



Fourth Session - Thirty-Sixth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Utilities
and
Natural Resources

*Chairperson
Mr. Gerry McAlpine
Constituency of Sturgeon Creek*



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Sixth Legislature

Member	Constituency	Political Affiliation
ASHTON, Steve	Thompson	N.D.P.
BARRETT, Becky	Wellington	N.D.P.
CERILLI, Marianne	Radisson	N.D.P.
CHOMIAK, Dave	Kildonan	N.D.P.
CUMMINGS, Glen, Hon.	Ste. Rose	P.C.
DACQUAY, Louise, Hon.	Seine River	P.C.
DERKACH, Leonard, Hon.	Roblin-Russell	P.C.
DEWAR, Gregory	Selkirk	N.D.P.
DOER, Gary	Concordia	N.D.P.
DOWNEY, James, Hon.	Arthur-Virden	P.C.
DRIEDGER, Albert	Steinbach	P.C.
DYCK, Peter	Pembina	P.C.
ENNS, Harry, Hon.	Lakeside	P.C.
EVANS, Clif	Interlake	N.D.P.
EVANS, Leonard S.	Brandon East	N.D.P.
FAURSCHOU, David	Portage la Prairie	P.C.
FILMON, Gary, Hon.	Tuxedo	P.C.
FINDLAY, Glen, Hon.	Springfield	P.C.
FRIESEN, Jean	Wolseley	N.D.P.
GAUDRY, Neil	St. Boniface	Lib.
GILLESHAMMER, Harold, Hon.	Minnedosa	P.C.
HELWER, Edward	Gimli	P.C.
HICKES, George	Point Douglas	N.D.P.
JENNISSEN, Gerard	Flin Flon	N.D.P.
KOWALSKI, Gary	The Maples	Lib.
LAMOUREUX, Kevin	Inkster	Lib.
LATHLIN, Oscar	The Pas	N.D.P.
LAURENDEAU, Marcel	St. Norbert	P.C.
MACKINTOSH, Gord	St. Johns	N.D.P.
MALOWAY, Jim	Elmwood	N.D.P.
MARTINDALE, Doug	Burrows	N.D.P.
McALPINE, Gerry	Sturgeon Creek	P.C.
McCRAE, James, Hon.	Brandon West	P.C.
McGIFFORD, Diane	Osborne	N.D.P.
MCINTOSH, Linda, Hon.	Assiniboia	P.C.
MIHYCHUK, MaryAnn	St. James	N.D.P.
MITCHELSON, Bonnie, Hon.	River East	P.C.
NEWMAN, David, Hon.	Riel	P.C.
PENNER, Jack	Emerson	P.C.
PITURA, Frank, Hon.	Morris	P.C.
PRAZNIK, Darren, Hon.	Lac du Bonnet	P.C.
RADCLIFFE, Mike, Hon.	River Heights	P.C.
REID, Daryl	Transcona	N.D.P.
REIMER, Jack, Hon.	Niakwa	P.C.
RENDER, Shirley	St. Vital	P.C.
ROBINSON, Eric	Rupertsland	N.D.P.
ROCAN, Denis	Gladstone	P.C.
SALE, Tim	Crescentwood	N.D.P.
SANTOS, Conrad	Broadway	N.D.P.
STEFANSON, Eric, Hon.	Kirkfield Park	P.C.
STRUTHERS, Stan	Dauphin	N.D.P.
SVEINSON, Ben	La Verendrye	P.C.
TOEWS, Vic, Hon.	Rossmere	P.C.
TWEED, Mervin	Turtle Mountain	P.C.
VODREY, Rosemary, Hon.	Fort Garry	P.C.
WOWCHUK, Rosann	Swan River	N.D.P.
Vacant	Charleswood	

LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, February 24, 1998

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Gerry McAlpine (Sturgeon Creek)

VICE-CHAIRPERSON – Mr. Denis Rocan (Gladstone)

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Messrs. Downey, Gilleshammer, Pitura, Mrs. Vodrey

Messrs. Dewar, Gaudry, McAlpine, Penner, Reid, Rocan, Sale

Substitutions:

