. The consensus was yes. Since November of 1990, Manitoba Hydro, along with the Province of Manitoba in many instances, has signed agreements totalling more than \$32 million with the communities near the Grand Rapids forebay project.

We have also been involved in negotiations with the Northern Flood Committee. I am pleased to inform this committee that the negotiators for the Province of Manitoba, the Government of Canada, Manitoba Hydro and the Split Lake Cree First Nation have recommended a comprehensive agreement to settle some of the outstanding obligations arising from the Northern Flood Agreement as it relates to the Split Lake Cree Band. This proposed agreement is the result of two years of intensive and determined negotiations involving all four parties.

I am pleased to note that this comprehensive agreement fully and finally releases the province from all its obligations related to the Split Lake Cree under the old agreement and provides the Split Lake Cree with \$47.3 million in funding settlement.

Our government has indicated our commitment to settle the outstanding claims where we can. The invitation for global negotiations remains open to the four bands who are still affected by the Northern Flood Agreement.

* (1010)

We believe it is imperative to work co-operatively with Manitoba Hydro and the people of Manitoba on all future hydro generation projects. Open communication and viable partnerships will be the key to success in any endeavour we embark on as a government. These partnerships, combined with the two independent review processes I mentioned earlier, will ensure that each new Hydro project is

carefully evaluated and carried out in an efficient, effective manner under the principles of sustainable development.

I enjoy working with the board members and staff at Manitoba Hydro. I look forward to a continued co-operative working relationship and recommend passage of the report ended March 31, 1991.

Thank you, Mr. Chairperson.

Mr. Chairperson: I would like to welcome the officials of the board to the committee meeting this morning. These proceedings are relatively informal. I would ask if you do partake in the discussion later that you wait to be recognized by the Chair and use your microphone. That is simply to facilitate Hansard's recording of the proceedings.

Mr. Downey: Mr. Chairperson, just one more comment on procedure—it is my intent, after the opposition parties make their comments, to have Mr. McCallum make his comments as the Chairperson of the Board and then Mr. Brennan to give us a presentation on the Hydro activities.

Mr. Chairperson: Do you wish to make an opening statement at this time, Mr. Hickey?

Mr. George Hickey (Point Douglas): If the member for St. James (Mr. Edwards) agrees, maybe it would be appropriate if we could see the slide presentation first then.

Mr. Downey: I would like Mr. McCallum to make his comments first and then proceed.

Mr. Chairperson: Does the committee agree with that?

Mr. John S. McCallum (Chairperson, The Manitoba Hydro-Electric Board): Mr. Chairperson, I am pleased to present the 40th Annual Report of The Manitoba Hydro-Electric Board for the year ended March 31, 1991, to your committee of the Legislature.

The issues that Manitoba Hydro faces in the 1990s are complex. Complex issues of the kind we face are often best explained through the use of data on a screen. We have therefore prepared this slide presentation for you that will bring you up to date on Manitoba Hydro's activities. Mr. Brennan, Manitoba Hydro's President, will take you through the slides in a few moments.

Before we look at the numbers and specifics, let me make a few overview comments. First, The Manitoba Hydro-Electric Board has made a major commitment to conservation. Significant

conservation targets have been established. Under the Power Smart theme, it is projected that 285 megawatts of capacity and over 1 billion kilowatt-hours of annual energy savings will be achieved by the year 2001. The 285-megawatt target is equivalent to the output of both the Great Falls and Seven Sisters Generating Stations. The 1 billion kilowatt-hours of annual energy savings is approximately equal to the amount of energy used by the city of Brandon each year.

Manitoba Hydro projects that we will be spending close to \$400 million over the next 10 years on the various energy conservation programs. Essentially, the corporation will be aggressively pursuing all cost-effective energy conservation programs.

Second, the Manitoba Hydro debt-equity ratio is about 96 percent. This is a concern of the Manitoba Hydro board and it is our intent to gradually improve this over the next several years. The good news is that we expect to do this with relatively low rate increases so that, over the long term, the inflation-adjusted price of electricity is projected to decline substantially.

This year, Manitoba Hydro customers will experience average rate increases of 2.65 percent; Hydro Quebec is at 5.5 percent; Ontario Hydro 11.8 percent; Saskatchewan 4 percent; and B.C. 1.8 percent.

Third, The Manitoba Hydro Board is committed to fair settlements with the native bands and communities with whom we have outstanding obligations. Negotiators have reached a proposed agreement on obligations associated with the Split Lake Band. The ratification and approval process is underway.

In the past year, settlements have been reached with The Pas Indian Band, Grand Rapids First Nation and the community of Cormorant related to the construction of the Grand Rapids Generating Station.

Fourth, I am pleased to report that settlements have been achieved with all employee bargaining units for either two- or three-year terms. It is gratifying to note that Manitoba Hydro employees maintained one of the highest standards in the country for reliability and safety. Manitoba Hydro employees are to be commended for their achievements.

Fifth, let me turn to Conawapa and the Ontario Hydro sale. Conawapa is a 1,390-megawatt generating station that Manitoba Hydro proposes to build on the Nelson River. The station and associated transmission facilities and converter equipment will cost \$5.5 billion.

I believe that it is the largest dollar valued project in Manitoba's history. The Ontario Hydro sale will provide 1,000 megawatts of capacity each year to Ontario on a phased-in basis from 2000 to 2022. The revenues are currently estimated to be \$12 billion.

The benefits of Conawapa and the Ontario sale are substantial.

First, much of the \$5.5 billion will be spent in Manitoba creating economic activity and jobs. Hydro estimates 22,000 person years of jobs.

Second, the project has a net present value of about \$900 million in 1992 dollars. It is a highly profitable project.

Third, Manitoba has very low electricity rates compared to other jurisdictions in North America. The project will help us to further improve that comparative advantage. The project was structured so that Manitobans would pay less for power in every year than would otherwise have been the case.

* (1015)

Fourth, the project substantially increases the reliability of the Manitoba Hydro system. As our world becomes more electrical, system-reliability will become even more important than now.

The Ontario sale requires the construction of Conawapa and associated facilities about 10 years earlier than they would otherwise be required to supply the Manitoba load using current load forecasts. The change in timing of Manitoba's requirements does not alter the fact that the Ontario sale has powerful economic and system reliability benefits.

The full range of Manitoba load growth and energy conservation scenarios were presented to the Public Utilities Board when the board reviewed Manitoba Hydro's major capital development plans in the fall of 1990. Manitoba Hydro did extensive sensitivity analysis on the effects of such variables as domestic load growth, conservation targets, inflation assumptions and borrowing costs. Under

all variations, the economic benefits of the sale remain substantial for Manitoba.

Following an intensive review of Manitoba Hydro's development plans, including 21 days of public hearings, the Public Utilities Board concluded, and this is a quote: Based on comparisons of net economic benefit, reliability and risk, the Board concludes that the Preferred Development Plan proposed by Manitoba Hydro is the least-cost option, that it would result in lower customer rates from 1996 to at least 2027, that it provides the highest level of reliability and the lowest ratio of risk to benefits.

A further quote: The board endorses those features of the Manitoba Hydro Preferred Development Plan requiring early commitment, specifically the system participation agreement with Ontario Hydro, construction of Conawapa generating station and Bipole III, diversity agreements with Northern States Power and UPA, demand-side management initiatives and thermal plant life assurance.

The important point is that under all reasonable scenarios, the commitment to Conawapa and the Ontario sale is the best option for Manitoba Hydro to pursue for the ratepayers of Manitoba. The process to review the environmental implications of Conawapa and the Ontario sale is now underway. Manitoba Hydro looks forward to presenting our environmental evidence to the panel.

Let me now turn the proceedings over to Bob Brennan and his slide presentation.

Mr. Robert B. Brennan (President and Chief Executive Officer, The Manitoba Hydro-Electric Board): Mr. Chairperson, we have—it is a little difficult to see, but I believe you can see it—a series of transparencies that will briefly review Manitoba Hydro's operations. It starts with a very brief overview of our financial operations. It then goes into some rate comparisons that are presently in existence; they are last year's rates. Then we get into our development sequence.

Manitoba Hydro is the fourth largest electrical utility in Canada, after Ontario, Quebec and B.C. We have total assets that presently exceed \$5 billion. Our total revenue is in excess of \$750 million. We have 4,400 employees. Our gross payroll, approximately, is \$180 million in total, some of which is for capital construction purposes, with in excess of 375,000 customers.

This is a transparency of our major generating facilities throughout the province. They include the two thermal plants as well as the plants on the Winnipeg River that were developed first. It also includes Grand Rapids and Kelsey, which were, in the case of Kelsey, developed in the late '50s, and Grand Rapids in the early '60s.

It also includes the plants on the lower Nelson starting with Kettle, Long Spruce, Limestone, which is coming into service now, and the next plan in our sequence, which is Conawapa. It also shows the two converter stations at the north that convert the power from AC to DC and the transmission line going through Grand Rapids down to Dorsey where the power is converted back from DC to AC for distribution within the system.

* (1020)

It also shows the interconnections to Ontario, the U.S. and Saskatchewan. The total export capability if all the plants were operating at the same time is about 1,450 megawatts to the U.S.; about 300 to Ontario; and 375 to Saskatchewan.

This is our total installed generating capability including Winnipeg Hydro's two sites on the Winnipeg River. It includes all of Limestone as an installed facility on our system. At this point, it is 5,360 megawatts.

This is a slide of our Kettle Generating Station that was built in the early '70s. Kettle was built at a cost of, I believe, around \$324 million. The first unit came in in 1971.

This is a picture of Limestone. You can see water flowing through the gates there and the powerhouse itself. We have eight units in service now out of the 10. The two subsequent units will be installed this year. Both of them are expected to be on schedule or slightly ahead of schedule. The next unit we expect within the next month or so.

Limestone, of course, came in about a billion dollars under the original estimate. At the time it was commissioned, about \$500 million of that billion was reduced interest and escalation.

This is a slide of the Conawapa site. You can see the size of the banks on the far side. Those banks are representative of the river itself at that point. It also shows the excavation hole that was a test hole for engineering work. You can just see it on the left-hand side of the slide. There is the excavation site itself on the Nelson right at Conawapa.

