



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. Marcel Laurendeau
Constituency of St. Norbert*



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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
MALLOWAY, 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
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

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

Tuesday, June 2, 1992

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Marcel Laurendeau (St. Norbert)

ATTENDANCE - 10 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Enns

Messrs. Edwards, Helwer, Hickes, Laurendeau, McAlpine, Neufeld, Penner, Storie

APPEARING:

John McCallum, Chairperson, The Manitoba Hydro-Electric Board

Robert B. Brennan, President and Chief Executive Officer, Manitoba Hydro

MATTERS UNDER DISCUSSION:

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

* * *

Clerk of Committees (Ms. Patricia Chaychuk-Fitzpatrick): Good morning. Will the Standing Committee on Public Utilities and Natural Resources please come to order. We must proceed to elect a Chairperson. Are there any nominations?

Hon. James Downey (Minister responsible for The Manitoba Hydro Act): I nominate Mr. Marcel Laurendeau to chair the committee.

Madam Clerk: Mr. Laurendeau has been nominated. Are there any other nominations?

Seeing as there are no other nominations—

Mr. Jerry Storie (Flin Flon): I nominate the MLA for Lakeside (Mr. Enns).

Hon. Harry Enns (Minister of Natural Resources): I regretfully decline the nomination.

Madam Clerk: Are there any further nominations? Seeing none, Mr. Laurendeau, you are elected Chair.

Mr. Chairperson: Will the Standing Committee on Public Utilities and Natural Resources please come to order.

This morning, this committee will be resuming consideration of the March 31, 1991, Annual Report of The Manitoba Hydro-Electric Board.

When the committee met on May 26 to consider this report, opening statements were given by the minister and by the critics from the opposition parties. In addition, officials from the Hydro-Electric Board also gave a presentation to the committee when the committee rose. Members had been addressing questions to the minister and officials from the Hydro board.

This morning, we will now resume with the questions.

Mr. George Hickes (Point Douglas): Mr. Chairperson, I would just like to open—

Mr. Chairperson: Order, please.

Point of Order

Mr. Paul Edwards (St. James): With great patience, we all allowed the member for Point Douglas a lot of latitude in questioning. I have no doubt he has other questions, but I believe he questioned in excess of an hour at the last meeting, and I had just commenced a line of questioning which I would like to continue at this point and would ask your assistance in doing that.

Mr. Chairperson: To start with, the member did not have a point of order. I was not chairing the committee at that time. I will be looking into the matter over the next short period of time. I will also be chairing this committee in a fashion that there is no understanding between the members on the amount of time that they will be doing their questioning. I will be choosing which members will be doing the questionings at that time.

So the honourable member Mr. Hickes, at this time, and I will just look into it for a little bit.

Mr. Hickes: Mr. Chairperson, I am pleased to be able to address some of the problems that we face in the northern communities with the whole process of mitigation and compensation packages.

We just recently saw Split Lake community vote in their own community for a settlement. It was in the area of \$43 million plus the outstanding land. If you had looked at the cost of mitigation when the dam was first built, it would be almost impossible to predict that the damage caused in mitigation would be that amount.

So I have a few concerns about the whole mitigation process and the environmental assessment that will be going to the Public Utilities Board, because I think it is very important for them to look at the whole area of compensation when it goes to Conawapa and Bipole III.

Because of those concerns, and we know that the Public Utilities Board has to have independent information and make their own judgment independently without any influence from any participating party, Mr. Chairperson, I move, seconded by the member for Flin Flon (Mr. Storie)

* (1005)

WHEREAS the Manitoba Hydro Chairperson has written to the provincial government requesting that it not include the original 2001 capital decision in the environmental assessment or revisit the need for and justification of the Conawapa project;

THEREFORE BE IT RESOLVED that this committee recommend that the provincial government include in its environmental assessment of the Conawapa project all the environmental impacts, including all components of the proposed Conawapa project and the original capital decisions consistent with the government's stated policy of sustainable development; and

THAT the text of this motion be included in the committee's report to the House.

I would like the opportunity to speak to this motion.

Motion presented.

Mr. Hickes: The reason that we brought this motion forward is what I stated earlier, that an environmental impact study should be totally independent of any government or interest party participation. It should stand on its own and the environment committee should come back and give

directions appropriately to whatever their findings are.

I am very concerned. I have a copy of a letter from the Chairperson, J.S. McCallum, to the former Minister of Hydro. In this letter, it states very clearly the concerns that we raised today and why we moved this motion.

One of the things that I spoke about earlier was the whole compensation package and mitigation to communities, because that has to be taken into consideration and the Public Utilities Board has to have that information in order to make a sound recommendation to the government.

In this letter I will read to you, it states here: Conawapa Generating Station environmental licensing process—attached is a briefing note explaining in part how Manitoba Hydro is responding to the fact that environmental licences and approvals are expected to be delayed by about one year past the date originally thought to be achievable.

* (1010)

The conclusion is that a one-year delay in Conawapa is inevitable, is manageable, and probably even desirable. In contrast, our studies also indicate that any further extension in the licensing process causing Conawapa to be delayed to 2002 could prove to be unmanageable.

The predicted capacity in energy deficits in the period 2000 to 2004 would be so great that major expensive plant additions, such as gas combustion turbines, would be required. Consequently, in order to ensure that the 2001 in-service date is not jeopardized, the corporation considers it essential that the environmental approval process proceed expeditiously.

The Department of Environment staff have indicated a probable licence issue date of January 5, 1993, but have also indicated that this is only an estimate and that it could be later. In fact, the draft terms of reference for the joint federal-provincial review panel indicate something closer to April of 1993.

Our concern is that any delay beyond January 1993 would make it very difficult to achieve a 2001 in-service for Conawapa and that any significant delay would make it impossible. Our concern has been conveyed to the Department of Environment, but I consider this important enough to bring it to your attention now.

A second major concern related to the environmental review which I think you should be aware of is the proposed treatment of the Public Utilities Board Capital Plans Review. Manitoba Hydro's position, which again has been conveyed to the Department of Environment, is that the Public Utilities Board has fully and finally dealt with the question of the need for and justification of the project and that it would be inappropriate for the environmental review to revisit this issue.

In our opinion the draft terms of reference are not clear enough in this regard. Please let me know if you have any further information.

The reason this letter concerns us greatly is, this letter is giving direction to the Public Utilities Board and the Department of Environment to fast-track the environmental impact process. Also what it says is, do not revisit the original capital plans, and those initial capital plans had indicated that we in Manitoba would need the power in the year 2001. We heard at the last committee meeting that now it has been moved to 2012.

That raises red flags and also raises awareness that there is something wrong here when the chairperson has to send a letter to the minister outlining some of these great concerns that all Manitobans share today. The information that was given in 1989 and the information that would be given if the Public Utilities Board is revisited is very clear, that the Public Utilities Board would probably have different concerns and different thoughts than they had in 1989.

I am assured by this letter that the chairperson also has those same concerns. The reference to fast-track it, I think, is very inappropriate for any board member or any government official to make those recommendations to a minister and almost to interfere with the process. I think that is inappropriate and they have to stand on their own merit. [interjection] Well, you can speak to that, because those are my remarks and we have a chance to debate this resolution. I welcome information.

Mr. Edwards: I am prompted to remark that the member for Point Douglas has experienced a conversion on the road to Conawapa, and what a conversion that is. As members will recall from his speech a few months ago, this is the member who said: Build it, and the sooner the better and the bigger the better.

This is the member who said: What environmental problems, the riverbanks are high, there are no environmental problems. That is what he said in his speech a few months ago.

Mr. Hickes: I have always said, do it right.

* (1015)

Mr. Edwards: Oh, yes, that is right. He said: Do it right, but I have been up there and the riverbanks are high. We do not have to worry about environmental problems.

That is what he said. He criticized our party's position, that we should take a second look at this because of the revised demands.

He said: They do not understand the North, they do not know what is happening up there. We need the jobs and we need them soon.

That is what he said.

Mr. Chairperson: Could I have the honourable members tone it down just a little bit whilst Mr. Edwards is going forward with his speech.

Mr. Edwards: The member for Point Douglas (Mr. Hickes) has had a long time to put his points on the record. I would like his attention, albeit it may be difficult for him to listen. The fact is, the member for Point Douglas has repeatedly said that we do not need to concern ourselves with the environmental assessments which are needed, the delays involved in that, all of the economic concerns which are brought into this.

The North needs the dam. That is his thesis. That was his thesis in the last election. I had the opportunity to speak with him publicly on platforms at that time, and this issue was referenced. It was referenced repeatedly by him in this House. I gather his fellow colleagues have reined him in and had him take a different tack. I appreciate their efforts, because I think he is on the right tack in this respect.

The fact is that the substance of this motion has been articulated by the Liberal Party for about a year and a half. The fact is that in view of the revised Estimates, in view of the evidence given at the Public Utilities Board hearing, and some of it I have referenced, and I intend to reference more of it if I ever get a chance to question the Hydro officials, but the fact is that in view of all that we should take a second look, and we have put that on the record for months.

The second look should be back to the PUB, who did the initial one, in view of the revised estimates.

It is not appropriate for an environmental panel to look at the nuts and bolts of the financial viability of the deal, which was clearly articulated by the Public Utilities Board, that they did not consider environmental cost, they were there to consider the advisability of the deal from a financial perspective only.

It should go back to the Public Utilities Board in view of the revised estimates, and of course we look forward to the further revised estimates which are scheduled to come out this month, of the load forecast. I suspect that they will be farther back than 2011 or 2012.

Mr. Chairperson, we provided this government with the opportunity to use what little leverage it had, the only leverage it had to attempt to renegotiate this deal with Ontario, to put back the construction of Conawapa based on the very clear evidence put forward by Manitoba Hydro, which we think was pretty clear at the hearings, to the effect that savings result from deferred generation additions.

They also result from deferred transmission and distribution additions. They also result from the changed operation of the system, and Mr. Zaleski pointed that out. He is quoted on page 9 of Chapter 8 of the Public Utilities Board report specifically as saying that if the load growth were lower, then future expansion plans would be delayed and, therefore, we would have savings. That is what he said at the time. We are taking him at his word as Manitoba Hydro's representative on that issue and have suggested that we attempt to delay construction of Conawapa in view of Manitoba's own load forecast, which delays our need for the power.

It may well be that we can supply the Ontario deal and still put off, delay construction of Conawapa. That is another option. There are two. One is to attempt to delay and renegotiate the deal to delay construction of Conawapa. The second would be to delay Conawapa and assess whether or not we can meet the obligations under the contract even leaving the contract in place as it stands.

* (1020)

What we are vehemently opposed to and have said many times is exactly the trap and exactly the folly that the NDP led the people of this province into in using Limestone to kick-start the economy at a time where the maximum potential profitability of Limestone was not reached, was not met because of the political imperative of an ensuing election.

That was the politics played by the New Democratic government, and they paid a heavy price for that, and the people of the North paid a heavy price for that. In this, I do agree with the member for Point Douglas when he said at the end of his speech, and this is February 24, he bemoaned and lamented the desperate circumstances of northerners and pointed out that Hydro had taken and not given in kind.

He talked about the need to pass on to future generations not just a legacy of exploitation of the resources of the North but a legacy of contribution to the northern economy. He was obviously being critical of his own party and his own party's activities in the North.

They have been active in the North throughout most of the Hydro development. They have been the government in power. He is correct; their legacy is not a good one. If anything, the NDP have shown us how not to develop in the North. So I appreciate his candidness on that issue in his February 24 speech, and I call him to continue in this vein, that it is time to rethink, in view of the load forecast projections, which are constantly changing. It is time to rethink whether or not we are maximizing the profitability of this project by adhering to the schedule we are on now.

It is our view that the Public Utilities Board has the expertise and the knowledge, and I note that the New Democratic Party supported this being assessed for its financial viability at the Public Utilities Board. They were supportive of that approach at that time. Sending the financial and economic questions to an environmental panel is not appropriate.

They are there to assess what the environmental impacts are. The Public Utilities Board should be given a second chance to review this in view of new information which is substantially different than that that they had before them when they first reviewed it.

Mr. Chairperson, those are my comments on this bill and, as I have said, I welcome the member for Point Douglas so clearly changing his mind on this issue. I am pleased that his caucus colleagues have obviously influenced him in the direction he is now taking.

Thank you.

Mr. Enns: I do not want to call into question your ruling on the acceptance of this motion. I agree that committees can consider almost everything, but it is

questionable whether or not this is the appropriate place to be discussing this kind of an issue.

I think honourable members appreciate that what will or will not be referred to at the Public Utilities Board, what will or will not be referred to at Clean Environment Commission, the joint federal-provincial panel with respect to Hydro's future construction plans will be decided in the main by those bodies.