Mr. Helwer for Hon. Mr. Downey
 Hon. Mr. Newman for Hon. Mr. Pitura
 Mr. Laurendeau for Mr. Penner
 Mr. Dyck for Hon. Mr. Gilleshammer
 Ms. Mihychuk for Mr. Reid
 Mr. Sveinson for Hon. Mrs. Vodrey

APPEARING:

Mr. Robert Brennan, President and Chief Executive Officer, Manitoba Hydro-Electric Board
 Mr. John McCallum, Chairman, Manitoba Hydro-Electric Board

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Hydro-Electric Board, March 31, 1997

Mr. Chairperson: Good morning. Will the Standing Committee on Public Utilities and Natural Resources please come to order. Before the committee proceeds with consideration of the Manitoba Hydro-Electric Board

Annual Report, there are a number of committee resignations to deal with.

I have before me the resignation of the Honourable Mr. Downey as a member of the Standing Committee on Public Utilities and Natural Resources effective immediately. Are there any nominations to replace Mr. Downey?

An Honourable Member: Mr. Helwer.

Mr. Chairperson: Is it the will of the committee that Mr. Helwer replace Mr. Downey? [agreed]

I have before me the resignation of the Honourable Mr. Pitura as a member of the Standing Committee on Public Utilities and Natural Resources effective immediately. Are there any nominations to replace Mr. Pitura?

Mr. Edward Helwer (Gimli): Mr. Chairman, I would like to appoint Mr. Newman, the Minister of Northern and Native Affairs and also the Minister responsible for Hydro.

Mr. Chairperson: Mr. Newman has been nominated. Is it the will of the committee that Mr. Newman replace the Honourable Mr. Pitura? [agreed]

I have before me the resignation of Mr. Penner as a member of the Standing Committee on Public Utilities and Natural Resources effective immediately. Are there any nominations to replace Mr. Penner?

Mr. Helwer: Mr. Chairman, I would like to appoint Mr. Laurendeau, the member for St. Norbert, to replace Mr. Penner.

* (1010)

Mr. Chairperson: Mr. Laurendeau has been nominated. Is it the will of the committee that Mr. Laurendeau replace Mr. Penner? [agreed]

I have before me the resignation of the Honourable Mr. Gilleshammer as a member of the Standing Committee on

Public Utilities and Natural Resources effective immediately.

Are there any nominations to replace the Honourable Mr. Gilleshamer?

Mr. Helwer: Mr. Chairman, I would like to appoint Mr. Dyck, the MLA for Pembina, to replace Mr. Gilleshamer.

Mr. Chairperson: Mr. Dyck, the member for Pembina, has been nominated. Is it the will of the committee that Mr. Dyck replace the Honourable Mr. Gilleshamer? [agreed]

I have before me the resignation of Mr. Reid as a member of the Standing Committee on Public Utilities and Natural Resources effective immediately. Are there any nominations to replace Mr. Reid?

Mr. Gregory Dewar (Selkirk): Yes, I would like to nominate the member for St. James (Ms. Mihychuk) to replace the honourable member for Transcona (Mr. Reid).

Mr. Chairperson: The honourable member for St. James, Ms. Mihychuk, has been nominated. Is it the will of the committee that Ms. Mihychuk replace Mr. Reid? [agreed]

Mr. Helwer: Mr. Chairman, with leave of the committee, I would like to ask for leave to replace Mrs. Vodrey with Mr. Sveinson, and the reason for this is because there has been a death in the family and she is unable to be here.

Mr. Chairperson: Is there unanimous consent of the committee to accept the resignation of the Honourable Mrs. Vodrey without the signed letter of resignation? [agreed]

Is it agreed by the committee that Mr. Sveinson replace the Honourable Mrs. Vodrey? [agreed]

This morning, the Standing Committee on Public Utilities and Natural Resources will be considering the Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 1997. Did the minister responsible have an opening statement, and did he wish to introduce the officials in attendance from the Hydro-Electric Board?

Hon. David Newman (Minister charged with the administration of The Manitoba Hydro Act): I do and I would.

Mr. Chairman and members of the committee, I would like to introduce the officials of Manitoba Hydro with me today: Mr. John McCallum, the chairman of the Manitoba Hydro-Electric Board, and Mr. Bob Brennan, president and chief executive officer, and in the back of the room, Mr. Glen Schneider, the manager of public affairs.