This is a transparency of the DC line. It is south of Grand Rapids. It also shows the two existing lines coming out of Grand Rapids. I am informed that the new Bipole III line will be about a little less than the two transmission lines in terms of the right-of-way size as the one on the left.

This is a slide of the Dorsey Converter Station which is the southern terminal station where the power is converted from DC to AC for distribution within our system.

This is a slide that shows our operating results for '89-90 and then '90-91. It shows that both years were relatively profitable years, especially considering the fact that we had less than average hydraulic energy as a result of lower flows.

This is our projection that was presented to the Public Utilities Board when we asked for a rate increase for next year. This includes the results of the Public Utilities Board efforts so they are modified to include that.

It also includes, in the case of '91-92, the rebate being retained by Manitoba Hydro. Originally we were forecasting a loss; now we are forecasting, or were forecasting at the time a net profit of about \$2 million. The books are not closed yet, but that number will be significantly higher, somewhere in the neighbourhood of \$12 million to \$16 million, I would suggest, as a profit.

In the case of '92-93, the loss is mainly Limestone units coming into service, but it does include at this point any of the benefits of the NSP sale. The NSP sale starts in May of next year, so all the benefits are reflected after that, resulting from the sale, and you can see the impact they have on future rate increases later.

These are our short-term financial targets. We want to make sure that we have financial reserves sufficient to withstand two consecutive years of low flow conditions. We would like to achieve \$370 million by '95-96.

These are our longer-term financial targets. This is to attain a debt-equity ratio of 85-15, and we would like to achieve that by the year 2004 or 2005. The debt-equity ratio is that portion of our total assets that are represented by either debt or equity. We would like to make sure that our equity component is about 15 percent. Right now, it is in the neighbourhood of 4 percent.

This is the debt-equity ratio of other Canadian utilities, going right from Saskatchewan Power to

Manitoba Hydro. Some of them are a little misleading in that SaskPower sold off some of its gas facilities, both in terms of its fields of gas exploration potential as well as the gas distribution system. There are profits that were retained by SaskPower on that sale that improved their equity. It was not all achieved through rate increases.

* (1025)

TransAlta is an investor-owned utility and they require a fair amount of equity as a result of that. Hydro Quebec has had that equity for as long as I can remember. In the case of Ontario Hydro, they have also been relatively good. B.C. Hydro sold off a transit system and some gas distribution facilities as well, and that is how they achieved their higher equity. Manitoba Hydro had 96.04. With the privatization of Nova Scotia Power, Manitoba Hydro would be left in a class by itself.

This is showing how we expect to achieve, on a year-to-year basis, the debt-equity ratio of 85/15 by the year 2005. That is despite the fact we have Conawapa and the Bipole III coming into service in that period of time. You can see that we are expecting to increase our equity at the same time as we are adding new plant.

These are our current projected rate increases. This is last year's forecast. We are in the process of updating it. The update will go to the board in October, but this reflects currently approved forecasts. In '93 and '94, we are projecting at having rates at the projected rate of inflation and, for '95 to 2004, at 1 percent a year, which is a real decrease in the price of electricity. That is a significant decrease in the price of electricity.

I have a few transparencies just to sample some of the rate comparisons with other rate increases and rate comparisons with other utilities. Hydro Quebec, they are not regulated, but they asked the government for a rate increase which was higher than that, and the Quebec government approved a rate increase of 3.5 percent for 1992.

Ontario Hydro's is in force now and that went in January 1 and that is 11.8 percent; SaskPower 4 percent; Alberta Power has proposed 8.5 percent. B.C. Hydro, it was my understanding that they were proposing a rate increase of 5 to 7 percent, and they got one approved at 1.8 percent; and then Manitoba Hydro is 2.65 percent. We applied to the Public Utilities Board for a rate increase of 3.5 percent.

This is a rate comparison of May of last year that was made up by Hydro Quebec. This compares rate increases for industrial power rates right across the country. It is the published rates for all the utilities. We took it out of The Globe and Mail. We are in the process of trying to get the actual survey that they used, and we are having some difficulty in getting it, but you can see that Manitoba's rates are 97 percent of those in Quebec and significantly lower than those in B.C.

This is a residential energy bill for 750 kilowatt-hours a month. This is a typical nonelectric-heat customer within our system. We always use about 750 kilowatt-hours as being sort of an average. As you can see, we are the lowest in the country in that particular class.

This is one that shows rates for 1,000 kilowatt-hours. This is a survey that Ontario usually does and we use the results of it. It is an international survey rather than just a Canadian one, but it shows once again that Manitoba's rates are pretty well the lowest in the country now. Once again, that was Winnipeg.

General service, small—you cannot see it as the slide is not very good on the one side, but Winnipeg is not the lowest here. That is in dollars per month for the total bill, and we are \$50 more expensive than Vancouver.

* (1030)

This is an industrial customer. This is about a 10-megawatt load and 400,000 kilowatt-hours in a month, and this is shown in thousands of dollars for the bill. This is a fairly good sized manufacturing operation. It is not a real large customer but, as you can see, the bill is relatively large. It goes right from Winnipeg at \$15,000 a month; Vancouver at \$17,000; right to New York at \$50,000.

This is a very large industrial customer in the province. It is one of our actual customers. It is about that size, and you can see once again that we are pretty well the lowest in the country.

I would like to briefly review our capital development plan and the types of changes that have occurred since the Public Utilities Board reviewed our capital development plan and the impacts of that.

Our capital development plan that came to fruition in the fall of 1989 went before the Public Utilities Board in the fall of 1990. We made our application and there was a process that lasted about six

months whereby interveners asked us questions and we presented our case so to speak. We went through volumes and volumes of work, of questions, and produced material in terms of volumes. It was a cost that approximated about \$2 million in total for the total cost of the process. It was a relatively arduous process.

What we took to the Public Utilities Board was our projected load growth based on 1989. It was subsequently updated to include 1990 data. It also included our energy conservation targets at the time, which were approved in the fall of 1989, and that was 100 megawatts, about 500 million kilowatt-hours in a year by the year 2001.

We also included in that sequence the Ontario Hydro sale, which is a 1,000-megawatt sale starting in the year 2000 and lasting for 22 years. It phases in at the beginning and phases out at the end.

We also entered in at the same time, in the fall of 1989, two diversity arrangements with U.S. utilities, 150 megawatts each. One was with United Power Association of Elk River, Minnesota, and 150 with Northern States Power.

Diversity arrangements are arrangements whereby we can import power when we need it in the winter, and it is both capacity and energy, and export it in the summer should our neighbours require it when they have peaked in the summer, which is directly opposite to when we have our peak. They have a peak that is created by air conditioning, and ours is created by electric heat.

We also took to the Public Utilities Board our Thermal Life Assurance Program. At the time it, included Brandon and Selkirk Thermal Assurance Program. That is to make sure that they achieve the life we would like them to achieve which, in the case of Units 1 to 4 at Brandon was the year 2005; in the case of Unit 5 at Brandon, 2006; and then the two units at Selkirk, in the year 2005.

This entire development sequence resulted in Conawapa and the bipole being required in the year 2000 at that particular time. Subsequent to that, we did defer it to 2001.

These are the major findings of the Public Utilities Board. I will just briefly go through those. They found that our Development Plan was the least-cost option. They found that our Development Plan would result in lower customer rates from 1996 to at least 2027. They found that our Development Plan

provides the highest level of reliability and the lowest ratio of risk to benefits.

They also stated that our Development Plan incurred the least reliability risk. The interveners' alternate scenarios must be rejected on reliability grounds. The board concluded that the Ontario sale and its related system participation agreements and facilities agreement is economically sound.

The Development Plan emerges as a scenario least likely to entail substantial environmental difficulties and cost. Their overall conclusion was that they endorsed those features of the Development Plan requiring early commitment, specifically the system participation agreement with Ontario; construction of Conawapa and Bipole III; the diversity agreement with NSP and UPA; DSM initiatives; and Thermal Life Assurance.

For the rate hearing in February we got some material available that we could review with them. We got in a little bit of a wrangle and were not able to present it, but we got it ready for them, so I am able to present it now.

At the time the Public Utilities Board looked at our load growth it was 2.5 percent for energy and 2.1 percent for capacity or peak, and that is currently 2.2 and 1.9 percent. We are in the process of reviewing that now. It probably will be close to where it is in that forecast of last year, I would think.

We have had other difficulties within our system that our engineers have looked at, such as the dependable flows in the Saskatchewan River as well as the Winnipeg River, and we will probably have the need to advance plan somewhat from where we are today.

This is the load growth net of the DSM that was reviewed by the Public Utilities Board. The yellow line shows our load forecast of 1990 as well as 100 megawatts of DSM. They also looked at the 1990 load forecast and 500 megawatts of DSM. Where we are today is our 1991 load forecast and our increased conservation targets of 285 megawatts in the year 2001. That is right in between the two, so it is certainly within the sensitivity that the Public Utilities Board has reviewed.

This is a whole list of sensitivities that was reviewed by the Public Utilities Board. This was in the material that was presented to the Public Utilities Board. The media has been focusing on load growth and DSM. You can see what happens if we have five times, two times or 10 times DSM, the

impact on the profits. The economic benefit is the line of \$700 million approximately in 1989 dollars. Any of those sensitivities try to show the impact of it. In the case of load growth and DSM you can see that it does not have a major influence on the overall economic benefit.

These are the generation requirements that were reviewed at the time of the Public Utilities Board hearings as well as current. It includes what we would need with and without the sale. At the time of the Public Utilities Board hearings we reviewed the fact that with the Ontario sale we needed a new generation in 2000. We also used as a base case then a year without the sale, of 2002.

* (1040)

The Public Utilities Board also looked at two other scenarios. They were 2006 and 2009, and they thought they were reasonable probabilities. They also were cheaper than our base case. I believe the numbers are \$7 million and \$32 million cheaper in present value terms. It was decided for reliability basis to focus on the 2002.

Despite the fact that there has been an awful lot of discussion about later dates, the Public Utilities Board did in fact review later dates at that time.

We are currently in the position where we have deferred the building of Conawapa by one year. We have the bipole still coming in in the year 2000, and that is still required for the sale at this point.