I believe right now within the Environment shop a procedure is taking place. I think in their jargon they called it scoping or getting the guidelines of what precisely the panel will be considering, a fairly elaborate process engaged in public meetings, calling on different interested parties, including Manitoba Hydro, to express their concerns and points of view as to what should constitute a set of fair and complete guidelines for the coming environmental hearings with respect to the Conawapa project.

The point, Mr. Chairperson, is that this committee is structured, this committee is brought together to consider the Annual Report of Manitoba Hydro. Within that, there is certainly lots of room, lots of scope to discuss all plans that Manitoba Hydro has. I do not object to the observations made by my friend in the Liberal Party Mr. Edwards or indeed to the motion itself as such.

It is simply that it is not, in my opinion, the task that this committee is charged with with respect to other agencies of government, whether it is the Public Utilities Board or whether it is the Clean Environment Commission, over which this minister and Manitoba Hydro, certainly in itself, have no final say or authority.

*(1025)

In other words, the adoption of this report is a relatively meaningless gesture other than an expression on the part of members opposite. I suggest to honourable members opposite and the mover of the report that this may well be a legitimate motion to put forward in the House. It may well be a legitimate position to put forward to the minister responsible for the Public Utilities Board. It may well be a legitimate position to put forward directly to the government, to the Premier (Mr. Filmon) in whatever form that the members of the opposition choose.

It is somewhat diverting the purpose of this committee to deal with it at this level. This committee here is expressly charged with the

responsibility of examining the affairs of Manitoba Hydro as presented to us in this 40th Annual Report. Mr. Chairperson, I would suggest that we get on with it.

Mr. Storle: First of all, I would like to deal with the member for Lakeside's suggestion that this is not the appropriate place perhaps for this particular resolution. The fact of the matter is that we are here today also discussing, I guess, the future of a project that is important in one way or another to the future of Manitoba.

What is at issue here, I think, is two points: the commitment on the part of the government to have a clear and independent environmental review of this project, not only the construction of the generating station itself, but the construction of the transmission line.

Clearly, one of the components of that review has to be, I guess, the question of environmental costs because, regardless of how benign we might believe the development of the generating station is or finding a way for a transmission line, there are always costs.

My colleague from Point Douglas I think quite eloquently pointed out that in the 1960s, when the member for Lakeside was involved in the planning of a major diversion of water, the major creation of a water reservoir in northern Manitoba, little was understood, I think you will agree, about the long-term impact, about the possible impact.

Mr. Enns: You are wrong. A great deal was understood. The politicians of the day screwed it up.

Mr. Storle: Well, Mr. Chairperson, that may be the subject of a whole new set of memoirs that we have not heard about in the past. I certainly look forward to those memoirs from the Minister of Natural Resources (Mr. Enns). If he knew that they were screwing up, it was not part of the public record of the day.

My point is that, certainly from what I have read, there was very little appreciation then for the fact that the mercury contamination would be the level that it is, that it would have the staying power, the longevity, that the impact would be so pervasive, in effect.

This project, we had hoped and the government had promised, would be the most thorough and comprehensive review of any project of this scope certainly in Manitoba's history. We commended the

government for that. We said we wanted to be a part of that, that if we are going to proceed, given all of the questions about exporting power, for example, for profit, we wanted to know the scope of the deal, how it would impact on Manitoba Hydro ratepayers. We also wanted to know with some degree of certainty, to the extent that we can have certainty in these kinds of issues, what the environmental impact would be and what more importantly the environmental costs would be.

Referring back again to the experience of the '60s and '70s, I do not think Manitoba Hydro ever anticipated that the compensation issues that they would be dealing with would be not in the tens of millions or the hundreds of millions but possibly billions of dollars over the long term. We are now at a point where compensation is known to be, between the three parties responsible, certainly in the hundreds of millions of dollars.

The problem is that we are now involved in a project that has its own set of risks and, as my colleague from Point Douglas has pointed out, perhaps the most risky is the transmission line issue. I do not think that we have adequately addressed them, so that is point No. 1.

* (1030)

Point No. 2 is the question of the independence of this review. The environmental panel is intended to provide an outside view. We are going to have interveners, interest groups present their views, but I think it begs the question of whether this panel should have the right to review the costs of the environmental impact, the long-term costs, whether it is the cost of finding a way to repair a spawning ground or repair a calving place for caribou or the impact on a community as Bipole III passes that community.

There are many, many factors that have to be considered, and they have a financial impact. If they have a financial impact, they have a financial impact not only on the Province of Manitoba, but on Hydro ratepayers and, in effect, on the net benefit of this sale, so the two things are linked.

We have a memo from the chairperson of Manitoba Hydro which could lead one to the conclusion that the chairperson and Manitoba Hydro are trying to direct the Department of Environment.

On a number of occasions in this memo of March 21 is reference to the fact that the Department of Environment has been made aware of Manitoba

Hydro's concern. Well, what does that mean? Is Manitoba Hydro attempting to impose its will on the Department of Environment? Are they putting pressure on the minister to do certain things that are in the interest of Manitoba Hydro and not in the interest of a clear overview of this project both in terms of its environmental impact but, we say, in terms of its environmental costs as well. On a couple of occasions that is referenced.

We know that the Minister of Environment (Mr. Cummings) has had some concerns about the scope that is going to be given to the environmental review panel. We know that the minister had some concerns about the support that interveners get in this process.

What we have said today is, contrary to what the member for St. James suggests, not any conversion at all but a recognition that the government and Manitoba Hydro appear to want to ignore factors that have cost the province in the past and cost Manitoba Hydro. That is the question of mitigation of damage, the cost of mitigation compensation where that might be due. The two things—

Mr. Edwards: We have got to do a better job than you did.

Mr. Storie: The member for St. James goes on to say we better do a better job. I would be the first one to admit, as other governments admit, that nothing is ever perfect on a project of that size. I also hope the member for St. James will acknowledge that the record and the last dam is better than the previous one, and the record there was perhaps better than the previous one before that. What we are looking for is a sense that these things are improving. We have a government that has stated its commitment to this process, to full open public review of the economic benefits of this project.

I think that this motion simply says that the economic benefits of this project cannot be disentangled for the question of mitigation of damage and compensation questions for individuals, communities, whatever. That is why the recommendation is here.

The motion is certainly in order because we are asking the government, who directs in one way or another Manitoba Hydro, to ensure that this process is open and above board and that every possible link between the economy and the environment are reviewed and that the scope of the hearings that are taking place tomorrow, that those two things are not

separated. We want that to be clearly on the record. If the government chooses not to, to pretend the two things are not linked and should not be reviewed in conjunction, then we think that is a mistake, and that is what we will be asking the committee to do.

Certainly in the final analysis it may be that the economics of the sale and the economics of the deal, when you include the environmental impacts, can be supported. That, in fact, may be possible but, if we are going to do the process right, as my colleague from Point Douglas suggests, then we have to it right, and it has to appear independent.

The PUB has not, in its own words, done any kind of thorough analysis of the long-term compensation questions with respect to environmental damage. It would be foolhardy for us to proceed in the belief that that had been done, and that is why this panel should review it.

So I think that rather than take up a lot of the time of the committee, I think that we should simply pass the motion that is requesting the government to ensure that this happens. If the government does not follow the wish of the committee, clearly that is its decision and there is nothing that members of this committee can do, but I do not think anybody can say that these two things are not linked and that the environmental review process, the scope of these hearings should ignore the economic costs of the environmental intrusion in the equation.

Mr. Chairperson, I think we should just get on with it and call the question and let us get it over with.

Mr. Downey: Mr. Chairperson, I will be brief. I cannot speak in support of the motion. I will make a couple of points. The letter that is referred to by the chairman of Hydro was sent prior to the establishment of the Clean Environment Commission and the work which they are doing. I think it would be inappropriate at this time to interfere with the environmental scoping and the activities that are being carried out. I think that it would be inappropriate for this committee and the government to interfere in a process that has been established and understood.

Mr. Chairperson, I disagree with the member's comments that Hydro and governments did not know the magnitude of some of the costs. If he would refer back to the Neilson report, I believe it projected something like probably a \$500-million cost to past activities.

What I see taking place here is a possible concern by the mover of the motion and a reaction to a vote

that took place yesterday in the Split Lake Cree community to accept a settlement for an outstanding claim which has been worked on for some 15 years. I appreciate the members are saying that it is good, but possibly that appears to have initiated this motion by the member for Point Douglas.

As I indicated, I think it would be inappropriate for us, as a government and a committee, to interfere with an established process that is out at the current time scoping. I think it is clearly indicated by the Public Utilities Board.

I will conclude my remarks by saying that this is what the Public Utilities Board finding said: The development plan—and this is a direct quote—the development plan emerges as the scenario best likely to entail substantial environmental difficulties and costs.

That was a statement made by the Public Utilities Board when they came forward. So I think there is a clear statement from them.

Again, Mr. Chairperson, I am not going to challenge your ruling as to the appropriateness of this resolution at this time, but I do think that there are more important issues in the 1991 Hydro-Electric Board report that we could deal with. There will be appropriate opportunities during the coming months, both before the environmental review panel to put forward the environmental concerns that individuals of the society have.

The Public Utilities Board has made its judgment and its ruling and it has been favorable, so I rest my case.

Mr. Enns: I agree with the member for Flin Flon that it is pointless to prolong this particular debate, but I object to history revisionism whenever I see it, whether it is done by the CBC or by the member for Flin Flon. I believe it is important to put it on the record.

The implied suggestion by the member for Flin Flon is that Manitoba Hydro really did not know what the hell they were doing in the 1960s; the implication is that they had no concept of the environmental problems and others associated with it. For the record, Mr. Chairperson, that simply is not the case.

* (1040)

Manitoba Hydro knew a great deal of what it meant to modify water regimes in the North. Hundreds of thousands if not millions of dollars were spent studying the question in the mid-'60s. Hydro's conclusion, Hydro's management to the

government of the day was not to use Lake Winnipeg as a Hydro reservoir, not to cause any environmental damage at Cross Lake, not to cause any damage at Split Lake, not to cause any flooding at Norway House.

For all of the reasons that have now come to fore, Hydro's recommendation to the government of the day, a government that I was privileged to be part of, is, if you are going to do some environmental damage, then for God's sakes limit it to one controllable area where there was, in fact, not a large settlement; there were people there, and I am referring of course to South Indian Lake.

They specifically recommended to government that we ought not to in any way harm or jeopardize the regimes around Cross Lake, Split Lake. There would be no need for a \$47-\$48 million settlement at Split Lake had that advice been followed by the government. That advice was, by the way, accepted by the government of the day. In fact the bill was brought into second reading stage to pursue that course, which would have saved harmless the communities of Cross Lake, Split Lake, Norway House.

A lot of the environmental damage that the member for Flin Flon now speaks of could have been prevented. I just simply want to put on the record that Manitoba Hydro management knew that. Manitoba Hydro management made that recommendation to government at that time.

That advice was ignored and altered and seriously modified. So it does Manitoba Hydro a disservice to suggest, as growing members are beginning to suggest, and that is what I call revisionist history, that paints Manitoba Hydro in a position that they really did not have any idea that there was going to be the kind of environmental impact to the projects that they were engineering and promoting back in the early '60s and throughout the '70s.

Once severely modified and, quite frankly, once severe political interference entered into the picture, we ended up quite frankly with the worst of both worlds. We did the environmental damage at South Indian Lake through diversion and then added monumentally to it by the use of Lake Winnipeg as a reservoir, when we started building eight-mile channels, then affecting the regimes at Cross Lake and at Split Lake.

Let me put on the record, that was not the recommendation of Manitoba Hydro to government

in 1968. They wished to avoid, and it was not necessary for their plans. So I have some problem with allowing those kinds of remarks being put on record without at least some attempt to revisit the actual goings-on that took place at the time.

All of these matters are, of course, on the record. The recommendation by Manitoba Hydro was clear and precise: Do not touch Lake Winnipeg, do not touch Cross Lake, do not touch Split Lake. Restrict the environmental impact of the modification of the water regime to one area only, namely that of South Indian Lake.

Mr. Edwards: One brief comment I noted from reading the resolution closely is that the idea here is that the original capital decisions are referred to the environmental assessment. I note now that I have had a chance to review the mover's comments in the House on February 24, 1992, the following quote: "A lot of those figures have changed"—and he was talking about the load forecast—"Why can we not have the real figures of today presented back to the Public Utilities Board and see what they say to us? We asked the minister during Question Period last week. I asked the minister and he . . . had stated, we have the figures, we do not need to go back for hearings."

The member clearly articulated at that time their desire to send it back to the Public Utilities Board. If he has come to the recognition, which I appreciate that he has, that this needs a second look, the Public Utilities Board is the appropriate body. He had it right on February 24, 1992, and today, in an effort, I guess, to either tie this into the relevance at this committee hearing or just generally to make some kind of a show, he has come up with this motion. It goes part way but, as per usual, it does not reflect either what he said in the past or what is prudent and sensible.