Today, Manitoba Hydro will be presenting their 46th Annual Report for the fiscal year ending March 31, 1997. As indicated in the report, 1996-97 was a successful year for the corporation with a record net income of \$101 million compared to net income of \$70.1 million in the previous year. This marks four consecutive years of profits, previously unsurpassed in Hydro's history. This level of earnings is required to ensure that corporate financial targets are achieved. Mr. McCallum and Mr. Brennan will be speaking further about finances, goals and the various initiatives taken by the corporation which will enable Manitoba Hydro to meet the challenges of the changing world facing the electrical industry in Canada and worldwide.

Settlement of the corporation's outstanding obligations associated with the Northern Flood Agreement of 1977 continues to be a high priority of the board with agreements in place with Split Lake Cree First Nation, York Factory First Nation and Nelson House First Nation.

During 1997-98, an agreement was signed by the Government of Canada, the government of Manitoba, Manitoba Hydro and the Norway House Cree Nation. It includes approximately \$78.9 million in cash and HydroBonds, approximately 60,000 acres of new reserve lands and the creation of a resource co-management board with the province. The agreement also details ongoing consultation arrangements between Norway House and the other parties in a variety of matters. This comprehensive agreement brings about a settlement to the claims and other outstanding issues that arose under the Northern Flood Agreement which was signed by Norway House and four other bands in 1977. It marks an important milestone for the Norway House Cree Nation and will provide them with new opportunities for social and economic development in their community for the

benefit of all members. Cross Lake First Nation is the one First Nation remaining that has not signed an implementation agreement.

Progress continues to be made on the North Central Project which involves an extension of the electrical network into remote northern communities. Construction has proceeded ahead of schedule with Oxford House, Gods Lake Narrows, God's River and God's Lake presently in service and with Garden Hill, Red Sucker Lake, Wasakamak, St. Theresa Point and Island Lake scheduled for completion this year. Over 500 kilometres of transmission and distribution lines will have been constructed, with much of the clearing and construction work having been undertaken by local residents. Thicket Portage and Pikwitonei were connected in April 1997 to central supply by 25 KV line from Thompson. This line provides the two communities with full service capability, and in preparation for its construction, employment opportunities were created for close to 90 people from the two communities.

The skills, hard work and dedication of Manitoba Hydro employees are most apparent in response to disasters in and outside Manitoba from the tornado-force wind storm in September 1996 which destroyed 19 high-voltage direct-current transmission towers transmitting approximately 75 percent of Manitoba's hydro power from the generating stations in the lower Nelson River to the Dorsey HVDC converter station near Rosser, to the flood of 1997 in North Dakota and Manitoba, to the recent ice storms in eastern Canada. Employees have readily provided assistance both in their roles with Manitoba Hydro and as volunteers in their Manitoba communities. I ask you to join me in extending my thanks and appreciation to the employees of Manitoba Hydro for continuing to provide Manitobans with reliable and cost-efficient power and for responding quickly and effectively, helping our neighbours in North Dakota, Ontario and Quebec in their times of need.

I will now ask Mr. McCallum to comment upon Manitoba Hydro's operation from a Board perspective, after which Mr. Brennan will be presenting a number of slides on the specific operations of the corporation, and, of course, then there will be an opportunity for questions.

Mr. Chairperson: I thank the honourable minister for those remarks. Does the critic for the official opposition have an opening statement?

Ms. MaryAnn Mihychuk (St. James): I just do want to share with the Minister responsible for Hydro congratulations to the employees of Manitoba Hydro for their excellence in dealing with a number of catastrophes which have struck us, the United States and Quebec. So, on behalf of our caucus and myself, we are proud of Manitoba Hydro's accomplishments and the work that those individuals did and are doing.

Mr. Chairperson: I thank the honourable member for those remarks. Did the officials in attendance from the Hydro-Electric Board wish to make an opening statement to the committee?

Mr. John McCallum (Chairman, Manitoba Hydro-Electric Board): Mr. Chairman, members of the committee, I am pleased to have the opportunity to present the 46th Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 1997. My opening remarks will focus on some of the major policy issues addressed by the board of Manitoba Hydro over the past year. Following my comments, Manitoba Hydro's President and Chief Executive Officer Bob Brennan will provide you with a slide presentation on the operations of the corporation and actions being taken to meet future challenges in the electricity industry.