Without the Ontario sale, we would not need new generation until 2011. As I pointed out, 2009 was looked at as a reasonable possibility by the Public Utilities Board at the time.

This is the present value economics that were reviewed by the Public Utilities Board and, when we took it to the Public Utilities Board, it was in 1989 dollars. The number was \$700 million, and that was that line on that previous graph with the sensitivities. In 1992 dollars that approximates over \$1,010,000,000.

In current terms, the 1989 present value dollars is \$650 million and, if you equate it to 1992 dollars, it is \$920 million, so almost a billion.

With the sale, average rates currently will be 2.5 percent lower by 2000, 14 percent by 2010 and 17 percent lower by 2027. The reason why we can have lower rates prior to the sale starting is because of the way the sale was structured. The sale was structured such that we had the direction from the

board of Manitoba Hydro that in every year the sale rates had to be lower with the sale than without the sale. Therefore, as soon as the sale starts we can have lower rates.

This is also still achieving our debt-equity ratios that we want to achieve and having rate increases in the last year's forecast of 1 percent, which is significantly less than the projected rate of inflation.

These are the employment impacts based on our Limestone experience. We think that there are 22,100 person years of employment compared to 95 with Limestone. They both have a very beneficial impact on the economy within Manitoba.

Current forecasts of lower load growth and increased conservation do not substantially change the major benefits of the Ontario sale.

These benefits are: significant and long-term economic benefits; increased security for the Manitoba Hydro system; lower electricity rates in Manitoba; low environmental impact; and increased employment and business opportunities within Manitoba.

Thank you very much, Mr. Chairperson. That concludes the presentation.

Mr. Hickee: Just a few opening comments here—I appreciate the efforts of Manitoba Hydro to give us this overview and presentation and some very interesting comments that have come forward. This is the first time I have ever heard where now Manitoba Hydro is saying that to build Conawapa starting in 1993 is not really needed for Manitoba consumers. That is the first time I have ever heard that statement. That is one of the questions that we had been asking. Do we need it here in Manitoba?

In one of my speeches in the House, I had directed the minister at that time to come forward if Conawapa is being built for Ontario purposes. If it is to generate employment opportunities, generate revenues for Manitoba, come out and say it. This is the first time I have heard that statement.

The other thing is, I am very encouraged from what I have heard about the conservation measures that Manitoba Hydro has taken. If you will recall, last year we brought in a resolution to increase conservation measures from 2 percent, at that time, to 6 percent. We thought at that time that it was very attainable, and it looks like it is. We will be monitoring and evaluating the conservation measures Manitoba Hydro is taking, because we

feel that those measures could be increased even more.

When you look at conservation measures that are taking place, and the benefits of conservation, right now most of the direct benefits are geared to southern individuals and southern companies. I would encourage Manitoba Hydro to look seriously at conservation measures in northern Manitoba and in remote communities where Manitoba Hydro could make available the conservation light bulbs and whatever conservation measures that Manitoba Hydro will be undertaking and give some of those opportunities to aboriginal people in those communities, whether it is to help them supply or set up conservation stores or however it can be obtained.

I think the northern people have to benefit from some of the conservation measures. When we look, most of the northern development benefits are related to northern individuals. If we are looking at swinging to more conservation measures, the northern and aboriginal peoples should be included in those actions. That is just for Manitoba Hydro.

The other thing that I was very encouraged to hear the minister state was looking at the possibility of cogeneration. That is one thing that we have raised time and time again. I really believe it has a lot of merit. If we could develop cogeneration it could be marketed either to communities in Manitoba or other provinces or around the world.

When we tie cogeneration with solar, wind and diesel-generated power, if we perfect it here in Manitoba, we would create the employment opportunities for Manitobans. We could sell these cogeneration units to a lot of communities in the Northwest Territories, per se, where the cost is so high for the communities to generate electrical power because they use diesel generators.

The cost of diesel to be shipped up into the Northwest Territories is very high. It is nothing to pay \$700 to \$900 a month just for heating costs. If you just look at Manitoba's needs, what does it cost when you supply power to, say, the remote communities of Tadoule Lake, Shamattawa, which hopefully will be resolved by transmission lines from Kelsey.

Those are some of the concerns that we have. It is very encouraging when I see where some of the critics of Limestone were very critical of developing—I was not here at that time so I do not

know who was critical. I have heard some critical comments yet, in this book that I was reading through, Manitoba Hydro-Electric Board 40th Annual Report, it states here that the construction sequence has been lowered—on page 25—by \$1.45 billion in 1990-91. Also, it states in here, the Limestone project is one of the most successful large construction projects in the corporation's history.

I think at times we eat some of our words that we say from one year to the next or in the future. I think that one of the things we will be debating here this morning is the whole building and construction of Conawapa. If it is to go ahead, is it 1993, is it the year 2011 or is it further on?

* (1050)

I am not backing off from my support of Conawapa. All I say is that we have to look very carefully at the conservation measures and the power sales that are in place, the penalties and the benefits for Manitobans, especially northern Manitobans, when we look at training opportunities.

I have heard in the last while people criticizing the initiatives of the Limestone Training Agency when it was such a massive undertaking, individuals who have no knowledge of the benefits directly related to northerners and the aboriginal peoples in those communities. There is so much wrong information that is doing no benefit to the people who worked hard and graduated from those programs, who now benefit from that training and are contributing to their communities, to their families and hopefully will be re-employed if Conawapa goes ahead.

The thing with Conawapa we have stated from Day One, and you can read Hansard or check back, all we are saying is, if you are going to ahead with Conawapa, do it right, get the environmental assessment hearings done, meet with the aboriginal communities, aboriginal leaders, put a proper training program in place, and keep the preferential hiring clause in place.

Also, now that it is stated where the power is not needed for Manitoba ratepayers, that puts a whole different emphasis on what we are going to do. Are we building Conawapa just for export to Ontario? In 1989 and 1990 and even as far back as yesterday we were led to believe that the building of Conawapa was for Manitoba ratepayers needs, and now we hear different.

That is the first time I have ever heard that comment made, that we do not need additional power until the year 2011, because we had always been—with the conservation measures, the year had gone to 2001, 2003 and on and on, and now a statement from Manitoba Hydro says 2011. That has to raise some concern.

What is the mandate of Manitoba Hydro? Will it change? If the Manitoba Hydro mandate right now, as far I understand it, is to ensure that Manitobans have electricity when needed, I have no problems with building Conawapa per se if we need that power in the future, if someone else is going to pay for it and if we are going to benefit from it. That is what we have always said, let us be up front about everything so we are making decisions on accurate information. I was very surprised when I heard that statement.

Some of the other things that I would like to touch on are the outstanding land claims and entitlement for the communities that have been affected by dams that were built previously. Now it looks like some of them are being settled. I hope all land claims will be settled in the near future before we start looking at developing further dams. That is what we have stated from Day One, settle the outstanding land claims and issues pertaining to previous dams, and then look at working co-operatively with the aboriginal communities and the people if you want to continue building further dams.

One thing that I have not heard of, and there is some very serious concern in the community of Churchill, is that they are looking at the possibility of being compensated for damming of the Churchill River. When you go up the Churchill River to Harry Creek, Mosquito Point and Fishing Creek, those were recreational areas, and also people used that area for hunting and fishing to supplement their income, and they are hoping to negotiate. I do not know if they have contacted Manitoba Hydro or the minister to negotiate the building of a weir similar to the one that was constructed in Cross Lake.

I would like to congratulate Hydro for the development of the weir in Cross Lake. I have some very close friends there who are some of the community leaders, and they have indicated to me that they are very pleased with the result of those weirs. They said, now the water level has gone back to its original state and they can go where they used to go and they are very pleased with the effort.

Now they are just looking forward to the restocking of the fish. Because of the low water, they lost a lot of their fish stock. That is the kind of action that I expect Manitoba Hydro and the minister to fulfill to the communities in co-operation with the communities.

The other concern I have that I will be raising is the whole transmission line from Kelsey to the remote northern communities where these communities now depend on diesel-generated power. With the additional power source that will be coming into the communities I believe those homes will have to be upgraded with the appropriate wiring systems to accommodate the increase in power source.

I would hope and encourage the government and Manitoba Hydro to look at the possibility of ensuring that the people in those communities, at least one or two individuals, whatever means it takes to train these individuals to become qualified electricians within those communities, because when you put those services in, who will be maintaining those homes and those new systems that are put in? I hope that it will be local community people, because what we have seen in the past is individuals fly in and fly out at a very, very high cost, and there is no money left in the communities once those individuals have flown in and out.

It is a good opportunity. It is a golden opportunity for these communities, and I know that they will want to benefit from that, but they will need some assistance either from the government or Manitoba Hydro. I would strongly encourage them to look at that.

The whole area of the environmental impact studies will have to be addressed and looked at, and that will have to be done in co-operation with the communities that will be directly affected and which you know are mostly aboriginal communities. How they will be affected and the impact it will have will have to be in co-operation with the community leaders.

When we get into, I mention again the whole area of conservation, we will be looking at that very seriously, because that is a great concern to us, and it has so many possibilities for advancement for aboriginal people. Those are the questions we will be raising on the demand-side management.

I would like to at this time—maybe the minister could put it in his notes—one issue I will be raising is

the whole relationship of Manitoba Hydro and the Public Utilities Board. When you dismantled or eliminated the Manitoba Energy Authority, which used to fulfill a lot of the roles that now the responsibility has been handed to the Public Utilities Board, is everything opened to scrutiny by Public Utilities Board or are they having to rely on statements by Manitoba Hydro to the Public Utilities Board to be taken as a given instead of having the opportunity to examine Manitoba Hydro's data and whatever information is required? Is everything open to Public Utilities Board scrutiny before they make their decisions?

With the dismantling of the Manitoba Energy Authority, which had the mandate for sales, export sales, and also to look at long-range forecasts and plans of Manitoba Hydro, how is that void being met? I think it is being left to Manitoba Hydro to do that on their own, and I am very concerned about that, because I think it should be an independent group and organization, which I stated from Day One. That is why I totally disagreed with the dismantling. The Public Utilities Board is supposed to be an arm's-length operation, but did they have access to all the information? That will come up later in questioning.