Mr. Storle: Mr. Chairperson, just a comment with respect to the issue of the damage that was done to Cross Lake. The member for Lakeside is right as far as he goes, but what he will also acknowledge is that there were tradeoffs, that in fact the flooding would have been much more extensive in South Indian Lake had that particular path been chosen, so that there were decisions to be made in terms of the scope of the flooding, the damage to the natural environment. Like the decision that was made earlier not to regulate Lake Winnipeg, the decision to regulate Lake Winnipeg was made in view of some other considerations.

My point was not that Manitoba Hydro did not understand at all the nature of the flooding, where the high water mark was going to be, how much land was going to be flooded. What they did not understand, I believe, adequately is the cost of compensating and how the costs would increase over time.

I do not believe they understood all, clearly, of the biological impacts of their decision. I am not suggesting that they could have. Some of them only became apparent as time wore on.

The minister referenced the fact that Manitoba Hydro knew the cost when the Neilson commission made its report on the Northern Flood Agreement and, of course, that was in 1985 or 1986, more than a dozen years, 15 years after the fact. That is the point I was making today, that it is not going to be good enough to say 15 years down the road, oh, those are the environmental costs that we should have been looking at. That is why the scoping hearings can be considered important.

The member for St. James, I think again his computer memory is gone, because when the issue of I guess the reliability of Hydro's load forecast and demand-side management forecasts were raised, our Leader suggested it go back to the PUB right away, but we are at a point now where we have an independent set of hearings being developed on the environment.

I do not know whether Mr. Edwards believes that the environment and the costs of environmental mitigation and damage are somehow untangled from the question of whether this is a good deal for Manitoba. He may believe those two things are separate. I think history proves him wrong.

Mr. Chairperson, the environmental hearings are now, and we have a memo from the chairperson of Manitoba Hydro which says that he is concerned about these things being reviewed.

An Honourable Member: What is the date on it?

Mr. Storle: March 21st. Prior to the hearings, I acknowledge, certainly, the chairperson of Manitoba Hydro clearly knew these hearings were coming, expressed his concern. I am not suggesting he directed the government to interfere at a time when there were no hearings. I am saying he has laid his concern at the feet of government, and he says in his memo he laid it at the feet of the Department of Environment. I am saying these two things are linked.

The member for Lakeside has given us the historical overview of the fact that these things are linked, and all we are asking for the government to do is not interfere, but to ensure that the scope of the hearings is broader than simply the question of, is there going to be damage?

The question is, is there going to be damage? To the extent that we can quantify it, how much is the damage going to be? How is it going to impact the future of Manitoba Hydro rates in our province? I think it is a straightforward question, and let us dispose of the matter.

Mr. Chairperson: Is the committee ready for the question? All those in favour of the motion, please say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, please say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the nays have it. The motion is defeated.

Mr. Edwards: Mr. Chairperson, at the end of the last sitting of this committee considering Manitoba Hydro, I had just spoken to Mr. McCallum, who had responded to my question about Mr. Zaleski's statement, and I have put it on the record again this morning at page 9 of Chapter 8, as recounted by the Public Utilities Board. That statement, just to refresh members' memories, is to the effect that, in defining avoided cost, he said it is recognized that we must expand our generation and transmission system to meet growing loads. If the load growth were lower, then future expansion plans would be delayed and therefore we would have savings. He goes on and explains that in greater detail.

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

* (1050)

Mr. McCallum had indicated to me, in response to my question about whether or not that was an accurate statement, that in fact saying it would save money assumes two things. It assumes that the Manitoba Hydro was able to delay the project, and it assumes that we could get the same deal. I want to leave those two assumptions aside, and I intend to deal with them, but I want to ask him again or ask representatives or you, Mr. Minister, whether or not that statement by Mr. Zaleski remains as true today as it was then.

Mr. Robert B. Brennan (President and Chief Executive Officer, Manitoba Hydro): I believe when Mr. Zaleski made his comments he was talking about a sale case and what would happen if in fact the sale was required or the plant was required and still make the sale later. His comments are correct today as they were then.

I think there seems to be a difference of opinion as to these two dates in question. When I reviewed it during the presentation, we appear to be linking the dates with and without the sale as if they were one situation. I believe I said at the time, without the sale right now, new generation would be required in the year 2011. With the sale, it was 2001, and that is still the situation today with the last year's load forecast.

The Public Utilities Board did look at alternatives. Those were 2006, 2009, and they were cheaper than the 2002 date.

Mr. Edwards: Mr. Acting Chairperson, can the officials here tell us, based on current projections, when the latest date for the construction of Conawapa could be while still honouring the Ontario agreement?

Mr. Brennan: At this point it is 2001. We are in the process of going through our planning process now, and there is a possibility of it still remaining at 2001. There is also the possibility it could be pushed back to 2002. That is what Mr. Zaleski was referring to when he made his comment, by the way, and that is what happened when we moved from 2000 to 2001, and that happened after the PUB process.

Mr. Edwards: Assuming then construction of Conawapa at 2001 or 2002, when does construction have to begin?

Mr. Brennan: Mr. Acting Chairperson, 2001, we would like construction to begin during the summer of '93; and 2002, it would be '94. Now, that is with the current construction schedule. We are reviewing the schedule.

Mr. Edwards: It takes eight years for Conawapa to get into production from commencement of construction?

Mr. Brennan: That is correct, under the present schedule.

Mr. Edwards: Is the schedule then substantially different from Limestone in terms of the rate at which construction proceeds?

Mr. Brennan: Yes, very definitely. At the time we started construction, an awful lot of the

infrastructure, in the case of Limestone, was already in place. Limestone was originally started in the late '70s, and then it was put on hold in '77 or '78.

Mr. Edwards: The mandate of Manitoba Hydro, as I indicated at the beginning of my comments, is quite clearly, as recounted in the Public Utilities Board, to first and foremost meet Manitobans' needs for energy. Of course, that is the basis upon which the various dams have been constructed.

It is my view, in any event—there may be members or people who can correct that or take issue with it—but if the construction of Conawapa is not required for Manitobans' needs until 2011, is the corporation Hydro still of the view that the best situation is to proceed on schedule for supply of power in the year 2001 to Ontario? Is that maximizing the profitability for Manitobans and the reliability of energy source to adhere to that time schedule even with the revised load forecast? Is that the position of Manitoba Hydro?

Mr. Brennan: Yes, based on last year's load forecast and the new DSM conservation targets that are higher, 2001 is the appropriate date for requiring it to make the sale.

We are in the process of reviewing that now. We are looking at construction schedules as well and, of course, the load forecast is another consideration.

As I mentioned, there were other considerations that may cause us to advance plant, and that is the new dependable energy figures that we are going to be using this year for both the Saskatchewan River as well as the Winnipeg River.

Mr. Edwards: If Manitoba Hydro could, would they seek in any way to delay construction of Conawapa and push back the start of the contract with Ontario? Would that increase profitability?

Mr. Brennan: If we could push back a generation and still maintain the contract with the date we have, it would significantly increase the profitability. That is what Mr. Zaleski was saying. If you are talking about some form of renegotiating the contract, I think that it is just hypothetical and we do not know.

Mr. Edwards: No question it is hypothetical, because no renegotiation has been attempted. Is that correct?

Mr. Brennan: That is correct.

Mr. Edwards: I saw a legal opinion which was tabled in part by the former Minister of Energy and Mines. It came from a firm, I believe it was Blake

Cassels in Toronto, perhaps another firm. Is the corporation prepared to substantiate its desire not to renegotiate by tabling that legal opinion in full?

Mr. Downey: Mr. Acting Chairperson, the member is well aware of the fact that we have signed an agreement with Ontario Hydro and Manitoba Hydro which was concurred in by two governments, by the provincial government of Ontario and the government of Manitoba.

Subsequent discussions with the Hydro authority of Ontario and with Manitoba have confirmed that both parties—both parties—are in agreement to proceed with that signed agreement, that it is in both their interests. There has been no desire by either party to renegotiate. As far as the tabling of the document is concerned, the member has received the information which we feel is in the interest of the government and Hydro to table and nothing more.

Mr. Edwards: Does the minister dispute then or take issue with—I assume he does—the indication from the former minister and the indication from others that, in fact and of course, it is substantiated by Mr. Brennan's comments that profitability would be greatly increased, that it would be in Manitobans' interest to renegotiate the deal? Does he suggest that the statement recently given by Mr. Brennan is incorrect?

Mr. Brennan: I did not say that. What I have said was, if in fact we could delay generation and still have the contract in place, it would increase the profitability. In terms of negotiating a deal, I think we could in fact lose money. There is a risk of the contract not being as good. Certainly, we know what the economy has done to load forecast in Ontario. I do not know. There is certainly a risk to renegotiating.

Mr. Edwards: Mr. Brennan has put clarification comments on the record. I take him to be saying that if we could maintain the contract, and Mr. McCallum referred that as an assumption, maintain the contract in essence but delay, push back our obligation to build it, to supply that power, in other words delay the supply of that product, that would increase profitability.

Mr. Brennan: Yes, and that I believe is what Mr. Zaleski was saying as well.

* (1100)

Mr. Edwards: Flowing from that, the only way—as all members know, that contract includes a set schedule of supply of energy. It is spelled out

exactly, what year, what amounts. If we could push that back to years further into the future, thereby increasing profitability, would that not be a wise thing to do?

Mr. Downey: Mr. Acting Chairperson, I am of the opinion that we have an agreement that was satisfactory to two jurisdictions, both the governments of Ontario and Manitoba and Ontario Hydro and Manitoba Hydro, a set of projections taken by two bodies which entered into a contractual agreement which both were satisfied with at that particular time.

I have had nothing, as the minister responsible, to change my thinking as to the viability and the procedure that was carried into at that time either from the Crown corporations or the other government that is part of this deal. So I feel confident in the proposal that is being presented.

I feel confident in the contract that has been entered into that it is profitable, and the amounts of revenue that the province of Manitoba through Manitoba Hydro will generate, the job of putting more money on the bottom line for them and having a plant fully paid for in the year 2022, I believe is good public policy.

(Mr. Chairperson in the Chair)

Mr. Edwards: The minister has talked about profitability and viability. He said that they are sufficient to meet his criteria. I do not dispute that this arrangement remains profitable. What is being disputed is that it is in any way being maximized for its profitability. There is an obligation on Manitoba Hydro and an obligation on this government to maximize the benefits flowing to Manitobans from development of northern resources.

The clear indication is that there could be, it is conceivable, a greater profit. In fact, it is likely there would be a greater profit if the supply of power, the dates which we are obligated to supply power, were pushed further into the future.

With that in mind, can the minister table the response of the lawyers who supplied the first opinion, to the opinion which was supplied to him also by an Ontario firm, on the assumption that it is likely that any dispute or any attempt to legally define whether or not Ontario had met its obligations to ratify the contract would occur in Ontario? Can the minister table a response to that? He has now had it, I believe, for five months. What is the opinion of Manitoba Hydro's council on that opinion?

Mr. John McCallum (Chairperson, The Manitoba Hydro-Electric Board): Is what you are asking about that the revenues from the sale be renegotiated, or not even renegotiated, just moved out further in the future and that the construction also be moved out an equivalent amount in the future? Are you then arguing that the net present value in 1992 dollars goes up as you do that? This is a real important distinction.

Mr. Edwards: I am arguing a number of things, but that is certainly one of them and I would appreciate your comments on that.

Mr. McCallum: Why would you argue that that would happen, because you have revenues further out, which is what you really like, the revenues, not the cost. They are being discounted from even further out in the future at the same rate, and the same costs are being discounted from further out as well but not nearly as far out as the revenues. My experience with these kinds of equations and cash flows is, you will not get very much effect on the net present value at all.

Now, what I thought you were talking about was if we hold the sale fixed, in other words, it starts at whatever date is in there and it stays like that, so we get those revenues locked in. Then you move the construction period out a year. Then you get big increases in your net present value, but of course you would get that, because you are discounting costs that are now one year out and your revenues have not moved out in the future.

The problem for the corporation is, it takes eight years to build the project. If we could do it, the best way to do this project of all would be to wait till 2002 and then build the whole project in one day, because then we would have all the costs out there in 2002 being discounted from 2002 as opposed to 1993, '94, '95, '96 and so on. You are into a real complex area of what they call capital budgeting decision making, and these cash flows behave in very, very predictable ways.

Mr. Harold Neufeld (Rossmere): Mr. Chairperson, I guess I have to say something about economists and present value. First of all, nobody understands present value. What people understand is the dollar that comes into their pocket today and the dollar that goes out of their pocket today.

The real difference in postponing the project to a time when it is needed domestically would be that the sales would be made at retail rates as opposed

to interruptible rates. That is a real difference to the extent that we will have energy to sell in the year 2005, and it will not be before 2005, because that is when the Northern States Power sale falls off the table.