In November of 1996, Manitoba Hydro became a full member of the Mid-Continent Area Power Pool. Membership allows access to wholesale power markets in the U.S. and requires reciprocity to wholesale loads in Manitoba. During 1997 the board approved proposals to recommend adjustments to The Manitoba Hydro Act in order to prepare for the more competitive future. Changes will first of all protect and enhance the corporation's electricity exports through open transmission on a wholesale basis; secondly, enable establishment of subsidiaries, partnerships and joint ventures; and, third, provide for expanded energy services.

Net income of \$101 million for 1996-97 was the highest in the corporation's history. Revenues from exports also reached an all-time high of \$267.7 million, up \$22.3 million from last year and an increase of \$14.6 million over the previous record of \$253.1 million set in 1994-95.

Manitoba currently has some of the lowest rates in the industrialized world, with over 95 percent of electrical power coming from hydraulic electric plant. Rate increases for 1996-97 and 1997-98, 1.5 percent and 1.3 percent respectively, were well below the rate of inflation. No rate increase is planned for 1998-99. Any subsequent rate increases are projected to be below the rate of inflation. Rates for large industrial customers have been frozen since April 1992 and will remain unchanged for 1997-98. Further, Manitoba Hydro is committed to maintain and enhance its competitive price structure and expand rate options for customers. Mr. Brennan's slide presentation will show that Manitoba Hydro has the lowest rate structure of all major electrical utilities in Canada.

Manitoba Hydro, along with 32 other electric utilities belonging to the Canadian Electrical Association, became a member of the environmental commitment and responsibility program. This is an ambitious industry-wide initiative that represents a new frontier in voluntary industry programs. It is a comprehensive approach to improving environmental performance of utilities and a voluntary effort by CEA members to work towards sustainable development for the industry.

In closing, Mr. Chairman, I would like to take this opportunity to recognize the dedicated efforts of Manitoba Hydro's employees in providing excellent customer service and low-cost reliable power for the citizens of Manitoba. You will see in Mr. Brennan's presentation that this enterprise consistently ranks at the top of its class or close to the top of its class in security, reliability, safety, customer service, costs and price. That is an achievement of 3,000 people, and it is an achievement of management that I think Manitobans can really be proud of. It is just plainly a very good company that Bob Brennan and his group in management run out on Taylor Avenue.

Mr. Chairman, that concludes my opening remarks, and as we have done the last few years, Mr. Brennan will now take you through a slide presentation that will show you where we are with respect to a large number of business issues.

So, thank you, Mr. Chairman.

Mr. Chairperson: Thank you, Mr. McCallum, for those

comments. Before we proceed with the slide presentation, it is necessary that we have unanimous consent of the committee for this slide presentation to be given.

Is there unanimous consent of the committee to proceed with the slide presentation? [agreed]

Mr. Robert Brennan (President and Chief Executive Officer, Manitoba Hydro-Electric Board): We would like to concentrate on three main areas with the presentation. The first one is what we are focusing on these days within Manitoba Hydro, a little bit about our corporate strategic plan, our objectives and goals, and then we would like to just give an overview of the company itself and then a performance on how we are achieving our goals generally.

This is the vision we have within Manitoba Hydro, and that is to be recognized as the best utility in North America with respect to rates, reliability and customer satisfaction and to be considerate of all people with whom we have contact. We have measured ourselves with as many utilities as we can and as many companies as we can outside of that particular perspective as well. We try to do it within the confines of the Canadian Electrical Association to minimize our costs as much as possible.

This is our mission itself, and that is to provide for the continuance of supply of power adequate for the needs of the province and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and use of power. In addition to that, we want to provide and market products, services and expertise related to the development of our system both with and outside the province, and we want to market and supply power to persons outside the province in terms and conditions acceptable to the board. This particular mission is taken right out of The Manitoba Hydro Act that was modified last June.

This is a summary of Manitoba Hydro's goals. This is what we are attempting to focus on within the corporation. We want to significantly improve our net earnings and reduce our debt levels. You will find that our net earnings have been coming up, but our debt levels are still very, very high. We want to provide superior customer service, and by that we mean we would like our

customer service to be unequalled by any other utility. We want to make sure our customers have extremely competitive electricity rates, and we want to have operational excellence in the delivery of our product, and we want to make sure it is as reliable as possible.