*(1100)

The other area that I would like to touch upon will be The Energy Rate Stabilization Act. I do not understand it, so I will be asking for some clarification and how it works and what obligations the government has compared to Manitoba Hydro. One area that I hope to touch on later, I do not know if we will have time but, if we do, is the whole damage or breakdown of the generating unit in Grand Rapids.

So I have a lot more concerns that I would like to address than having this meeting to just address Conawapa, should we build it or not, because there are lots of issues out there today that concern many people that are not directly tied just to Conawapa.

Thank you, Mr. Chairperson.

Mr. Chairperson: I thank the honourable member. Does the Liberal critic, Mr. Edwards, have an opening statement?

Mr. Paul Edwards (St. James): Yes, I do.

I do not intend to make a lengthy opening statement, because I and I am sure my friend have many questions of the people who are here today, and we thank them for coming. We thank the

minister for scheduling this meeting and look forward to going through the annual report as well as reflecting on some of the facts that have been put forward not only in the slide presentation but, of course, in the prior annual reports which have led to the 40th one, which has been presented here today, and some of the issues which have come up in the recent past with respect to Manitoba Hydro, in particular the Public Utilities Board report on its capital spending program.

Mr. Chairperson, I start from the premise, and I know that Manitoba Hydro does and I know the Public Utilities Board did, that its mandate is found in The Manitoba Hydro Act, which in Section 2 indicates that the intent, purpose and object of the act is 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 the power.

I note that in the Public Utilities report, the Public Utilities Board specifically avoided the issue as to any potential conflict between the Manitoba Energy Authority's mandate and Manitoba Hydro's mandate and found that the Public Utilities Board did not, as the body of the report made clear, consider that Manitoba Hydro proposes in any of its scenarios to construct generating facilities solely for export sales. That is how that issue was avoided in that review.

Mr. Chairperson, that is the premise that I start from, and I know that is the premise that the board started from in its presentation before the Public Utilities Board. I want with that mandate to examine, and I do not propose to re-examine and rehash what the Public Utilities Board decided. I accept those conclusions as coming from a credible, impartial tribunal. What I want to do is examine them in light of some of the new evidence which has come forward, the new predictions that have come forward, and that is valid, because it is my position that things have changed.

I want to ask members, and I intend to, representatives of Manitoba Hydro, what impact they think it is going to have on some of the conclusions the board came to, basing their conclusions on what they had before them at the time.

I also want to talk about some of the more current issues which are facing the board. Of course, we

are all aware of the excitement in the media about the hydrogen project and some Japanese interest. That, I realize, is speculative. I realize it is at a very preliminary stage, but I think members generally would like some further information on where that is at and what is proposed or what discussions have been had by Manitoba Hydro and what is intended for future discussions.

I also want to talk and will ask questions, I alert members from Manitoba Hydro, to some of their financial information. They presented some, and they talked about the proposed debt-equity ratio. They also talked about proposed profit margins, and I intend to ask some relatively technical questions in that vein.

With respect to Power Smart and with the demand-side management, Mr. Carr, former member for Crescentwood, had that issue dear to his heart. He raised it, I know, in prior meetings with the board, so I want to follow up on that. I am very pleased that, as far as I can tell, the projections of savings are more than expected and things are looking very good for not only meeting targets but exceeding targets. At least that is my information, and I look forward to comments from members from Manitoba Hydro on that.

Mr. Chairperson, we have many questions, I know my friends do, and I want to get to them. We have these gentlemen here, their time is valuable, and so with that I am going to close my opening comments.

Mr. Chairperson: Does the committee wish to consider the report on a page-by-page basis or in its entirety? As a whole? That is agreed.

Mr. Downey: Mr. Chairperson, I will just take a minute. I want to acknowledge the presence of Mr. Neufeld, who was the minister responsible for the Manitoba Hydro board when this report was prepared and during that period of time. I am pleased that he is at the committee this morning.

I was going to get into this in a little more detail. The member for Point Douglas (Mr. Hickes), in his comments about the Hydro activities—there is another major project which I did not have in my opening comments, and that of course is the development of the north central line, which he has referred to in questioning as to the environmental work that is now being carried out.

That will bring overland power to some nine new communities that have been depending on electricity from diesel generation, which was a long

time waiting. There is a some \$117-million agreement between Hydro, the provincial government and the federal government to provide that service.

As well, there will be a training program as part of that for those community people not only for, hopefully, upgrading or for the lines, but as the member has referred, possible ongoing opportunities for house wiring, business wiring and business opportunities in that field.

I want to acknowledge the member's thank you to Manitoba Hydro for the construction of the weir at Cross Lake. After having visited Cross Lake after getting into office as Northern Affairs minister, it truly was demonstration there that something had to be done. I am pleased that under our government we were able to proceed to build that. I think it was a \$13-million or \$14-million project, but it has in fact improved substantially.

I look forward to, generally, the discussions. We have clearly stated all work that is going to be carried out has to go through the environmental process. I am a little unclear as to the member's questioning as to whether or not the Public Utilities Board are truly the body, the determining factor as to whether or not this is the right or the wrong thing to do. They truly are a third party, independent of Hydro. They have the ability to not only call witnesses, but they have the ability to hire legal staff, professionals, consultants to challenge, to look at the case that Hydro has put forward, so it is not just a matter of Hydro's case being looked at. The Public Utilities Board does have the opportunity to fully investigate information that comes forward from Manitoba Hydro, as an independent source.

I am comfortable that there is no ability for the public not to fully understand. The member, and I am not going to make a lot of it, the question of being up front, that is what this committee is all about and that is why the presentation was made today. I think we are here being very open and straightforward with the information that Manitoba Hydro has.

The bottom line is that when we look at a project like Conawapa in today's value and we see a net benefit to the people of Manitoba of over \$1 billion and the employment opportunities that go with it, the fact that it will give us lower Hydro rates as users of Hydro, it is pretty hard to not be supportive of that general principle.

* (1110)

As well, I want to comment briefly as to the difficulties at Grand Rapids Generating Station. One could say that we were very fortunate that we did not have loss of life or limb when that failure took place. We want to acknowledge the people who were involved with Hydro and the work that was done to work with the communities to try and clean up. I know there was a substantial amount of money spent to try and protect the environment, also, when the spillage of water had to take place to try to clean up the driftwood and the difficulties that were there. I think there has been pretty good co-operation with the communities involved.

We have, with the chairperson of the board of Hydro and with the president of Hydro, recently visited some of the northern communities. It is my intention to further do some of that and to, in the way of on-the-ground discussions with the individuals within those communities, keep a full and open communication link. They have concerns. I think they should feel more than free to fully and openly discuss them with Manitoba Hydro.

Mr. Chairperson, I am prepared to respond to questions or have staff and/or the board of Hydro answer questions.

Mr. Hickeys: Just a brief comment in response to the minister's statement—when I was asking about the Public Utilities Board, what I was referring to was the actual information that is available to the board in reference to the MEA, which had a much closer link to Manitoba Hydro, that had access for ongoing information almost on a daily basis, to look at load forecasts and long-range needs and exports sales for Manitoba Hydro. That is the void that I personally feel is missing there.

I would just like to start my questioning on page 31 in our Manitoba Hydro-Electric Board 40th Annual Report. I hope disaster is not following this current government because, since 1988 to present, it looks like we have had to import a lot more power than we ever had in the past. What would be the reason for this?

Mr. Brennan: I believe 1987 was a record hydraulic energy year. You can see, if you take a look at the energy made available, that particular year was a record year for hydraulic energy. So at that particular point in time we experienced very, very high flows. The same thing occurred in '86.

When we got past there, we went into a low-flow condition. You can see we really experienced it in

the case of '89. You can see the red component there on the graph you are referring to has gone up dramatically. We are a little better in '91, and '92 got a little better again. It is still a low-flow condition. Next year it looks very, very encouraging at this point.

Mr. Hickeys: The impact it would have, would that have directly to do with the drought, with low water?

Mr. Brennan: Low flow.

Mr. Hickeys: Okay, so that would have to do with less snow, less rain, nature. That is what I meant by, I hope disaster is not following this government because it was—

Mr. Downey: So do I.

Mr. Hickeys: It was just a pun. Okay, I am glad that clears it up.

(Mr. Gerry McAlpine, Acting Chairperson, in the Chair)

One area that I would like to look at addressing is the whole affirmative action policy of Manitoba Hydro pertaining specifically to northerners and aboriginal people.

I know that we have an affirmative action policy which ties in with visible minorities and women, but what is being done for aboriginal people to get employment with Manitoba Hydro in the North and also employment opportunities for aboriginals in the South and for aboriginal people to hopefully, somehow, get into management with Manitoba Hydro, whether it takes five years, 10 years?

I know it has not been done in the past by whatever government that was in power, but I would like us to look at that today and the future prospects for aboriginal people for employment opportunities and also on the board level.

Mr. Brennan: We also share your concern, Mr. Hickeys. We have improved relatively dramatically in the last couple of years. I think, in the future, we can do more. We are trying to enter into a quasi-partnership arrangement with the aboriginal people and some of the educational facilities to just see what we can do to make sure that people are able to enter into training programs with Manitoba Hydro. We have bursaries for people to go to university. That sort of thing we are looking at expanding. We are very, very concerned about that.

Our record is relatively good but, having said that, we know that certainly to employ people in some of

our northern facilities is very much a desire of ours. We have a relatively high staff turnover by hiring people out who do not live in the North, are not used to the North. It would be a win-win situation if in fact we could hire more. It is our desire to do that wherever we can. I think we have to work with the aboriginal people to do that, as well as educational facilities.

Mr. Downey: Just to further add to that, Mr. Acting Chairperson, I know that there is some special work activity that is being worked on the north central project with Manitoba Hydro and with the aboriginal community, as well as the fact that the environmental work that is being done for north central, I believe out of the panel of three, two of them are aboriginal individuals. On the Conawapa project, there is aboriginal representation as well on the environmental activities.

The member had asked about board representation. I am, at this point, considering aboriginal involvement at board level. I have not moved on it, but I am in the consideration process at this time.