The difference is 2005, so between 2005 and 2010, when those 500 megawatts fall off the table and we have ability to sell only at interruptible rates, there will be a great difference in the revenue to the company. If we start talking present value, I am sorry, Mr. McCallum, but I think you will leave us all, unless you are an economist, to understand it.

I would also like to say that at the time that we entered into an agreement between Manitoba Hydro and Ontario Hydro it was felt that it was a good deal for both utilities. Both governments agreed. Whether or not now there is a legal opportunity for one or the other governments to sidestep that agreement I think is incidental. You have a moral obligation to follow through with an agreement that you entered into whether or not one side can sidestep it. Unless both sides want to agree to start over, I do not think it is morally right for one side, be it Manitoba Hydro, to try to sidestep the agreement regardless of the legal opinion that the Liberal Party might have.

I have talked, while I was still in office, to the minister responsible for Energy in Ontario, and they had no desire to sidestep that agreement. They said, we have a deal. I think those were his words, and he was quoted in the Winnipeg Free Press as such: We have a deal.

So those are my comments, Mr. Chairperson.

Mr. McCallum: Mr. Edwards, in this job of chairman, I think the responsibility I have is to make sure that proper processes for evaluation are being followed. I sure agree with Mr. Neufeld that the net-present-value concept is not one that comes naturally to people. I have taught this for 22 years and not very many students like the subject very much at all.

The fact of the matter is, though, that in the conventional accepted literature of how you evaluate projects of this nature, that is the accepted way and has been since the middle-1950s. What I would want to assure this committee or people in general is that in my judgment the corporation followed a process that was conventional and proper.

They analyzed the project using this net-present-value method, which is the

conventional way. The fact that the net present value is positive assures, if you have done your numbers properly, and I believe we did, that the revenues will be there to discharge the financial obligations, mainly interest, associated with the project.

Mr. Edwards: I do not take issue with the fact, as I have said, that this is going to be a revenue earner. That is not disputed. What is disputed is the profitability level. There is also an obligation on Manitoba Hydro and those involved with it and the minister to ensure maximum profitability within the parameters of a reliable energy source.

We only have certain limited resources in the North, and we have an obligation to maximize their profitability. My question flowing from the minister's comments is: If we have an excess of 500 megawatts in 2005, if we could delay the obligations to Ontario until 2005, we could delay construction of Conawapa until probably well past 2005.

If Manitobans' needs are starting to kick in in 2011, we have 500 megawatts excess power to flow through to Ontario to make up our commitments there. Of course, there is a gradation of increase in the amount we have to give Ontario presently. It would be advantageous in terms of profitability to delay, if possible, the obligations under the contract with Ontario.

Mr. Downey: Mr. Chairperson, a brief comment as it relates to this—for the first time in the history of Manitoba, the proposal of Manitoba Hydro has gone before a third party to pass judgment as to the viability, to the profitability and to the doability of a major project, which came back with a positive report that it was the proper and right thing to do, not a political decision, as has been made in the past, not a decision made by elected people. This was made by appointed, third-party individuals who have a responsibility to fully scrutinize what was presented to them in the fullest and most thorough manner.

* (1110)

I am satisfied in the report of the Public Utilities Board that we are, given the numbers and the situation that was presented to them and to us, maximizing our opportunities as a province as it relates to the Ontario Hydro sale.

Mr. McCallum: Where we finished a week ago was talking about that chart that had all the yellow lines going out, and I have it here. I do not know if you

want to pass them out. I will just wait until you get it.

What this is is a summary of the sale-benefit sensitivities. Across the bottom are the Ontario sale benefits in millions of dollars in 1989 net-present-value dollars. What we have tried to do here is measure the sensitivity of that profitability to each of the things that can happen—capital costs can change and discount rates can change and so on and so forth.

There is no one more concerned, I suppose, than I am that these numbers come in in the way that they are supposed to come in. There are an awful lot of people who have done an awful lot of projects in business over the years where they have not done the numbers right, and they all of a sudden find that they did not do the numbers right when they do not have the cash flow to discharge the payments that they have associated with the project.

We were really concerned in 1989 that the world would change. We were sure it would change. What we did was we played these games on the computer of various worlds that this project would be undertaken in. One of them was the load growth, which is the sixth line down. What this suggests is, the sensitivity of the net present value to a changing load growth is very, very modest.

My experience in 20 years of this stuff is that inevitably the thing you are most sensitive to is interest rates. You change the discount rate that you use and you have an enormous impact on the net present value. That will generally be the greatest sensitivity of a project, that if the rates get very, very low, the thing starts to look a lot better and, if the rates get very, very high then, of course, you have a big problem.

I was actually, when I saw this, surprised at how small the effect of load growth on net present value was but, if what you are aiming at is optimizing net present value based on Manitoba Hydro's estimates of load growth, it would suggest that the effect of load growth—that there is not much to optimize.

In short, the timing of the project is not all that affected by the load growth if your criteria is maximization of the net present value. If you change the criteria, you may get a different result.

Mr. Edwards: I appreciate those comments and that clarification. I would like to put on the record another quote from Mr. Zaleski. This is page 7 of chapter 15 of the PUB report: If recognized soon enough and the need for the new generation is

moved to beyond 2000—which is what I am suggesting—Conawapa and Bipole III could be delayed with a net saving over current expectations. There could be domestic rate savings resulting from plant deferral as well as upward rate pressures due to the distribution of the same revenue requirements over fewer kilowatt hours.

It goes on to say: If the low load growth were not to be recognized prior to commencement of Bipole III and Conawapa, then the options would be either to complete them on schedule and market the surplus or to delay completion until necessary as, for example, occurred with Limestone in 1978, that the choice would depend on the circumstances at the time.

I recognize what you are saying, Mr. McCallum, that other things have a lot greater effect than load growth predictions, and that is what this chart proves to me. We cannot predict or particularly have an effect on the discount rate. We cannot predict or have a large effect on the greenhouse effect, other things in here. One of the things we can do, or you purport to do, is predict load growth.

My question remains, if we could put the need to supply Ontario back to 2005 from the present 2000, the profitability of Conawapa would be increased because we would not have to build it until well after 2005 to meet the demands of that arrangement.

I am cognizant of what the minister says about, a deal is a deal is a deal. I heard him on that, but I want the answer to the question as to the greater profitability that would accrue were we able to put the deal back.

Mr. Downey: Mr. Chairperson, again, what has been said, and I will state it again, we have not got the hypothetical situation that the member brings to this table. We have a contractual agreement to provide a thousand megawatts of power through contractual arrangements which Manitoba and Ontario Hydro entered into in good faith, the governments of Ontario and Manitoba entered into in good faith.

The Public Utilities Board has demonstrated that it is a profitable and good deal for the people of Manitoba. I do not have the privilege of the hypothetical presentation of the member for St. James. What we have is a contractual arrangement which has gone through an assessment, which is demonstrated to be, if the member was paying attention to the presentation the other day, of benefit to Manitobans and Manitoba Hydro.

It is now going through an environmental process, which is another process that has never happened before in such a development that is taking place. I am satisfied on behalf of the people of Manitoba and as the Minister responsible for Hydro that the proper procedures have been followed and that the outcomes of those procedures—we do not have the outcome of the environmental work, but we have the outcome of the Public Utilities Board—that it is in the interest of Manitoba. You can bring all kinds of numbers, theories and thoughts to the table, but we cannot change the fact that we have a deal that was accepted by two parties, and do not want to.

Mr. Edwards: You could have changed that but you chose not to. Mr. Chairperson, the minister is satisfied, I am well aware that he is satisfied with this deal. He does not need to reiterate that.

We are here and we are entitled to determine whether we are satisfied. That is what I am questioning about, and I would appreciate an answer to the question which was put specific to the issue of delaying construction to 2005 or delaying the need to supply Ontario the power until 2005. I would appreciate an answer to that question in particular if the projections of increased profitability can be given in that scenario.

Mr. Brennan: I can only offer my opinion. I have no idea whether we would do better or worse, like, I really do not.

Knowing what I know about the economy in Ontario right now, we would probably do worse, but that is not very well calculated, it is just an opinion. I think overall the economy has impacted southern Ontario pretty dramatically, and I think we would be worse off, but it is not based on any sort of a rational amount of work or anything like that it is just an opinion.

* (1120)

Mr. Edwards: Do worse in what sense? In the sense that we would do worse when we went back to renegotiate in terms of the price we would get?

Mr. Brennan: Yes, that would be my gut reaction, if you will.

Mr. Edwards: The question was, if we could maintain the quantities and the price, just assume that we could delay it, and that is an assumption which Mr. McCallum put at the outset, but you are in no position and neither is the minister to indicate whether or not that is a reality, a real possibility in these circumstances.

What I am asking is a comment on two quotes in this report which were relied on by the PUB which specifically state, the profitability increases if we can delay the generation. I would appreciate an answer to the question which has been put, which is that, if we could delay it to 2005, would we be better off?

Mr. Brennan: I just do not know. If it was the same terms and conditions, we would have to look at that. I would not think there would be much difference, but I have no idea. We would have to do some work to take a look at that.

Mr. Edwards: Would you take Mr. Zaleski's word for it, that in fact there would be net savings?

Mr. Brennan: I agree 100 percent with what Mr. Zaleski said, but he is not saying the same thing as you said. He said, what would happen if we delayed generation and kept the contract in place, so then we would get the revenue and we would not have the costs.

It does not matter if you talk the present value or Mr. Neufeld's way of doing it, on your operating statement, you would not have the interest and depreciation related to the plant. We would be way better off under Mr. Neufeld's way and we would also be better off under Mr. McCallum's.

Mr. Edwards: If Manitoba's load growth has now gone to the year 2011, why is the need to build Conawapa to supply Ontario still at 2001?

Mr. Brennan: As I mentioned before, the Public Utilities Board did look at two other options without the sale. They were 2006, 2009 and 2002. It was agreed that we would use the more expensive option of 2002.

The impact of load growth for Manitoba load, which is about 75 megawatts a year, in that neighbourhood, is relatively small compared to the Ontario sale, but anything we can do to push back a plant Manitoba Hydro should do, because it is in the ratepayers' interest. It is even better if we can do it and at the same time keep the agreement in place. We are really well off if we can do that, especially from a ratepayer's perspective.

Mr. Edwards: The Manitoba demand or requirement for additional power going essentially 12 years, from 1999 to 2011, in the last three years of predictions has had really no effect on the need to build Conawapa to supply the Ontario contract. Is that the position?

Mr. Brennan: There appears to be some confusion about these 2002 or 2006, 2009 and 2011. Those

are the same comparable dates. When we went in 1990 to the Public Utilities Board, we were looking at dates at that time, without building new generation, of 2006, 2009, so we have not made a big change. That was the point that Manitoba Hydro tries to make, but it does not—like, we do not seem to do a very good job of saying that.

Mr. Edwards: In particular, since you published a pamphlet which went out with your April billings which suggested that you had thought in 1989 and based your presentation to the Public Utilities Board on a 1999 requirement—that was in a pamphlet which went out and I can find it in here where it is reflected in the Public Utilities Board. I appreciate you put different scenarios to the Public Utilities Board, but it is my reading of this that in fact what was the best guess, the best estimate, and maybe you can take issue with this, the best guess at the time was right around the year 2000.

Mr. Brennan: When we looked at what we would have to do in 1989, we looked at a series of initiatives, and I believe I reviewed the initiatives. If you take a look at only some of the initiatives, some of the initiatives have the impact of deferring plant, some advanced plant. The only one that really advanced plant was the Ontario sale. The Ontario sale, you know, without considering anything else, you would have had to build for.

There were other initiatives, such as DSM, that we have gone from—at the time, in the fall of 1989, we had a target of 100 megawatts. We have since increased that in our last forecast of 285 for the year 2001. We have also entered into a diversity arrangement with the U.S. utilities for 300 megawatts, and that has the impact of deferring plant. These were all looked at at the same time and came together at the same time, so this combination probably, including the Ontario sale, had the impact of deferring plant by one year at the time we did it.

So, if you take a look at some that defer, you can say that but, when we were looking at what we were going to have to do with only considering our Manitoba load, we would have required a new plant in the year 1999, and that probably moved back to one year.

Mr. Edwards: Given the recent indications from Ontario Hydro that demand for electricity is expected to rise only 1.5 percent, just less than half of the 3.1 percent that they had been expecting, is it not reasonable to assume that Ontario Hydro may

now be wanting to delay supply of the Conawapa project to them?

Mr. Downey: Mr. Chairperson, on two separate occasions we have had indication clearly from Ontario Hydro that they want to proceed with the purchase of the hydro without any hesitation. That is on two occasions in discussions that we have had with the head of Ontario Hydro.

Mr. Edwards: If in fact, though, and I appreciate the minister putting that on the record, if in fact the arrangement, the supply of power could be put back to the year 2005 with the same time frame and the same supply numbers, it would increase profitability in Manitoba.

Mr. Brennan: I am sorry. I did not hear the question.

Mr. Edwards: I see Mr. McCallum was—perhaps he heard the question and can answer.

Mr. McCallum: I think the question you are asking is: How would the net present value of this change as you moved out year by year in when you started to deliver and when you started to build? Is that not correct? Is that right? What you are suggesting is that Manitoba Hydro should try to maximize that.

We do not know the answer to that, and I would suggest that no one knows the answer to that, because it has not been run. We have somebody we have done business with on the other side, and it is not a normal contractual arrangement that you do the deal and then they say, well, now, you can pick the time that it starts and maximize your own net present value.

That is really not a way that one negotiates but, if your point is correct, in other words, if the equations work in the way you are suggesting, and I am suggesting we do not know but, if they work in a way such that the net present value rises, if you put net present value on this axis and you put years you delay on this axis, and you are saying that the thing looks like this, if that is the case, and I underline it, because I do not know but, if that is the case, the conclusion is that you should never build because you can always wait one more year and get a higher net present value.

Mr. Edwards: Is the conclusion not that you should never build before you have to build?

Mr. McCallum: I think it means you never build if we go back to what you suggested, that you are a net-present-value maximizer, which Mr. Neufeld is not.

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

* (1130)

Mr. Edwards: At some point you have to build to meet your commitments, and that is what we are talking about. The commitments are twofold: (a) to Manitobans, first and foremost; (b) to your export obligations. Nobody is suggesting that we do not need power at some point. I think the conclusion that you never build is not relevant.

The point is, at some point you are going to have to build. The point is, based on my reading of what Mr. Zaleski said and what you have said, if, and I acknowledge you are saying—I do not read Mr. Zaleski as saying if—but if you are saying if, the point is, you do not build until you have to build. Is that not the point, Mr. McCallum?

Mr. Downey: Mr. Acting Chairperson, it is a matter of, I think, getting into a matter of making a decision or the ability to make a decision and taking all factors into consideration that you make that decision on. That is what has taken place.

If we had not gone out or if the previous administration, who the Leader of the Opposition credits with having started discussions with Ontario, if all those things had not taken place, to go out and sell a product which we produce here and enter into an agreement which was reviewed by a third party, determined that it was a profitable project, determined all of the things that were necessary for decision making, the decision was made, was taken.

That is what we are prepared to live with as a government. That is why we were elected. That is why the Hydro Board are appointed and management are there, to run a Crown corporation. The decision was taken.

The member for St. James (Mr. Edwards) is bringing all kinds of additional scenarios to the table which, quite frankly, yes, we can run all kinds of numbers on them, but we cannot project some of the things that may happen with outside forces, but we know, given the information we have had, given the reviews that had taken place, that it is the right thing to do, and that is why we have taken the decision that we have.

Point No. 2: We believe, I believe as a minister, because we have currently the lowest posted hydro rates in Canada that we are not going to sit and not

seek industry and people to come and use hydro in Manitoba.

A good example: Dow Corning, with a pilot project here which, if proceeded with, could well go to 100 megawatts of consumption a year if in fact proceeded with.

The experimental work is taking place, Mr. Acting Chairperson, currently in discussions with the western provinces, which well could take some of the production that is being developed in Manitoba. There is another unknown quantity that is not being talked about here, and that is the demand that we could well use in Manitoba and/or other jurisdictions that may well want to buy our power.

We are working, as I said, from the lowest published power rates in the country. We are working on a projected increase in power rates that is better than any that I have seen in the country, particularly Ontario, where you are looking at 11.8 percent this last year opposed to 2.65 in Manitoba. That is based on the lowest rates.

Industries I believe are looking to reduce and lower their costs of doing business. Some industries are heavy hydro users, electricity users, so I anticipate that there are several other forces at work here that well could be on the positive side of making this a better deal.

One other point I will make, Mr. Acting Chairperson: If you look at what has happened to the interest rates and the costs of building Limestone compared to what the costs could well end up being with Conawapa, it is again a positive for proceeding with this project.

One of the things that has made Limestone as profitable as it is is the fact that the cost of building it, the taking advantage of the time factor when it was built, have lowered the cost of that project and subsequently the cost of the product coming out of it.

I think that we are erring on the side of safety in a financial way on behalf of the Manitoba Hydro users and on behalf of the Manitoba taxpayers.

I believe it is the time, given all the background and all the information we have, after the environmental work is properly done, to proceed in the interests of Manitobans. That is what I am elected to do; that is what I am appointed to do. I plan to proceed to act responsibly on behalf of the taxpayers.

The Acting Chairperson (Mr. McAlpine): I am just going to make this comment. I want to be able to hear all members of the committee. I will recognize Mr. Edwards at this point, and then I will recognize Mr. Neufeld and then Mr. Storie.

Mr. Edwards: Mr. Acting Chairperson, as I said earlier, I have no doubt that the minister thinks this is a great deal. That is not my role here nor really his to tell us that. We know that he stands behind it. It is not news. The issue is whether or not the best deal was gotten in the circumstances. The issue is our obligation to ferret that out and to find out whether or not that is accurate.

Mr. Acting Chairperson, for the representatives of Manitoba Hydro here, I want to ask them again, and it flows from the statement Mr. McCallum gave that he was not sure whether or not profitability would increase, whether or not he agrees with what I have said, which is that the fact is, if, as he says, profitability increases with the number of years you can push back the obligations in this case, then the latest year that we had to build it would be the best way to go.

I am leaving aside what the minister has said about safety of supply and all that. He paints the rosy picture of, the economy is going to take off, and you know the Minister of Finance (Mr. Manness) has been doing that for three or four years now. I do not put a lot of stock in that if we are building this based on the future rosy picture that his government is going to bring in, because they have done nothing but the opposite.

Would Mr. McCallum be prepared to continue our discussion and address that, that the best-case scenario is to build it at the last possible date that you have to to meet the mandate of the contract and of the need to supply Manitobans power?

Mr. McCallum: I am starting to get my mind around this a little bit, the problem you are raising.

What you are suggesting is, this is the real heart of what you are suggesting, that the net present value goes up as you push everything out year by year for a while. Right?

Mr. Edwards: Yes.

Mr. McCallum: This is a real extreme example, but let us say you had a choice between spending a dollar next year and getting a million dollars the year after, or spending a dollar in two years and getting a million dollars the year after that, in three years. Which would you intuitively pick? You can spend a

dollar next year and get a million dollars back on your investment in year two, or you can spend a dollar in year two and get a million dollars back in year three. That is pushing things back.

Mr. Edwards: With respect, the whole point here is the evidence, which is clear, that in the year 2005, we are going to have a surplus of 500 megawatts which we are going to have deal with on interruptible rates. The former minister has said interruptible as opposed to retail. If a deal comes up between now and then when we can sell it as firm power and get a higher rate, the point is, going ahead with Conawapa, we do not have a lot of leverage, I would assume, to get top dollar, because people know we are going to have it and it is going to be surplus, but carry on, Mr. McCallum.

Mr. McCallum: The issue you are dealing with is, does the net present value rise as you push this thing out year by year.

Mr. Edwards: For this deal.

Mr. McCallum: That is right. I am saying, we are not sure of that, because we have not run that kind of an optimization, but what I now am convinced of is, it is not even true that with hypothetical cash flows that if you just starting pushing everything out year by year that you will get a higher net present value.

I leave this room and everybody will invest a dollar today and get the million dollars back as quick as you can. Intuitively, you know the net present value to that beats the net present value to waiting a year to get that million dollars. I do not think the net-present-value function even behaves in this way. Do you agree with that?

Mr. Brennan: This is without doing a computer run, but my immediate reaction is, if you took all the conditions associated with the sale and all the conditions associated with the revenue coming in and all the costs associated and, if they were just pushed back five years, what would happen? Off the top of my head, it seems to me that there would be no difference in their bottom line.

* (1140)

The plant would cost more because of inflation but, assuming everything was the same as what you assumed in the base case, it sounds to me like nothing would be different. The question is: When do you want to capitalize on the benefits of the sale?

Mr. Neufeld: Mr. Acting Chairperson, we have to, I think, go back to the time when the Ontario Hydro agreement was signed. At that particular time, it

was felt that about the year 1999, and Mr. Brennan can correct me if I am wrong, we would require energy for our own use. It was felt that 1,000 megawatts would be sold and roughly 300 megawatts would be retained for our own use, which would be at that time approximately three to four years increased usage for Manitoba.

Since that time, either because of stepped-up conservation efforts or because of reduced, in any event, usage because a diversity exchange agreement, as Mr. Brennan has already mentioned, for 300 megawatts has been signed, that time has been postponed to several years. So we can still provide Ontario Hydro with the energy they require under the agreement in the years 2000 and 2001 even though Conawapa will not be operative.

If we lived in a perfect world, ideally, as we sit here today, we should have an agreement with Ontario Hydro for fixed sale starting in the year 2005 with approximately 500 megawatts, reducing each year by the amount of Manitoba's increased usage.

Then we would have by the year 2010 or 2011, the entire Ontario Hydro sale would be completed. In the year 2011 we should then have Conawapa operative, at which time we should sell Ontario Hydro 1300 megawatts, reduced each successive year by the amount of the increased usage from Manitobans.

That would be a perfect world. Unfortunately, not too many of us live in a perfect world, and we have to live with the decisions that are made at the time when we have the information available. The information that was available dictated that Conawapa should be ready for operation by the year 2001 and that is the scenario we are working under today. I do not think we can change that unless we can change the Ontario Hydro sale and you already know how I feel about that.

Mr. Storle: Mr. Acting Chairperson, I think we appreciate this sort of discussion. I just want to be clear about why Manitoba Hydro has been telling us now that Conawapa will not be needed for domestic consumption until 2011. I think Mr. Brennan said that it was because of demand-side management efforts, which have been more successful than perhaps originally anticipated; because of the diversity exchanges, which were signed after 1989, I understand, the additional diversity exchanges; and because of changes in load growth. Those three factors have pushed back the need for Conawapa for domestic consumption.

Before you answer that question, I think it begs the question of why we are involved in the sale to Ontario. Perhaps that is what has created the confusion here, that initially, when Manitoba Hydro, including the former Minister of Energy and Mines and Minister responsible for Hydro, talked about this deal, it was talked about building Conawapa to meet the needs of Manitobans. It was not until almost two years after the deal was signed that in fact the current chairperson of Manitoba Hydro said, Conawapa is needed for export. We are building Conawapa to meet the requirements of this sale. That is sort of the history.

I find it intriguing—I do not know where my colleague from St. James is coming from. This is a business deal. This is signed. I do not know a deal that has ever been signed by two parties where one party said, well, gosh, things are looking better for me now, I should have waited. You can always say, what if things have changed?

Mr. Edwards: You did not rely on a breach?

Mr. Storie: The only scenario—[interjection] Well, the member for St. James wants to say there was a breach. Obviously, both parties have to first of all agree that there is a breach or one party has to—[interjection]

Well, the point of the matter is that this was a business deal and Manitoba Hydro's obligation and the government on behalf of the people of Manitoba was to decide whether there was a net economic benefit to this deal and to maximize that benefit. I think at the time that was the goal of Manitoba Hydro, so talking about renegotiating and changing the scenario is only possible if both parties agree. I think the member for St. James will agree with that.

It is always possible to wish that things had been different and say, well, I would like to restructure that. The point is, however, that we are now into a position where the government and Manitoba Hydro have explicitly stated that we are selling this for export. There is a net economic benefit, given the current structure of the deal.

We would like to believe that is true. Manitoba Hydro has tabled this summary of sale-benefit sensitivities. It goes through a whole range of different elements that could affect the net benefit. The one that is obviously missing, of course, is the question of environmental compensation, that in fact Mr. McCallum suggested that probably the discount rate is one of the most significant factors which impact on the net benefit. Obviously, that is

the case unless, of course, you talk about the environment.

We are now talking about a net benefit of some—well, sort of the base case is some \$700 million in 1989 present-value dollars. If we had used these assumptions for the development of the first dam on the Nelson River, when we created all the damage in South Indian Lake and Cross Lake and so forth, the net present value would not have been \$700 million if we followed the same scenario, because the environmental costs are going to be \$500 million.

Earlier we had a motion to say, let us look at the cost, let us put the environmental costs, to the extent there are any, into that equation. I guess my first question is: When is Manitoba Hydro going to, firstly, firm up the question of environmental cost, and when are we going to see some projections which impose that obligation into the question of net benefit sensitivity?

Mr. Brennan: I think I would like to clarify one thing. The Public Utilities Board did look at environmental cost. They asked us how much we had in our estimates, and I believe the number came out to be \$53 million or something for all costs associated.