Mr. Brennan: I would just add one more thing, Mr. Hickes. I guess probably the best model we had was an arrangement we had with a joint venture in building the weir at Cross Lake. The weir was a real success story for Manitoba Hydro and the aboriginal people. There was a joint venture between a southern contractor and a construction company right at Cross Lake. We ended up with approximately 90 percent aboriginal involvement in the construction of that facility, and it was right through the entire process. So that is a real model, and we can learn from that experience.

Mr. Hickes: I thank the minister and Mr. Brennan for those answers because, like I mentioned earlier, I have been in close contact with the community of Cross Lake and the whole project and how it was handled. They are very happy. Like you said, it was done in conjunction with the band construction company that is owned and run by the band, and they are very pleased with it.

When I asked about the affirmative action I guess I should have been a little more specific. What I was referring to was direct long-term employment opportunities with Manitoba Hydro where, if you look at most of your supervisors and managers directly employed by Manitoba Hydro who will stay with Hydro for their full career, you see very few

aboriginal people. If you go to your building, I think it is on Taylor, the main office there, I have been there once or twice and I have seen very, very few aboriginal people in the cafeteria or walking in the halls. I think that it has been a mistake by all governments in the past and, what I am asking is, what is being done about it now? Are there any plans? You mentioned a bursary. What is being done today?

Mr. Brennan: We have a series of initiatives, and I should probably get you a list of exactly what they all are. I know we have bursaries and we have a program whereby we can make sure that some aboriginal people get the right qualifications to be job ready for long-term jobs with Manitoba Hydro. We have worked in a partnership relationship with the government in doing that.

In addition to that we try to encourage summer employment so people can get experience and money so that they can go on to university and that sort of thing. We have expanded our program in the last two years. I do not know the exact number, but there are a good number of people, and that is especially difficult in these times of restraint when we are cutting back in other areas, but we have expanded in that area.

* (1120)

Right now our numbers are approximately 7 percent aboriginal for our entire system. That has gone up in the last two years, and we expect to increase that amount each year. We intend to go at it very, very aggressively in the future though.

Mr. Hickes: I would just like to follow up on that 7 percent. Most of the management positions—the high end of the management is delivered out of southern Manitoba. Am I correct?

Mr. Brennan: We have done a couple of things more recently to attempt to modify that slightly. We have created two divisions in the North, one out of Thompson for customer service. So we now have three regions. This is a level below a vice-president, and we have the actual executive decision-making process right in Thompson in the case of customer service. In the case of our production facilities in the North we have a division manager up in Gillam as well now. So both of those two functions have been decentralized to bring the management function closer to where the people doing the work are.

Mr. Hickes: What would the level of responsibility filter down from your Thompson office and your Gillam office?

Mr. Brennan: Could you be a little more specific in your question?

Mr. Hickes: You have a vice-president in Thompson—

Mr. Brennan: A level below a vice-president. So it is a senior management job in both areas.

Mr. Hickes: So the positions that reflect your senior manager down, would you have a manager, a supervisor or office manager? How would that filter down in each of these offices?

Mr. Brennan: I understand your question better now, Mr. Hickes. Below division manager there are department manager levels. Below department managers there are supervisors, and then it goes down right to the individual at the bottom.

Mr. Hickes: So in your Thompson office your senior manager—well, I guess to make the question shorter instead of going through every one of them—part of that management team that you have in Thompson, from your senior managers to your department managers to your supervisors, are any of those individuals aboriginal?

Mr. Brennan: I would have to check into that. I know we have aboriginal people in Thompson that are at relatively a senior level, but I will have to check the numbers. I do know that we do have, without getting very specific, an aboriginal person at the division manager level.

Mr. Hickes: Is there any possibility of Manitoba Hydro taking some aboriginal people into the Thompson office or Gillam office or whatever office and putting them through the appropriate training that would be required, to do an evaluation of the individual and structure courses for these individuals of aboriginal ancestry to work their way up into some of these jobs, like management positions, that hopefully will become available to some aboriginal individuals?

Mr. Brennan: We do have internal programs now. Those internal programs are usually available to all staff. Preference is given to aboriginal people all the way up if, in fact, other items are equal. We certainly want to make sure that the most qualified person is available for the job.

(Mr. Chairperson in the Chair)

Having said that, there is no reason that is a problem. We have seen in the past that with some concentration on our part, we should be able to achieve exactly what you are looking for, Mr. Hickes.

We do have some difficulties because we have union agreements that we have to honour and work within, but our unions have been very co-operative in the past. I am sure we can get on with achieving the type of objectives that both you and I would like.

Mr. Hickes: I would just like to further ask about the Gillam office but, before I do, I am talking about the management level. When you mention union agreements, most of your management positions are not in unions, at the senior levels. There are aboriginal people who are out there that a lot of them have a lot of skills. A lot of those individuals are employed, granted, but those people have been known to switch occupations and switch companies.

I would just like to encourage Hydro to do that, to reflect the population we have in Manitoba percentage-wise. From what I have seen, there have been very few aboriginal people who have had the opportunity to get into management and supervisory positions and yet our resources, for Manitoba Hydro, are taken from northern Manitoba, where the highest population is aboriginal.

I would just like to ask, in the Gillam office, the same, are there any aboriginals in there who are in the management structure?

Mr. Brennan: I think I will have to take that under advisement. I do not know off the top of my head.

Mr. Hickes: When you mentioned the 7 percent aboriginal participation in Manitoba Hydro, out of that 7 percent in southern Manitoba, what would the percentage be?

Mr. Brennan: I do not have the numbers off the top of my head. We will have to provide them.

Mr. Hickes: I would just like to move on to the Public Utilities Board.

Mr. Brennan: Could I just make one more point. We do accept your comments and will attempt to do what we can certainly. It appears that your objectives and mine are very, very similar. We will certainly work very hard at achieving what you would like us to.

I think the 7 percent is relatively good. Having said that, there is a great deal of opportunity in the future and I would like to see us surpass even the aboriginal representation in the population. We

have an awful lot of our assets in areas where the aboriginal people live, and they could certainly be very good employees of Manitoba Hydro.

Mr. Hickes: Just to follow that statement, when you look at support systems that have to be put in place when you remove people from remote communities in order for them to succeed, when you looked at the previous project to Limestone, the participation of aboriginal people was at about 9 percent of the building of that dam. Through the support systems that were put in place with the building of Limestone by various governments and Manitoba Hydro, they maintained an aboriginal employment of 25 percent. Is that a true assessment, 25 percent?

Mr. Brennan: Yes, I believe that would be a fair representation. At times it was above that and at times below that, but certainly it was in the 20s for sure.

Mr. Hickes: The point I would like to make is that for some of the aboriginal people who live in these remote communities, there have to be additional support systems and measures put into place in order for the individuals to succeed. It is not because these individuals are less intelligent than southern individuals, it is just that a lot of the individuals have not had the access of advanced education, say chemistry or your higher maths, because a lot of the remote schools do not even have science labs to begin with.

So when you are looking at people to go into engineering or management positions and go on into advanced training, if those support systems are not there they will not succeed, and it is going to cost you a lot more money than putting someone into Red River Community College or KCC because of those additional supports.

* (1130)

A lot of individuals do not recognize that it is very costly when you have those support systems to ensure, not just hope, but to ensure that aboriginal people will graduate and succeed. I would just like to ask if Manitoba Hydro recognizes the additional dollars and supports that will have to be in place in order to, hopefully, get aboriginal people into management positions.

Mr. Brennan: Yes, we certainly do recognize the fact that it will cost money. It will cost money on the part of Hydro. In addition to that, we are hopeful of working with existing facilities to see if we can make sure that the courses that are being offered and the

type of requirements that Hydro has are being met as well. I think there is a real partnership that can be created both with the community colleges as well as universities in terms of getting aboriginal people.

I think, Mr. Hickes, you are definitely talking to someone who is converted, so to speak. We truly are serious in trying to get more and more aboriginal people on our payroll. I think it is very, very good for Manitoba Hydro to have them, and it can be a definite win-win situation, there is no doubt about it.

Mr. Hickes: Just to follow up on the whole training aspect, I realize that Conawapa has not gone through the environmental hearings or assessment but, even prior to, there has to be some long-range planning by Manitoba Hydro if and when Conawapa is approved. Is Manitoba Hydro looking at any training initiatives to ensure that northerners and aboriginal people will benefit from the employment opportunities if Conawapa is approved?

Mr. Downey: Yes. The question was asked if Manitoba Hydro was looking at training programs with regard to Conawapa, and the answer is yes.

Mr. Hickes: What kind of training will be taking place?

Mr. Downey: Mr. Chairperson, we have said this many times, and I will say it again, we have looked at the experiences of the Limestone project and training programs. Those that were successful will be built upon. The specifics of training programs we can get into in detail, whether you are dealing with management side, whether you are dealing with construction side, but there are program developments being worked on in conjunction with Manitoba Hydro, with the Manitoba government. I would hope that there would be federal government participation, the Department of Education. There are works being carried out by those people who are in the profession of building projects and training people.

That is why I answered the question fairly directly. Was there work being done? The answer is yes.

Mr. Hickes: I would just like to add before I ask my question, I notice Mr. Neufeld is here, the former Minister of Energy and Mines. At this time I would like to thank him for giving us the opportunity when we were critics, myself and Mr. Carr, who was the Liberal critic at that time, when he gave us the opportunity—he took us up to the Conawapa site so we could have a first-hand look at exactly what everybody was talking about and get an

understanding of the actual height of the banks and whatever damage that would happen under the building of Conawapa, which I think opened some people's eyes. I have been up there in a boat a few times so I know what the banks are like, but it was very nice to see it from a helicopter and actually look down and see the minimal damage that would take place.

I would encourage this present minister to take some of the present critics up to the river and have a first-hand look at exactly what we are referring to when we talk about how high the banks are and the minimal flooding that would take place. So I would like to thank the former minister on that note.

Further to the training for Conawapa, if it goes ahead, the minister stated that there will be training programs in place in conjunction with Manitoba Hydro, the federal government, the Department of Education but, to be more specific, will there be training programs developed to simulate actual developments that will take place on the site or will it be mostly just on-the-job training by contractors?