We relied on our Limestone experience in going through Limestone as to what the impacts were, and certainly we used that in our estimates, and came to the conclusion—and the \$53 million I believe is only generation related. We also provided estimates within the cost of the transmission line as well, and we believe that mitigation costs and environmental costs generally are well included in all our estimates.

There is no doubt, with the passage of time, just the time-value of money has increased the cost of mitigation by itself.

Mr. Storie: Mr. Acting Chairperson, Mr. Brennan mentions the fact that some \$53 million was identified as the mitigation costs for the generation portion of protection of banks and erosion and so forth. Perhaps he can identify what the mitigation compensation costs might be for the bipole line.

I guess it raises the question again, given our history of whether in fact we have contemplated all of the potential impacts, all of the potential costs. You know, we are entering an era where we understand more quickly the implications of such things as the electromagnetic fields of high-tension wires, high-voltage wires passing communities, impacting on wildlife.

I mean there are a whole host of potential impacts that I do not believe have been thoroughly reviewed. Now that is the job of the environmental panel. That is the whole question that will be raised at the scoping hearings when they try to define what their goals will be, but does it not seem wise to try and attach more firm, more comprehensive environmental costs to those and then plug them back into this?

* (1150)

The final question is: Given the fact that the PUB did look at Manitoba Hydro's, and I emphasize that these are only Manitoba Hydro's estimates of the mitigation costs, where are they on this sensitivity? Where are they reflected in terms of the sensitivity to the overall benefits of the package?

Mr. Downey: Mr. Acting Chairperson, I will make a brief comment and then Mr. Brennan can respond in more detail. I guess the member is referring to past costs as it related to environmental activities. I think if one were to go back to looking at the past damages, it was not the bipoles or the high-voltage lines that have caused the majority of costs to the province and to Manitoba Hydro, it has been the physical structure and the implications of water flows, particularly Cross Lake, where we have seen the reversal of seasons in Cross Lake—a major, major change to that whole community—not the power lines, but the impact of water flows and regimes.

Looking at Conawapa, we are looking at a somewhat different, and I do not believe it is our place as a committee to do the work of the environmental panel. That is what they are out doing now, scoping, and will be making their assessments.

Mr. Acting Chairperson, I will let Mr. Brennan respond to any of the numbers that are available, but I do not think it should be left on the record that it is seen and stated by I believe the Public Utilities Board that it probably has the least environmental impact of any project to date, and the dam itself and the water regime have very low impact on the environment.

Mr. Brennan: I think if you refer to the chart in front of you, you can see what happens if the entire capital cost changed by 10 percent, if it increases or decreases by 10 percent. Overall, in relation to the \$700-million present value in 1989 dollars, it is a pretty small figure.

So I do not think it is very sensitive to that. The real sensitivity Manitoba Hydro is concerned about is what happens to the real rate of interest in the long term over the construction. That fluctuates every day and, hopefully, we will be better off than where it is, and we could gain. A reduction in the real rate is really beneficial to us.

Mr. Storle: Mr. Acting Chairperson, to put it in perspective, as we proceed in this project, if we were to find that the environmental mitigation costs were to approach \$550 million, which would be 10 percent roughly of the total capital cost of the joint project, that that would only change the net benefit negatively approximately 10 percent. Is that your contention?

Mr. Brennan: I am not sure if it is 10 percent, but it looks like it is close to that. It is a little hard to read within the chart, but you appear to be close.

Mr. Storle: The former Minister of Energy reminds us that it would also be the cost of borrowing, which would add another 10 percent to that. I raise that as an issue because we are talking about a lot of money potentially. No one knows the scope.

The Minister responsible for Hydro says, well, it is not anything like what was done in the past and that there are not going to be the same water reservoir needs in this project, but we are building a transmission line that will have environmental impact, and we are building it some 20 years after the last one. We all know the requirements, the sensitivities that people and groups have toward environmental degradation of any kind are much more obvious and much more persistent and that there may be environmental questions raised as a result of the development of this transmission line that were not raised in the past.

Who knows what an environmental panel, what courts might decide are reasonable "mitigation" efforts when Hydro crosses a stream or disrupts an area of the province that is particularly sensitive. That is why I say that this committee today, I mean, we presented a resolution asking the committee to give the environmental review panel the scope of saying, let us look at the economics of this, too. Unfortunately, the government members and the Liberals have said, no, that is not important.

Given the scope of the compensation issues in the past, the potential for compensation issues arising which perhaps could not be foreseen, I do not think it is unreasonable to ask them to look at the economics of environmental impact as well as

they go through this review. I guess we will only know, unfortunately, some years down the road whether in fact we should have been taking a harder look at the economic impact of what we are proposing in terms of its environmental costs at some stage.

Mr. Acting Chairperson, those are the only questions I have on this section.

Mr. Hickes: I just have a couple of areas that I would like to cover. One area I would like to get some information on is the accident that happened in Grand Rapids. I would just like to ask Mr. Brennan, what was the amount of dollars spent on maintenance in Grand Rapids last year?

Mr. Brennan: Just before we start that, I think the last time we got together, Mr. Hickes, you asked me some questions and I went away to get some responses for you as well. Could I provide those?

I think the first thing you were asking me about was, had we any involvement with Evergreen School Division? I do not think I was very clear as to whether we had or had not. I looked into the situation and, in actual fact, we had. The Island Lake communities or the north central communities sent 11 trainees down to Riverton to their resource centre there, the Continuing Education Intervention Centre, and had a program whereby these people would be made ready for jobs with Manitoba Hydro and whereby they could get involved in some ongoing permanent jobs that would lead to careers with Manitoba Hydro.

I think there were 12 people started, 11 graduated. The funding was provided by the federal government for this particular program. The individuals were guaranteed jobs with the corporation and went to work with us immediately.

In addition to that, the communities involved or their development corporation also paid for the cost of an elder to be with the people during their education process.

So I do not know if that helps you, but I think that relates to what you were asking.

Mr. Hickes: Just a very quick response to that, I am really happy to hear that. Those are the kinds of initiatives that in my initial questioning I was looking forward to. It shows a commitment and also it shows the opportunity for aboriginal people to gain meaningful employment with Manitoba Hydro. I find that your response to my question is very encouraging.

Mr. Brennan: You also asked me some questions regarding the number of aboriginal people or individuals holding senior classifications within the corporation. We identified 40 of 252 aboriginals. That is as at March 31.

You also asked the question about representation by headquarter zone for some of our various sites, and I believe you asked for Gillam, Limestone and Thompson. There are 31 aboriginals in Gillam out of 310 employees; seven aboriginals out of 79 employees at Limestone; and 19 aboriginals out of 110 employees at Thompson.

Mr. Hickes: I will not follow up on that. What I would like to just ask is to the Grand Rapids accident. My initial question was the cost of the maintenance last year and, obviously, you will know what my next question will be, the cost of maintenance for this year. Could you have figures of both?

* (1200)

Mr. Brennan: No, I will have to provide them for you, Mr. Hickes. I do not have them on the top of my head.

Mr. Downey: Mr. Acting Chairperson, I think what the member is trying to get at is as to what responsibility Hydro carries out to make sure that the plant is up to snuff. I understand that there was a complete overhaul to have taken place of this particular unit within a short period of time. Is that correct? What were the plans for upgrade or work on the Grand Rapids project plant prior to this accident taking place?

Mr. Brennan: All the units at Grand Rapids were being looked at. This particular unit that suffered the difficulty was a unit that we were planning to have a major overhaul in two years, but regular maintenance is still done all the time. Regular preventative maintenance is done on an ongoing basis.

Mr. Hickes: Just to cut my questioning short, what I was getting at was to see if Manitoba Hydro has cut back on maintenance personnel as a cost-saving measure. So just to make it very quick, that was the direction of my questioning. So if you could provide that information for me in the future, like how many maintenance people you had on staff last year and how many you have on staff this year, I think that would be about the extent of my questioning.

Mr. Brennan: We will certainly provide that for you.

Mr. Hickes: The last area that I would like to cover is, I found it very interesting when Mr. Brennan stated that the conservation targets are now higher than they were last year. What are the new conservation targets that Manitoba Hydro has set?

Mr. Brennan: The new targets that we set as a result of our extensive review is 285 megawatts by the year 2001.

Mr. Hickes: What would that come to percentage-wise?

Mr. Brennan: The demand at the time I believe in the year 2001 was close to 7 percent.

Mr. Hickes: The reason I asked that is that if you recall last year when we were in committee, we had proposed a motion to look at increasing the demand-side management from 2 percent that was predicted at that time to 6 percent and, of course, that motion was defeated here. From the much more aggressive actions of Manitoba Hydro, I feel very strongly that higher conservation measures could be met with a little more emphasis on the demand-side management.

With that, I would like to move, seconded by the member for Flin Flon (Mr. Storie),

WHEREAS Manitoba Hydro has established a formal conservation target of 2 percent and is working towards a target of 6 percent; and

WHEREAS other electrical utilities in British Columbia, Ontario and Quebec have established conservation targets far higher than the Manitoba target; and

WHEREAS Manitoba should be making similar conservation commitments for environmental and fiscal reasons.

THEREFORE this committee calls upon the provincial government to request that Manitoba Hydro set as a target energy savings by the year 2001 equal to 10 percent of projected energy load; and

THAT the text of this motion be included in the committee's report to the House.

The Acting Chairperson (Mr. McAlpine): Order, please. I have the motion here in front of me, and I have been instructed that the committee can request the provincial government to request that the Manitoba Hydro set the target.

An Honourable Member: So we request the provincial government—

The Acting Chairperson (Mr. McAlpine): Is there agreement that that be amended? Agreed and so ordered.

Is there a debate on the motion?

Mr. Downey: Mr. Acting Chairperson, the difficulty I am having is to really try to establish in my mind where the member for Point Douglas is coming from with his newfound tactic to come to committee. This is the second proposal by resolution that he has introduced today. It seems to me as if the flagship or the political flag of the member is either starting to droop or wane or something, that he is now coming to this committee with something to try and get some attention to him and his political party, his political career to get attention.

Mr. Acting Chairperson, I can assure the member that the chairman of Manitoba Hydro, that the president and the executive vice-president of Manitoba Hydro, sitting here listening to the member for Point Douglas, listening to the member for St. James, are hearing you.

It would have been quite appropriate to come forward and suggest, recommend, put on the record the support of the request for Hydro to move to a higher level of conservation. To do it formally by a resolution, which really is interfering, I would say, not that we are—we are not against conservation. In fact, what Hydro has been saying through and through and what I have been saying through and through is, we firmly believe in the conservation practice. It just makes good economic sense, it makes good public policy sense, it makes good sustainable development sense.

(Mr. Chairperson in the Chair)

I really do not know what the whole objective is. I thought the objective was to review the report of 1991 but, if it is a continuation of political posturing by the New Democratic Party, I can tell you, the public are tired of it. I can deal with it, that is part of what I am here to do, to be a politician, but the public quite frankly are tired of it, genuinely tired of the game playing of politicians. That is what I see this as.

I do not see the sincerity of the member for Point Douglas in what he is presenting. What is he saying? Whereas Manitoba Hydro has established a formal conservation target of 2 percent and is working towards a target of 6 percent—that is accurate, fine. Whereas other electric utilities in British Columbia, Ontario and Quebec have established conservation targets far higher than the

Manitoba target—well, as far as I am concerned, I leave it to the management and to the board of directors to run Hydro.

Yes, we can verbally say to them that we appreciate what they have done and maybe they could go higher, but this is a resolution of a committee that is directing the government to politically influence them.

Floor Comment: No, a request.

* (1210)

Mr. Downey: Yes, it is.

I will just further add to this that the chairman of Hydro has been saying in all of his speeches, essentially the corporation will be aggressively pursuing all cost-effective conservation programs. So they are doing it without the interference.

Whereas Manitoba should be making similar conservation commitments for environmental and fiscal reasons—well, they are moving to higher targets. Again, this committee does not have to direct them. I will continue to debate the issue.

I have no problem with telling the members of this committee, the chief executive officer and the chairman of the board to proceed to reach for greater targets. I can tell you as well that the motion is incorrect. I would hope that the members would not want to support an incorrect—the first WHEREAS, Manitoba Hydro has established a formal conservation of 2 percent and is working towards, not a target of 6 percent, but a target of 7 percent. So they are higher. It is an inaccurate presentation.

Then he says, therefore this committee calls upon the provincial government to request that Manitoba Hydro set as a target energy savings by the year 2001 equal to 10 percent of the projected energy loss.

I again do not intend, and the members can say what they like, I perceive this as asking for the government to politically interfere with the operations of Hydro. That is how I perceive it. It could have been done by request of this committee, by request on the record in Hansard. The chairman is here, Mr. Chairperson.

I have no difficulty with the objective of trying to reach for higher conservation targets, but I do object to the interference and the manner in which the member for Point Douglas continues to come to this committee today with his political tactic of trying to get involved with the overall operations of Hydro.

I am not arguing the principle of going to higher conservation rates. I am not arguing anything of that kind. I am arguing on the tactic and the manner in which the opposition parties are—I say this genuinely—trying to influence where they could have done it in a different manner without having to do the kind of political gamesmanship that is being carried out here today.

I said at the outset, I think the public are tired of it. I think there should be a more genuine approach to committee activities. We have done very little as it relates to the overall report that we are to deal with here today, Mr. Chairperson, and I, quite frankly, based not on the objective of trying to get higher conservation levels or Hydro to proceed to it, it is the matter that the member for Point Douglas is again encouraging or trying to have political influence brought to bear on Manitoba Hydro.

Mr. Chairperson, I would ask that the question be put and vote against this.

Mr. Hickes: Mr. Chairperson, I am pleased to speak to this motion in response to some of the statements the minister has just put on record. One of the things with these motions is, we are hoping that Manitoba Hydro will act in a responsible manner.

If you go back to last year's committee, the projection for last year was 2 percent, and we proposed a motion at that time to increase it to 6 percent. We lost that motion. Now, the government is stating and Manitoba Hydro is stating, not only we can achieve 2 percent, we can achieve 7 percent, even 1 percent more than what we had asked for. [interjection] No, because when we bring forward motions and resolutions, it sparks debate and also it has an opportunity for us to hear the minister—

Mr. Chairperson: Order, please. Could I please have a little bit of order and decorum in this meeting. I am having trouble listening to Mr. Hickes, and I would appreciate hearing him.

Mr. Hickes: Mr. Chairperson, when we bring in a resolution or motion forward, what we are looking for is some comments from the minister, like he put on record, so that we know what direction this government and Manitoba Hydro is taking. Energy conservation is very important to all citizens today, much more so than if you look back 20, 30 years ago. Now a lot of the environmentalists, conservationists are saying that with added strength

and measures, the sky is the limit. Well, where is that limit?

If you look at other provinces, they are much, much higher than we have even forecast in Manitoba, by Manitoba Hydro's own statement of saying that we have exceeded the 2 percent to 7 percent. Well, how high can we really go?

If we set a new target of, say, 10 percent, it should give Manitoba Hydro a little leeway to be a little more aggressive in conservation and, hopefully, when we sit here next year, they will say, well, we saved 12 percent or 15 percent. There is nothing wrong with that. It creates debate and also it gives us an opportunity to hear exactly where the minister stands in conservation. I hope we have support of all the members on this resolution.

Mr. Edwards: Well, this is the second conversion on the road to Conawapa for the member for Point Douglas, Mr. Chairperson. It is always a source of amazement to me how short the memory of the New Democratic members are. I wondered aloud, and I note the member for Lakeside has clarified this, as to what the conservation target was for Manitoba Hydro under the NDP, and I am informed it was zero. I look forward to their telling me differently.

I know the member for Flin Flon objected to that. It certainly was not 10 percent, I can tell you that. I doubt if it was six, I doubt if it was two. Well, we started off with the square wheels, and that is a pretty accurate casting, I think, of the former government.

Let me just give you some quotes from the member for Point Douglas which relate to the issue he has brought before us here.

He says: I for one am not against building Conawapa and I do not think anybody on this side of the House is against Conawapa.

When it comes to the issue of what they should build it for, he says: Getting back to the whole issue of Manitoba Hydro and Conawapa, I do not know why the government cannot come out and say, look, or take it back to the Public Utilities Board for them to say, look, it makes financial economic sense, and that is why we should go ahead with it even if it means that the only reason for building Conawapa today is to export power for sale.

That is what the member says. He goes on to say with respect to the environmental cost: We need Conawapa. We need to start it in 1993 because we need that power in the year 2000.

He goes on to say: I support—no, oh, no—I support the development of dams any day. Now the ones that have been there, tell your colleagues how high those banks are. They are very high. There will be very, very little flooding to do with Conawapa, he says.

Needless to say, that is one of the major things before the environment panel, but the member for Point Douglas has been there. He knows the environmental damage is going to be minimal.

He then goes on to say: There will be hardly any flooding. If you take a look at the area, I am not sure exactly how many acres it is, I think it is about five acres.

This is reminiscent of some of the comments the member for natural resources was bringing to the table on Oak Hammock. It is not a problem. It is not a problem. To the minister's credit, at least he waited for the CEC report to make his comments. The member for Point Douglas totally usurps the environmental panel and says: It is not a problem, the banks are high, build it.

* (1220)

The fact is that conservation is a very late conversion for this member and indeed for the New Democratic Party, but it is welcomed. The former member for Crescentwood pioneered this issue a couple of years ago in this very committee. I for one am very pleased to see that the New Democratic Party has come around to seeing conservation as a key part of Manitoba Hydro's role, and they say it is.

I think truly they have come a long way on that, but I certainly support targets going to levels that we may not make, but the point is, that is what they are, they are targets. The demand-side management has been far more successful than I think was predicted earlier on. I have no doubt that demand-side management costs money; it costs money to do that. The point is, that 10 percent target is supportable, and I will support the motion, and I welcome the conversion of the New Democratic Party.

Mr. Chairperson: Is the committee ready for the question?

Mr. Storie: Just two things, I think, relating to what the member for St. James has said talking about conversion—I think we dealt with some of this previously in committee when I think every government and every member would have to

acknowledge that times change, perceptions change, priorities change over a period of time.

I want to make it very clear to the member for St. James and the committee that while the NDP were in government, certainly from '81 to '88, there were no formal conservation targets as we have seen in the past three or four years. I think that is quite true of all utilities across the country. We know that some other jurisdictions obviously were interested because of the relatively greater difficulty they have in generating power.

The fact is that over the course of those years, there were many, many conservation programs, some exceptional conservation programs, including ones that were jointly funded by Hydro and the province and the Government of Canada. There were insulation programs, conversion programs, community and business energy conservation programs, major, major ones, millions and millions of dollars spent on making swimming pools and community facilities as well as businesses more energy efficient. Major industries like Manitoba Rolling Mills at Selkirk received major support from the government to make its operations more energy efficient. So conservation was dealt with in a little bit different way, but it still was a topic of discussion.

What has changed, of course, is first of all the understanding of the importance of it and also the economics of it, that my colleague mentioned the fact that increasing the conservation target for Manitoba Hydro has a twin benefit. We use less energy, we become more energy efficient and, obviously, to the extent that we can fix an amount of power that we have conserved, we can now export it as a firm power sale and perhaps make additional revenue for the province and for Manitoba Hydro. We have twin benefits.

The member for St. James may want to criticize us for not being aggressive enough, but the fact of the matter is, since my colleagues and I have been pushing Manitoba Hydro and bringing resolutions to this committee urging more conservation, the effects have been noticeable. I hope that is with the minister's support, and I hope that he will forgo his concern over the technical aspects of this and vote in principle for what we all say we agree on, and that is that conservation has a twin benefit for Manitoba.

Mr. Chairperson: Order, please. Is the committee ready for the question?

It has been moved by George Hickes

WHEREAS Manitoba Hydro has established a formal conservation target of 2 percent and is working towards a target of 6 percent; and

WHEREAS other electrical utilities in British Columbia, Ontario and Quebec have established conservation targets far higher than the Manitoba target; and

WHEREAS Manitoba should be making similar conservation commitments for environmental and fiscal reasons.

THEREFORE this committee calls upon the provincial government to request that Manitoba Hydro set as a target energy savings by the year 2001 equal to 10 percent of projected energy load; and

THAT the text of this motion be included in the committee's report to the House.

All those in favor of the motion, please say yea.

Some Honourable Members: Yea.

Mr. Chairperson: All those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Nays have it. The motion is defeated.

Shall the March 31, 1991, report for The Manitoba Hydro-Electric Board be passed?

Mr. Edwards: Mr. Chairperson, for the representatives here, I would be interested to know if they received the legal opinion which was tabled in this House in January and, if so, did they solicit an opinion on it at that time?

Mr. Brennan: Yes, we received that legal opinion. We had our lawyers look at the opinion and they came to the conclusion that the original opinion was still valid.

Mr. Edwards: Would the minister be prepared to table a copy of the response, seeing as he tabled the initial opinion or a portion of it, and the response to it was also tabled?

Mr. Downey: No, in the interests of the corporation and the public, I did not plan to table it. If there is a portion of it, as was tabled previously, I would take a look at it, but I am not making a commitment to table it, in the interests of the corporation and the province.

Mr. Edwards: What interests of the public is the minister speaking of in not tabling a legal opinion dealing with a contract which commits this province and its ratepayers to billions of dollars?

Mr. Downey: Mr. Chairperson, the bottom line is that if actions were to be proceeded in any way against the province that this opinion may well need to be used, then I think it is in the interests of the taxpayers and Hydro to not table it.

Mr. Edwards: Does the minister then contemplate some action? He has earlier said that he has had nothing but glowing reports of the deal from Ontario Hydro. Is there some action that he is protecting against, some possibility of that, does he suggest? If not, why will he not table it? Already we have two out of the three legal opinions tabled. Let us have the third.

Mr. Downey: The answer is, no, I do not anticipate any but, on the other hand, I cannot tell what is going to happen in the future and, in the interests of the taxpayers and Hydro, I am not going to table it.

Mr. Edwards: To the minister, can the minister give us a summary of the contents or the conclusion of that report?

Mr. Downey: Mr. Chairperson, I would be prepared to take a look at it to see what I might be able to provide, but that would be on consideration of discussion with Hydro and with the Department of Justice.

Mr. Edwards: The summary of the Public Utilities Board report indicated that in the course of its review 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 then went on to conclude in the conclusion of its report, specifically at No. 6 of the conclusions, that the board accepted Manitoba Hydro's base case forecast for the purpose of generation planning. What were the base-case forecasts put before the Public Utilities Board?

Mr. Brennan: I think those were those forecasts that without the sale we would require new generation in the year 2002, and 2006 and 2009 were also other possibilities looked at.

Mr. Edwards: The other possibilities talked about were not the base case. I assume the base case was the best projection, which was 2002. Is that correct?

Mr. Brennan: It was a more costly projection, so if we used 2006 or 2009, it would have made the sale look a little better in that that particular scenario was more costly.

Mr. Edwards: The corporation will agree that based on the executive summary of the Public Utilities Board when they say that they accepted the projections of Manitoba Hydro which said that a new source of generation will be needed to provide for Manitoba's needs in the early years of the next century, they were in fact speaking about the best-guess estimate, which was 2002.

Mr. Brennan: I think in saying that, they were looking at a great deal of sensitivities as to load growth. Load growth is not something that—it will change one year. It could go up, it could go down. It is not something that is cast in stone. If in fact load growth goes up, which is probably a greater risk than it going down further to any great extent, there is a greater risk on the corporation.

Mr. Edwards: Can the representatives indicate what the status of the negotiations with Japanese parties is on the use of hydrogen as an energy source? We have had some press on that. I wonder if we could have some update on what the status of those discussions is.

Mr. Brennan: Manitoba Hydro has not been party to the discussions. We have talked to Japanese individuals just in terms of giving them a presentation on Manitoba Hydro and what Manitoba Hydro rates were like, what our development possibilities were like, that sort of thing, but we were not involved in any discussion.

Mr. Edwards: Have there been discussions with the government vis-a-vis the government's discussions with those individuals?

Mr. Downey: Mr. Chairperson, the Department of I, T and T has had some discussions with them, but I do not have the detail on that. Probably the Minister of Industry, Trade and Tourism (Mr. Stefanson) could more fully respond to those questions.

Mr. Edwards: Mr. Chairperson, for the Hydro representatives, the 1991-92 budget included a \$500 million loan under The Loans Act for Manitoba Hydro for Conawapa even though the government had indicated earlier that only \$110 million would be spent by Hydro on the site preparation. Can the representatives indicate what has been spent to date on preparation of the Conawapa site?

Mr. Brennan: It will take me a minute to find that.

Mr. Edwards: Fine.

* (1230)

Mr. Chairperson: The hour being 12:30 p.m., is it the will of the committee that we will continue on until we finish this up then? It is agreed.

Mr. Brennan: The costs we incurred prior to March '91 were \$57 million. We are proposing to spend in the fiscal year just ended \$27 million. I believe that was underspent.

Mr. Edwards: Am I to take it then, to March 31, '92, that would be \$84 million that has been spent on site preparation?

Mr. Brennan: Let me just correct that number I gave you, \$27 million should actually be \$38 million. No, that is not work that was done on site preparation. That was work that was done on all the studies that led up to it and everything like that. The work we have done up to this point in time was work on the access road. We virtually will have completed that this summer.