Mr. Downey: Mr. Chairperson, I depend on those people who are employed by government in the Department of Education and in Hydro and in the government to develop the most meaningful courses. If I could go back again to a statement that I made when I said that we had looked at and reviewed the Limestone programs, in discussion with the aboriginal community and with the nonaboriginal community, those that were successful will be built upon and improved. I think it is an opportunity to maximize training for our northern people. I want to ensure that opportunity is fully taken advantage of for the training of people, whether it is in construction, engineering, servicing, management, computers.

There is a wide range of technical work and management that needs to be done, and I think it is a golden opportunity, as I said, to invite federal participation, to have Manitoba Hydro working with Northern Affairs, with the Department of Education to complete the circle as it relates to the whole training activity.

To sit here and specifically say that we need X number of construction people to build towers, Mr. Chairperson, I cannot give you that specific number. I would expect there would be a blend of both classroom work, which could be carried out in the northern communities; there would well be on-site

training programs that would, I am sure, be part of the program. I leave that to the people who are involved. I am not going to sit here today and try and say that I have the clear-cut, specific program to lay before you today.

I can tell you the desire of Manitoba Hydro. You have heard Mr. Brennan, you have heard myself speak as the provincial representative. We are interested in training opportunities and longevity of employment for our northern people. It does make a lot of sense to employ people living in the North rather than having people from the South move to the North and pay additional wages. We believe very strongly in that.

Mr. Hlckes: I am glad to hear, especially the last few remarks from the minister, where is does not make a lot sense when you relocate individuals from the South when you have local people or northern people, with the proper training and support systems, to fill a lot of the needs.

To make sure that the northern people have the opportunity to stay in their own home communities, but also the overall bigger picture—the reason I ask about the training programs in conjunction with Conawapa, whenever Conawapa goes, is the overall picture of aboriginal self-government.

In order to achieve that, training will be a key factor to make sure that aboriginal people and the aboriginal communities have the resources within their own reserves and communities to fulfill the wishes of aboriginal self-government.

When you train into a lot of those positions dealing with any construction project from management right down to the trades areas, your heavy equipment operators, your kitchen people, whatever, hopefully there will be restaurants opening up in communities and stores opening up, that training will not be wasted, because those skills will be transferable back into individuals' home communities.

* (1140)

With the goal of aboriginal self-government, once it is achieved, there should be more opportunities for aboriginal people within their own communities. That is why I was stressing the importance of training, because the whole key is training now. If we wait until aboriginal people are granted self-government, you are going to have to bring outside people in to fill jobs for your own people again.

The time is so valuable to aboriginal communities and people, and a major project of this size, I keep referring if and when it goes ahead, I hope and I know the aboriginal leaders will take full advantage of the training opportunities at the site, if they are available through the government and Manitoba Hydro, which I hope they will be.

My next question is: Manitoba Hydro, have they done a projection of labour needs for Conawapa, broken down into trades areas and skills areas, which every project I am sure has to have?

Mr. Brennan: Yes, I believe they are available. I am not sure how refined they are, but they have been done.

Mr. Hickes: Has the minister met with aboriginal leaders and aboriginal communities to look at projections of training needs in those job areas pertaining to Conawapa which would tie into community needs in the future?

Mr. Downey: We have met with some aboriginal leaders to discuss the whole issue of Conawapa and how best we can work together through our Conawapa co-ordinating component of government and what are some of the things that we can do to take full advantage of a project of this magnitude.

To get into specifics at this point, no, we have not, but the offer has been there to openly discuss with us, through a mechanism, as to how best we can structure and put in place the mechanisms that will be most effective in training, job opportunities, impacts on their communities. That process is in full swing at this time.

Mr. Hickes: My next question would be to the minister to follow up on that, to meet with the community. When you referred to Conawapa needs—I hope in your discussion with aboriginal communities, aboriginal leaders—to look at how the community can best benefit for their future needs, not just for Conawapa needs, but for their future needs, to directly link into the dollars that would be accessed for training for Conawapa, but to look at the picture further on down the road where if a person is trained on whatever, a huge, huge ton dragline, once that project is finished the individual skills would not be required in a community because they would not have a dragline of that size, but if the community would require, say, carpenters or heavy equipment or electricians, then the whole planning could be done in conjunction with the aboriginal leaders, to state to them that, let us look at trading

for the future of your community and also for Conawapa's needs. Has the minister discussed this?

Mr. Downey: Mr. Chairperson, we are in the process, as I said, of doing that at this particular time and have emphasized to the member that it is my intention to do more of it with the management of Hydro to make sure we structure ourselves properly in conjunction with the aboriginal leadership. I do not think there is anyone who would sit here and question the comments of the member today about the training of an individual today to make sure they are equipped for the job of tomorrow and the ability to keep upgrading because we are in a changing world.

Once a project like Conawapa, like Limestone was built, the objective is to have that individual capable and equipped to follow along in life the opportunities that are there. Whether it is in computer work, whether it is in management, whether it is in any construction work, wiring, the objective is to give basic training programs to those individuals so they are equipped.

There may have to be some adjustments later on, because we do live in a changing world, as we have seen the difficulties over the past number of years, where the traditional hunting has disappeared from many of those communities, some of the difficulties with their fishing activities. They have had to change their lifestyles and, unfortunately, there have not been the job opportunities there to replace the loss of a livelihood through what has been their traditions.

The member is very well up to speed on this, that it is our job when we carry out a proposal like we are talking about that the first opportunities are given to those people who have lost what has been a traditional lifestyle. That is where I think the Native leadership are coming from. We have had a meeting as recently as last week expressing the desire of that community and the community leaders to not only see them be part of the construction but, at some point in history not too far down, that there are aboriginal people that are totally responsible for the running of a complete hydro generating station, of the whole system. I fully endorse that, because that is what the long-term objective should be of Manitoba Hydro and the people of this province.

Mr. Hickes: I am very pleased to hear that, because I think that is the goal of a lot of aboriginal

communities and aboriginal leaders, to get more involved and more opportunities for the community and the people in a lot of their reserves.

Just to follow up on the whole aspect of training, I am very encouraged when I hear the minister stating that there seems to be a lot of dialogue going back and forth with the aboriginal leaders and the aboriginal communities and the government, which is very necessary. I realize that, and I am fully aware that the minister does, and I am glad to hear that that is taking place.

So I would just like to follow up more on the whole aspect of training where we briefly touched on it, the line that is going into the aboriginal communities. The line that is going from Kelsey to, I think you mentioned nine communities, what state is that at right now?

Mr. Downey: I think I recently saw a report that the environmental review process is being carried out between now and well on into the end of summer. Those are the activities that are being carried out at this particular time. If management has any further information, I would ask them to put it on the record, but I believe currently what is taking place is the environmental review by the three panelists.

Let me further add, and I think it is important to put on the record that one does not want to get out in the position, and I know the member for Point Douglas probably and the member sitting at this table may not want to carry out this kind of activity, but one does not want to get down the road too far with training and all the programming to prepare people for a project and have something happen that the project did not proceed. It is a matter of being responsible, not leading people to believe that something is going to happen when in fact the project is not approved.

You know, one has to be cautious not to mislead people because, as I have said, we have a process we are going through. We anticipate that the work is being done properly. At the end of that a decision will be made. Yes, you have to do some training prior too, but particularly as it relates to the north central line, which I am referring to, I can see no reason why that should not proceed.

There are seven bands and two provincial communities that will get hydroelectric power and take them from living in Third World conditions to the same kind of electricity support that we have in southern Manitoba. That is the right thing to do.

* (1150)

I believe the environmental impact that that will have is being judged. The community people realized that when they asked for it, and one has to weigh, is it environmentally safe to continue to haul diesel fuel over a winter road in semitrailers to generate electricity by burning diesel fuel in those communities, or is it better to bring an overland line from a clean running generating station at Kelsey and putting your electricity into the homes?

My judgment, Mr. Chairperson, would be that the hydro generating station with an overland line would be the most environmentally safe, benign and acceptable proposal. That is what we all would like to see happen to support those communities.

Training, yes, Hydro I think have been very involved in discussions and activities with those communities. As I said earlier, two of the individuals on the environmental review panel dealing with north central are aboriginal people.

Mr. Hickes: I fully agree with the minister, the statement of overland lines compared to diesel generating units in the communities. For one thing, we have been very, very fortunate in the past that we have not had a disaster in some of the lakes that these units have to go through, because there would be incredible environmental damage and a lot of the communities rely on fishing not just for sale, but for their own existence. It would be a real disaster if that ever happened.

The other question and follow-up on the whole aspect of training is, I appreciate what you said where the power line has not cleared the environmental assessments and it still has to go through a hearing and it has not been approved, but there is also the whole idea of long-range planning where, if a lot of the planning is left too long, the opportunities escape the individuals.

An example I will give you is, in a lot of the areas, skills that would be required to build and put in place that transmission line from Kelsey to the communities, we just heard Mr. Brennan state that aboriginal involvement and employment opportunities for aboriginals in Manitoba Hydro is at 7 percent, which does not reflect the population of aboriginal people, especially in northern Manitoba.

If you trained, say, aboriginal linemen, I am sure Manitoba Hydro employs linemen on a year-round basis, and I am sure Manitoba Hydro has an affirmative action policy in place, so these

individuals who graduate from a training program hopefully would have an opportunity for employment with Manitoba Hydro and also maybe a short-term opportunity to get more experience on the line. If not, I hope Manitoba Hydro would pick these graduates up.

I would ask the minister if he would clarify if there is any training undertaken right now pertaining to the line or for Manitoba Hydro, for aboriginal people.

Mr. Downey: Mr. Chairperson, I can tell the member, as I said earlier, that we are working on proposals, program development for training on north central. We have had some preliminary discussions as it relates to the Conawapa Bipole III as to how best we can structure ourselves to put in place programs and do it in a responsible way.

Mr. Hickes: I would like to ask the minister, is there a training program for linemen ongoing right now in the Interlake?

Mr. Brennan: Yes, we try to, within the three regions, recruit people for our training programs for linemen from the regions involved.

Mr. Hickes: Who are these individuals in the training program and what communities are they from?