The only other physical thing we did was, we started the transmission line and got involved in clearing, but we have not done any more physical work other than the clearing of the transmission line in for construction power.

Mr. Edwards: What is anticipated in the coming year in terms of site preparation, and when the cost of that?

Mr. Brennan: I guess we were anticipating completing the construction road and the access road or the construction power. In actual fact, only the access road will be completed. It looks like the amount will be pretty minimal to complete the road.

Mr. Edwards: Of the \$95 million then, the \$57 million prior to March '91 and the \$38 million in '91-92, Mr. Brennan has mentioned studies and so forth. What portion of that was actually spent on physical site preparation? Can he indicate?

Mr. Brennan: It would appear the total amount on the road, I believe the estimate is less than \$20 million. That is the only thing that will be complete. There is some clearing done on the transmission line which is pretty minimal. I had an estimate of \$1.5 million. Other than that, I do not know of any physical work other than preliminary design and investigation work.

Mr. Edwards: The sale to New York state by Quebec has recently been abrogated by the State of New York, and the reasons given by New York were that they no longer needed the power. I am suspicious of that.

I think there was a strong environmental lobby which was brought to bear against the State of New York and have no doubt that Ontario, with their decreased demand, is looking to New York, and there are quite likely negotiations, at least New York trying to get an alternate source of power, perhaps not the same amount, but power from other jurisdictions.

With respect to the arrangement which we have entered into with Ontario, are there any guarantees or were there any discussions about Ontario, in effect, using the excess power which would come from the sale of our power to them and flowing it through to the State of New York? Is that a concern of Manitoba Hydro's? Is there any protection against that, which is in effect the same scenario that Quebec and Labrador went through a couple of decades ago?

Mr. Brennan: In discussions with officials from Hydro Quebec, I was led to believe that there were two main reasons for the cancellation of the sale. One was a reduction in load growth estimates for the future for New York, and the other one was the relatively low price of natural gas that was available for Americans generally, and the long-term prospects for natural gas. They apparently had some influence in their decision.

Mr. Edwards: Specifically, and I have no doubt Quebec Hydro has said that, is there any guarantee in the contract or were there any discussions about flow-through of Manitoba's power to New York? I appreciate that the actual power does not flow through because, of course, it is lost in the course of transmission, but it is going into one pool and coming out of the same pool and, in terms of provincial jurisdiction, just at the other end of the province. Is there any protection? Was there any discussion about that possibility?

Mr. Brennan: This was discussed by one of the interveners at the Public Utilities Board. The individual was extremely concerned about this and thought that there might be an opportunity for more money to be gained if in fact there was a market there, which I am not even sure if there is.

Having said that, we did not discuss the issue with Ontario Hydro. Ontario Hydro has concerns of their own, though, as it relates to emission standards for some of their existing thermal facilities. I am sure that would be a concern to them to use thermal and have the emission problems that they are experiencing and export hydro.

Mr. Edwards: When the discussions came up from the intervener, what was the position of Manitoba Hydro with respect to that problem, or did they see it as a problem at all?

Mr. Brennan: We did not foresee it as a major problem. Hydro Quebec in the last couple of years I believe has been importing power relatively extensively as well. I am not sure if they are a net importer or a net exporter right now. They have been importing just to assist in their emission problems, but it was not a major concern to Manitoba Hydro.

We believe that the benefits of the sale are very great, and we are satisfied with the arrangement that was made with Ontario Hydro.

Mr. Edwards: Which, just to be clear, does not include any provision dealing with that scenario that Ontario Hydro would essentially flip the power?

Mr. Brennan: When one negotiates a sale, we try to look at all aspects of it. I guess when one looks at what is good for them, you take in what you think you are most comfortable with based on all the sensitivities and all the risks that the corporation is facing. I believe we for the most part got the best deal we could have. Who knows? Maybe Ontario Hydro feels they gained something more from us, that we left something on the table, but we thought we negotiated a good deal.

Mr. Edwards: But there was nothing in the deal covering that scenario?

Mr. Brennan: No.

Mr. Edwards: With respect to the costs of building Conawapa and Manitoba Hydro's need to finance debt, where is Manitoba Hydro going to look to finance that debt, or where have they looked?

* (1240)

Mr. Brennan: Both the Canadian and American market. That was another one of the concerns we had when we were negotiating the sale, whether we could obtain adequate financing and, with members of the Hydro board and management, we hired an external party to look at that with us. The conclusion we came to was that there was adequate availability in the market for Manitoba Hydro and the Province of Manitoba to get all their requirements out of the Canadian market alone.

Mr. Edwards: What is the position of Manitoba Hydro with respect to preferential tendering of contracts, be it Manitobans, aboriginal operations? Is there a preferential policy in place with respect to

granting contracts at Conawapa or other projects in the North?

Mr. Brennan: Yes, we are in the process of looking at set-aside contracts for aboriginal people. We are trying to scope our requirements in the future such that we can get it into relatively small components whereby northern aboriginal people have the opportunity to take advantage of those contracts. In addition to that we have a buy-Manitoba program that allows us to pay a marginal preference to Manitoba manufacturers.

Mr. Edwards: Can Mr. Brennan give more detail on that? What is the preferential rate for Manitoba contractors? Are the contracts for aboriginal contractors just specifically designated for aboriginal people, or are they just given a preferential percentage on tendering?

Mr. Brennan: As soon as I tell you what the preference we do, and it is based on judgment and moves all the time, but all manufacturers in the province will probably up their estimates by that amount. I do not know if it is in Hydro's interests to do that.

Mr. Edwards: One assumes a competitive environment in which you are going to get the lowest costs and that people are willing to do it, and that does not necessarily mean that being open with preferential rates means you still will not get the best deal; it may mean in fact the opposite. It may mean that the other contractors you deal with go down to try to match the preferential rates. If the officer is not prepared to give specific information, what is the range?

Mr. Downey: I think it might be appropriate if that information that is sensitive for public information—if the member insists, we would get him a little better range of information on it, but I think in the interests of Hydro, Mr. Brennan has put a position forward which I support, and that is not to disclose at this time, in the interests of trying to get the best deal for Hydro, information to this committee. If it would be helpful to the member, I can get that for him and provide it to him confidentially.

Mr. Edwards: Perhaps the second part of the question could be answered. I appreciate that, if that could be forwarded, but the second part of the question was the preferential contracts for aboriginal people. Are they designated contracts for aboriginal people, or are aboriginal people just given a percentage advantage?

Mr. Brennan: We are still looking at what we are going to do in the case of Conawapa and the bipole. We are in the process of consulting with the aboriginal people and northern people generally and the Manitoba community at large. So we have not completely finalized our position at this point in time.

In some of the projects we have done in the past, we have negotiated contracts based on our estimate of the work that would be required based on people living in the surrounding area. Clearing was done in the case of the road by aboriginal people. Clearing was done for the transmission line by aboriginal people.

Mr. Edwards: Can the corporation explain or comment on the leaflet which went out with their April billings, which gives me great concern? I was looking for the copy of it. It is in my office. I do not have it with me, but I am sure members will recall that leaflet which went out specifically on the Conawapa issue and specifically indicated at least twice, maybe three times, and stated as fact that the environmental impact of Conawapa was minimal.

Does the minister defend or the others defend that that is an appropriate thing for Manitoba Hydro to have done and included in its billings when it very clearly has a monopoly over the majority of users in this province? Is that an appropriate position to take before the environmental hearings have even commenced?

Mr. Downey: Yes, Mr. Chairperson, and I will base it on what the Public Utilities Board did say. That is, the development plan emerges as the scenario least likely to entail substantial environmental difficulties and costs. That was not Hydro, that was the Public Utilities Board that made that expression. I have no difficulty with Hydro putting out that expression.

Mr. Edwards: The minister then does two things, equates the Public Utilities Board's statement of least likely, with minimal, which is different. Least likely or least does not necessarily imply minimal. It could still be large-scale damage. What they were commenting on was the scenarios put to them and which was least likely.

The issue which I am talking about is the clear statement purporting to be fact from Manitoba Hydro that the environmental damage of the Conawapa project would be minimal. That is clearly the exact issue which we are going to go through a year of hearings to determine. Manitoba Hydro is telling the people who must receive their literature with their

billings—there is a monopoly, they must subscribe to Manitoba Hydro. Does the minister defend that use of that power to purport, to propagate that message?

Mr. Downey: Mr. Chairperson, I realize the sensitivity of the member. I will check the wording. I am not fully aware of the actual wording that he is referring to. I will check on it but, in principle, I have no difficulty with Manitoba Hydro communicating to their customers what they are doing. I think it is what they should do. I think as long as it is accurate and, if there are some problems with the accuracies, then the member has maybe some legitimate concerns.

I have stated, the government has stated, that we are going to go through a complete and total environmental review process for licensing. That may have been said in there as well, which would further encompass the whole activity. I do not know who was the writer of this product, but I will check into it. In principle, I do not disagree with it, as long as the information is factual and complete.

Mr. Brennan: I was not the writer of it, but I reviewed it. I guess it is Manitoba Hydro's opinion that the environmental impact is minimal.

Mr. Edwards: Does the minister accept that opinion as fact?

Mr. Downey: Mr. Chairperson, all indications I have had is that compared to the projects that have been built to date that the environmental impact that Conawapa is going to have will be far less than those that have been developed to this point, those that did not have an environmental review impact of any kind done to them. We are doing an environmental impact review in total. It is now before the environmental panelling process, and the indication that I have is, it is the least environmentally disruptive of any of the projects that have been built.

In that context, I say yes, but I am not going to prejudge what the work of the environmental review panel is. I think that there have been statements made which are justifiable and quantifiable. I am in the position, as minister, to make sure that the process is duly followed and not try to influence it.

Mr. Edwards: Does the minister support the assertion as fact that environmental damage is minimal? I am not talking about a comparison with other dams. I am not talking about what may or may not be. I am talking about a clear concise statement of fact that environmental damage is minimal.

Does the minister support that as—does that fit within his criteria of communication of what they are doing, which it is not? It is a communication in support of what they are doing, not a communication of what they are doing.

* (1250)

Secondly, does that fit into his criteria as accurate? Does he purport to be in any position today to say whether or not that is an accurate statement?

Mr. Downey: Mr. Chairperson, I believe to the best of my knowledge that it is accurate.

Mr. Edwards: Does the minister suggest that the environmental review panel might not change that opinion?

Mr. Downey: I am not going to prejudge what the environmental review panel comes up with. There is a process in place which I believe is essential and necessary to go through to make sure all things are done, to make sure that the environment is protected, and that Hydro operate within a licence that hopefully will be provided. If it is not, or change is made to the plan, then that is a process we are going through.

To the information that has been provided so far, I will repeat it again, it appears that we have the least likely to entail substantial environmental difficulties and costs.

Mr. Edwards: Does the minister not support waiting until the environmental review has done its job prior to propagating around this province, masquerading as fact, as known fact, that environmental damage is minimal?

Mr. Downey: Mr. Chairperson, I am prepared to check fully the context of which the statement has been made by Manitoba Hydro and, if necessary, to speak to Hydro about making sure that it has taken into complete context the message that goes out.

Mr. Edwards: Mr. Chairperson, I look forward to the minister's response on that. I assume once he has done that, and I will be pleased to provide him with a copy of the document I am talking about, but I am sure he will come to the opinion that repeatedly in that pamphlet it is indicated that environmental

damage will be, not may be, minimal, and it is purported as a substantiating reason for going ahead with Conawapa.

It is a propaganda piece on Conawapa, quite clearly, which presupposes a decision and a conclusion of an environmental panel which we are all spending lots of money and lots of time and effort to go through. I would hate to think that the government did not have a firm view against such what I consider to be abuse of the power which Manitoba Hydro has in mailing to its thousands of subscribers, having a monopoly as it does.

I would hate to think that was not frowned upon by this government. I think Manitoba Hydro very clearly thinks that is the case, and I do not criticize them for that. They are going to have to go through the review process, but the government has a different role to play, and I look to the minister to back up that role.

Mr. Chairperson, at this point, I have no further questions of the members, and I want to thank them for coming to this committee. I think it has been a lengthy process and, in future years, it will be again, but I appreciate the candour with which they have answered questions. Thank you.

Mr. Hickes: I would just like to state that we have no further questions. I would like to thank the minister and the Hydro staff for supplying us with answers to our questions.

Mr. Downey: I would like to thank committee members for their questioning and also the representatives from Manitoba Hydro for their answering and dealing with this report in the manner in which it has been dealt with. I appreciate you, Mr. Chairperson, and your expedient handling of this committee.

Mr. Chairperson: Shall the March 31, 1991, Annual Report of The Manitoba Hydro-Electric Board be passed—pass.

The time is now 12:53. What is the will of the committee?

Committee rise.

COMMITTEE ROSE AT: 12:53 p.m.