Mr. Brennan: I have no idea, Mr. Hickes. We will have to provide the communities from which the current—the linemen training program is an extended program, a four or five-year program. There will be people in that program from throughout the province. I would think that would be a pretty big job to get, but we could do it if you want it.

Mr. Hickes: Is that training being delivered through Evergreen School Division in the Interlake?

Mr. Brennan: No, it is a Manitoba Hydro training program in the case of linemen. It is not done by school divisions, but it is done by Manitoba Hydro. It is done on a centralized basis after the individuals have been recruited by the individual regions.

Mr. Hickes: I would like to ask the minister if there are individuals from the Island Lake area who have been recruited for a training program. Is there a training program undertaken right now by Evergreen School Division?

Mr. Downey: I will take that question as notice.

Mr. Hickes: Just to follow up on that, the training program that is in place right now, it is a linemen training program open to anybody in Manitoba.

Mr. Brennan: Yes, it is. We have other training programs, like for electricians and that sort of thing, but yes.

Mr. Hickes: Is this training project paid by Manitoba Hydro?

Mr. Brennan: Yes, it is. I should also point out that when you suggest it is open to anybody in Manitoba, there are certain basic qualifications you have to have.

Mr. Hickes: Out of the individuals who are taking that training, how many are aboriginal people?

Mr. Brennan: We would have to provide that.

Mr. Hickes: When you mention qualifications for individuals, I realize that there are certain qualifications that are required to be a lineman or an electrician, is there any upgrading or programs undertaken by Manitoba Hydro to assist aboriginal people to qualify for this lineman training program?

Mr. Brennan: Yes, in the past we have worked co-operatively with government and educational authorities to see what could be done to help aboriginal people get the necessary qualifications to get long-term employment at Manitoba Hydro. I believe one of those programs just was completed recently.

Mr. Hickes: What you are saying is, there are measures in place to upgrade aboriginal people in order to go into that training program.

Mr. Brennan: On a co-operative basis, yes, there is.

Mr. Hickes: Could you clarify what co-operative basis is?

Mr. Brennan: We are working with educational authorities, because I believe it is the educational authorities who provide the assistance. I think Manitoba Hydro helps out in terms of cost.

Mr. Hickes: Would the minister know how many of that one class—that was an upgrading class?

Mr. Brennan: I will have to look into it and find out what it was. I was told about the program being underway, and I believe it is an upgrading program.

We have had them in the past. Some of them were done more or less by Hydro, and I think it is done on a very co-operative arrangement now.

Mr. Hickes: What would the percentage of aboriginal participation be in those upgrading programs?

Mr. Brennan: It was my understanding it was intended 100 percent for that, but I would have to check.

Mr. Hickes: That is good. I am glad to hear that. So, out of the last program that I presume graduated, how many would have the opportunity to go into the lineman training program, whatever the most recent one would be, to graduation?

Mr. Brennan: If in fact they were all for a lineman training program—I am not sure they were. Some could be other technical courses as well—it would be my understanding that all of them would be inclined that way.

Mr. Hickes: You have upgrading programs. You mentioned 100 percent for aboriginal people. The instructors or the staff that would be involved in the classrooms, are there any aboriginal instructors or staff involved with that? Also, the other question, just to follow up on that, is there an elder involved in any of that upgrading program?

* (1200)

Mr. Brennan: I am not close to the program at all. I believe it is educational institutions that do it. I do not think Manitoba Hydro is in control of that, but I will check for you.

Mr. Hickes: Evergreen School Division, have they gone into any contract with Manitoba Hydro for any sort of training?

Mr. Brennan: I am not sure who has been involved. I would have to check, Mr. Hickes.

Mr. Hickes: Just to continue following up on the whole area of training needs, what I have heard from aboriginal people and aboriginal leaders is that there is some form of training program for aboriginals taking place in the Interlake. A lot of that was specifically tied with the development of the Kelsey project. If that is, fine, because those people will be able to continue their electrical experience in their own home communities anyway. That is the kind of example I think that we have to pursue, where we look at long-range benefits. Sure, it might be short-term right now and it might not take place, but they might benefit later on.

Manitoba Hydro, in northern Manitoba do they specifically target aboriginal people for training programs to work for Manitoba Hydro? Is there any of that taking place in northern Manitoba?

Mr. Brennan: Yes.

Mr. Hickes: Pardon me.

Mr. Brennan: Yes, there are.

Mr. Hickes: What kind of training is that?

Mr. Brennan: I maybe misunderstood your question. Could you repeat the question, the original one?

Mr. Hickes: Is there any training taking place in northern Manitoba specifically for northern or aboriginal people that is undertaken by Manitoba Hydro right now?

Mr. Brennan: Manitoba Hydro is involved in training programs for all its trades-specifically-oriented program. We do hire some people that have trades training ahead of time, but we do the majority of our trades training, such as lineman, within the corporation. The training we are talking about was pre-employment training, and we have done that in partnership with other educational authorities.

Mr. Hickes: Just to carry on a bit more on Manitoba Hydro training initiatives, and there has been a lot positive that has come out of those, when an individual has to leave their community to come for training or go out of their community for training, does Manitoba Hydro pick up the cost for that individual and continue that individual on their payroll, or how does that work with Manitoba Hydro?

Mr. Brennan: If it is one of Manitoba Hydro's training programs, they all become our employees for the training plan and, at that point, we would pay for their lodging and their room and board within Winnipeg or wherever the training was done.

Mr. Hickes: If it is not delivered by Manitoba Hydro, say, if it is delivered by Red River Community College or one of the other colleges, would that person still continue to be—I hope they would continue to be a Hydro employee—but would they continue to collect their salary, or would they be switched over to Manpower funding?

Mr. Brennan: Any Manitoba Hydro employee who is doing training at the request of Manitoba Hydro, which is I think what we are talking about here, would be paid for by Manitoba Hydro.

Mr. Hickes: I would just like to leave training for a few minutes here and look at—did you want to schedule another day? I am going into a new area anyway.

Mr. Chairperson: Does the committee agree to continue until 12:30? Agreed.

Mr. Hickeys: Now, I would like to pursue the role of the Public Utilities Board which is now expected because of the dismantling of the MEA. My knowledge of the Public Utilities Board and the relationship with or independently, Manitoba Hydro, is that it would review year-to-year changes in the electrical rates that would be solicited by Manitoba Hydro but also to pronounce on long-term capital expenditures and power exports. Is that the role of the Public Utilities Board?

Mr. Downey: Mr. Chairperson, I think, and I do not want to deprive the member of asking questions, I do not believe that it is probably an appropriate place to ask the questions, that is one of government policy.

Yes, the rates for Manitoba Hydro have been referred to the Public Utilities Board, as has the decision of government to refer the sale of the hydro product to Ontario.

That really is not dealing with the report we have, that is just the process.

Mr. Hickeys: Well I am just trying to get an understanding of how it works.

Mr. Downey: Yes, that is right. The project, the sale of hydro to Ontario has been referred to the Public Utilities Board for their comment and their review, as the annual request for an increase of Manitoba Hydro has been directed to the Manitoba Public Utilities Board for their regulatory approval.

Mr. Hickeys: Would the Public Utilities Board have access to the relevant data, projections, load forecasts and projected revenue requirements pertaining to export sales in order for them to come to their recommendation or disapproval of a project?

Mr. Brennan: We are talking two separate reviews that have taken place in the past. In the case of the rates review, we give them a financial forecast that was like what I reviewed with you very, very briefly. They take a look at our long-term financial forecast, see if we are going in the right direction, and then make a judgment about the current year rates.

In the case of the capital plans area, they were asked to do a specific function by government and were directed to do so. Whatever information they require to do that, we provide it.

Mr. Hickeys: What you are saying is that all information that is required by Public Utilities Board for Manitoba Hydro is accessed from Manitoba

Hydro. Everything is open to scrutiny of the Public Utilities Board before they make their decisions.

Mr. Brennan: I believe it is. In the past, we have had various items that were issues at Public Utilities Board hearings, but I do not remember any recently.

At the particular last hearing, Manitoba Hydro wanted to review some issues associated with an update on our capital plan hearing, and we were not allowed to do that, but that was us wanting to provide information that it was felt was outside the scope of the rate hearing.

Mr. Hickeys: I have heard that the review panel will be meeting next week on the environmental assessment hearings. Is that correct information?

Mr. Brennan: I believe workshops are taking place next week to review what the guidelines should be as to how the process should take place, what should be covered by the overall process.

Mr. Hickeys: Is the government intend to allow an environmental review panel to consider financial impact and environmental compensation on the deal?

Mr. Downey: Mr. Chairperson, with respect, I think these questions would probably be better asked of the Minister of Environment (Mr. Cummings), who is the minister responsible for the hearings that are taking place. If we can get that information for the member, we will but, again, it is not dealing specifically with the report that is before us.

We are the proponent of the project, not the regulatory body that is the approving aspect of it. I will get the information on behalf of my colleague for the member. I am quite prepared to do so. It is just a matter of the appropriate channel to go through.

Mr. Hickeys: I would just like to move on to The Energy Rate Stabilization Act. Under this act, what obligation does the province have to the foreign exchange pro or con?

* (1210)

Mr. Brennan: I believe the act has been repealed. The act is not in place at all right now. Manitoba Hydro is responsible for foreign exchange on any of its own debt. Having said that, during the repeal process, the government gave or was obligated to pay Manitoba Hydro's share of any foreign exchange losses that they had accrued in their accounts at the time the act was repealed.

Mr. Hickeys: Would you have the information, how much that would be, the amount would be?

Mr. Brennan: Yes, we can provide it. As a matter of fact, I think I can give it to you if you give me a minute. I will take a look in the statements here that are before us in this annual report. I can give you the figure at that point in time.

Mr. Hickes: That stabilization fund that was in place, the dollars were borrowed from various countries—Japan. There was a specific agreement there that under the agreement the only dollars borrowed from the United States were absorbed by Manitoba Hydro. Is that correct?

Mr. Brennan: Could you repeat the question, Mr. Hickes?

Mr. Hickes: Under The Energy Rate Stabilization Act, if the dollars were borrowed from Japan or various countries, if there was a deficit of the foreign exchange, it was picked up by the province but, if it was American dollars from the United States, that was absorbed by Manitoba Hydro. Is that correct?

Mr. Brennan: You are basically correct. What happened was, originally, when the act was brought in, the province of Manitoba assumed all foreign exchange risks that Manitoba Hydro had. The government of the day repealed the act. It was repealed actually by two different governments. The first repeal as I recall took care of the U.S. portion only and then the second repeal was the offshore, so it came in two stages as you seem to have suggested.

Mr. Hickes: The reason I was asking that is that before the act was repealed, if dollars were borrowed say from Japan to build a project and if there was an exchange deficit of say \$100 million and if the province picked it up, that would not give you a true reflection of the actual Hydro costs for ratepayers, would that?

Mr. Brennan: Not if that was the case. Certainly now Manitoba Hydro is responsible for all foreign exchange gains or losses. We have a program whereby we attempt to keep our foreign borrowings in line with our foreign revenue so that there is a natural hedge there, and we try to match the two. In addition to that we have no offshore exposure at all right now.

Could I just go back and answer your other question you asked? On page 44 of the annual report that the committee is considering, if you look under U.S. Debt, it says that the Province of Manitoba's obligation, which is recorded as a deferred expense, amounts to \$182 million, and in

1990, it was \$183 million. If that rate was in place at the time the debt matured, that is the amount that the government would have paid. At that point they were amortizing the foreign exchange loss over the remaining life of the debt, so that would have been a portion of it.

Mr. Hickes: Just to follow up on that, with Manitoba Hydro being responsible for the stabilization of the rates and the fluctuation of our dollar, whether it is versus Japan yen or the American dollar, which is now, if it is a deficit, it would be the responsibility of Manitoba Hydro to make up that deficit. Is that the way it is right now?

Mr. Brennan: Yes, it is, but I should point out two things. I pointed out what would happen in the case of the U.S. We try to make sure that our U.S. revenue equals our U.S. payments, both in terms of interest and principal repayments, so that they are totally matched and, if the foreign exchange rates change, there is no impact on Manitoba Hydro. That is what the intent of the program is.

In the case of offshore currencies, Manitoba Hydro's policy is to not borrow other than in Canadian or American dollars and everything else for the most part is unexposed, if you will. We have either converted them into Canadian dollars or have contracts. We have no exposure at all on offshore stuff now, and we do not intend as a policy to get into anything other than U.S. and Canadian dollars.

Mr. Hickes: Just to follow up on that question, without the province picking up the exchange rate now to reflect the true cost of generating power in Manitoba, that exchange will be built into the annual report to show the overall cost of Manitoba Hydro, where it could be, well, offloaded or shifted over to the government where it would not show in the overall cost of running Manitoba Hydro. Is that shown in the figures?

Mr. Brennan: Manitoba Hydro will be responsible for any foreign exchange gains or losses that occur from now on. We are trying to position ourselves such that we do not have any.

Mr. Hickes: If we get there, if Manitoba Hydro gets the go-ahead for Conawapa, the money that will have to be borrowed, will that be borrowed directly by Manitoba Hydro, or will that be borrowed by the government on behalf of Manitoba Hydro?

Mr. Brennan: At this point, it is probably premature. We have looked at both options. We have not borrowed anything in our own name, on a

long-term basis, since 1976. We have no difficulty with the way we borrow through the province's name right now. The rating is the same for both agencies.

We work very, very co-operatively with the Department of Finance and, at this point, there does not appear to be a benefit to do it one way or the other, but we will continually monitor that and see whose name we borrow it in.

When we looked at the Ontario sale and the type of capital requirements that were required for the project, through various investment dealers, we looked at the borrowing capability of the province and the projections for more capital. We thought, at the time, that there was adequate capital in Canada by itself for the requirements to build a project.

Mr. Edwards: Mr. Chairperson, as I recall, the slide presentation, it seems like a long time ago now, but we will see if I can recall it correctly.

As I recall the slide presentation, it was indicated that the Public Utilities Board reviewed this project and, when they did, they were told that the initial projection for Manitoba to need power without the sale was going to be the year 2000.

I look at the recent pamphlet that was sent out by Manitoba Hydro with their April billings. They seem to confirm that and indicate that at the time they felt that it was 1999. Their 1989 projection was that they would need the power in 1999.

* (1220)

Then it went to 2000. Then it appears it went to 2001. Now it is at 2011. I wonder if I can just get confirmation that that was the correct progression in terms of putting the date further and further back.

Mr. Brennan: I think you are mixing up with and without the sale. Maybe I could just do one. With the sale, we required—well, let me start without the sale first.

Without the sale, when Manitoba Hydro looked at the various options available to it, at that point we required some new source of generation or some other alternative such as a diversity arrangement to take care of the year 1999.

We then went through our process of coming up with a series of initiatives, such as a DSM target, the Thermal Life Assurance Program, the diversity arrangement, the majority of which deferred the need for new generation—or those three did. We also, at the same time, were trying to negotiate the Ontario sale. The combination of all those four

initiatives together deferred the plan from 1999 to the year 2000.

Then we went to the Public Utilities Board and looked at the 1990 load forecast. At that point, we are looking at 2000 with the sale; without the sale, we looked at various options, and we settled on 2002.

In actual fact, as I mentioned, we could easily—well, not easily—we looked at options that we could have achieved not building a plant without the sale to 2006 and 2009. Both of those options were cheaper than the 2002 option but, in the process of reviewing and trying to refine the options we would look at with the Public Utilities Board, it was agreed that the most reliable sequence for the Manitoba system was 2002.

Mr. Edwards: The 2011 date which we now have, that is extending the 2006 and 2009. That is, without the sale, without the construction of new facilities, we could get to 2011. I gather that that is premised in some part on the 2005 freeing up of another 500 megawatts at the end of our arrangement with the United States.

Mr. Brennan: You are correct. There are two initiatives in there. We also have, in 2002, a sale to Ontario of 200 megawatts that is blended into the new sale that started in '98, a five-year sale. Actually we had in that agreement that we could look at this particular sale. It was originally in that sale; it was just a commitment to look at things further. With those two initiatives—there is a diversity arrangement in there as well, 2003 I think, at the thermal plants.

Mr. Edwards: So the 2006 and the 2009 projections were put to the Public Utilities Board, as I understand it.

Mr. Brennan: Yes.

Mr. Edwards: The 2011, which is the current projection—the 1991 projection of course was not.

Mr. Brennan: It was considered within the range of sensitivities that were reviewed by the Public Utilities Board. They looked at higher load growth or lower load growth. They also looked at lower or higher DSM.

I believe it was reviewed by the Public Utilities Board. There were interveners that had a series of proposals and options that they wanted to have the Public Utilities Board look at that had an extensive amount of DSM. There were diversity

arrangements that were being extended, and I think they had no generation required into the 2022 or something, some such figure.

Mr. Edwards: Specifically, the board rejected those interveners' forecasts. They specifically rejected them, as I read the report, and found and in fact concluded, and I cite one of their conclusions at the end of the report, No. 6: The board accepts Manitoba Hydro's base-case forecasts for the purpose of generation planning.

Clearly they accepted your forecasts in favour as opposed to those put forward by the interveners.

Maybe I can just ask some questions. Maybe you can respond to that. The other thing I note that is at the beginning of the report, and it is the Executive Summary, but it is borne out by the report that the board considered projections of load growth which indicate that under Manitoba's planning criteria, new sources of generation will be needed to provide for Manitoba's needs in the early years of the next century.

The board finds that the criteria are appropriate and accepts the load forecast for the purpose of generation planning and then talks about a lead time of about 10 years.

As I read the report, they specifically talk about, and they are relying upon your best estimate at the time, which was the year 2000 figure that was actually put to the board, they looked also at the 2006 and the 2009. I do not see where they looked at the extension to 2011. Can you point me to an indication of where they did in one of the graphs? I do not pretend to understand—and certainly did not attend all of the hearings—all of the graphs, but can you point that out to me?

Mr. Brennan: We looked at a number of sensitivities. We looked at five times the amount of DSM, 10 times the amount of DSM, and I believe those were on the charts I showed you, so they did look at sensitivities for a various amount of DSM.

In addition to that, they looked at load forecasts that were both higher and lower than Manitoba Hydro as sensitivities. I believe they looked at what potential there was for variations in our load forecasts and concluded that we had the best Development Plan for the ratepayers.

Mr. Edwards: There is no question, however, that if the project is delayed—let me rephrase this. There is no question that as the load requirements go further and further back, that the length of time that

we in Manitoba can do without it, delaying the project becomes profitable. That is, the profit decreases as our Manitobans' needs go further and further into the future.

I am citing, and I will read you the specific statement if you want, from what was accepted by the board and put forward by Mr. Zaleski, who testified at the board, and is your Division Manager, Generation Planning.

Mr. McCallum: You are assuming that we are able to delay it. You are also assuming that we could do the same deal at another point in time in the future. The notion of sensitivity analysis is, you try various interest rates, inflation rates, demand growths, and so on. What you find when you do the net present value numbers is that the profitability in today's dollars of this project is not all that sensitive to the load forecast. Okay? It is not all that sensitive.

I suppose it would be impossible to get a slide back up here, but you recall that slide where they had all the yellow things going horizontally and at the bottom you had millions of 1989 dollars, and they had high and low, medium-high or medium-low load growth, and the yellow lines only went out a little bit? By considering the sensitivity of these various things, they by definition considered various dates at which Manitoba would need power.

Could you repeat your question again, too?

Mr. Edwards: Yes, and I appreciate that graph. I have had a look at it. I was looking for it in here, but it is in here somewhere, and I have had a look at it.

The question was that the profitability goes down as the projection for Manitobans' needs gets further and further into the future. Profitability goes down.

Mr. Brennan: If you take a look at that particular chart, you will find out that under some scenarios, it will go up, and some, it will go down. It just depends on what impact it has on generation requirements after that point in time. I think the bottom line is, you will find out then under all sensitivities, the economic benefit of the sale is very, very large.

* (1230)

Mr. Chairperson: Is it the will of the committee to pass the report at this time? The committee has not passed at this time. The time is now 12:30, what is the will of the committee?

Committee rise.

COMMITTEE ROSE AT: 12:30 p.m.