We want to achieve the highest level of public and employee safety. In this area, we have always been relatively high, the top two or three, first or second or third, and if we want to maintain ourselves as having the very highest, I think—well, as a matter of fact I know that we are going to have to look at doing something different to move us up that extra level, and we are looking at that within the corporation now. We want to do everything possible to protect the environment and to be considered to be a good corporate citizen as it relates to the environment. We also want to be an outstanding corporate citizen with all the various stakeholders we come in contact with. We want to make sure that our employees are highly motivated, skilled and extremely effective in doing the tasks they are asked to do, and we want to meet all the challenges of the changing industry.

We are the fourth largest electric utility in terms of assets. Capital assets exceed \$7 billion; revenues of \$1 billion. Last year, as a result of the high water in '96-97, we will have generated 31.8 billion kilowatt-hours of energy through 12 hydraulic and 11 hydroelectric generating stations of our own, as well as two that are owned by Winnipeg Hydro. We have two thermal stations, and as of February '98, right now, we have eight diesel sites. We are, of course, expecting to connect the remaining ones on the North Central Project.

We have 3,000 employees that are involved in operating-type activities, and in addition to that, we have employees that are involved in our construction activities that go up and down depending on what our capital program is like. We have 390,000 customers.

Right now, we pretty well have the lowest rates in the country. We definitely have the highest customer satisfaction, as a result of a survey that was done nationally. Our system reliability is extremely high. We export and are able to export up to 50 percent of our total generation, and we will come to that as well. Manitoba Hydro is definitely recognized as being a world leader in HVDC technology. We have a really extremely highly skilled workforce of which I am extremely proud.

Some of the changes that resulted from The Manitoba Hydro Act last year, it allowed Manitoba Hydro to participate within the Area Power Pool right below us in terms of the mid-part of the United States. It opened up our own transmission so that we could be on a competitive basis with our American neighbours on a wholesale basis only and not a retail basis, and we will talk about that a little bit later. It provided for us to build for export should we come across an appropriate export contract that would allow us to recover our costs. That was not clear previously as to whether we could or could not do that. We have the ability to create subsidiaries and get involved in joint ventures when it is deemed to be in the corporate interest.

We have expanded our energy services; in other words, the type of energy services we can provide to our customers. In the old act, it was not clear as to what particular services we could provide, and our legal opinion was that we had to provide only those services that were spelled out in the act, and, consequently, we found that really, really limiting. We have the obligation to supply and serve. In most retail competitive situations, that is not there. So in Manitoba we still have the obligation to supply anybody that requires power from us. There are certain conditions of service, but anybody can get service.

* (1030)

In terms of achieving our goals, the first one is what we are doing about net earnings and our debt levels. Our gross revenues last year for the first time broke the \$1-billion mark. Our export revenues were at the highest ever as well of \$267.7 million, and we reached a net income of \$101 million, which is a record for Manitoba Hydro as well.

This is a pretty busy chart, so I will go over it very, very quickly. It shows the actual for the last two years, and it forecasts for the next three. You can see that we are forecasting a net income of \$84 million for the current fiscal year, and that included a rate increase last April of 1.3 percent. We are not forecasting a rate increase in '98-99, and we are forecasting a net income of \$51.8 million, and for the following year, with a 1 percent rate increase, a net income of \$56 million.

What that does to it, it allows us to improve our

retained earnings to a level in the neighbourhood of \$647.9 million at the end of that period of time, with the only future rate increase being the 1 percent. I went over that very quickly, but we can come back to it should anybody want to.

This is our net income. In 1993, we had a planned loss of \$24 million, and that was as a result of the capacity units of Limestone coming into service. We knew it was going to happen. We knew that after that, future, the firm sales associated with NSP, was going to come into play and our income was going to go up.

We then had four years in which we certainly had very, very good income levels, ending with a profit we had last year of \$101 million. Our current forecast for the current year is \$84 million. We are ahead of that forecast right now, although the warm weather of this winter will have some impact on what we are doing, but I am very, very hopeful that we will be pushing the \$100 million. Export sales have been very good despite the warm weather and we are quite pleased with that.

And then I talked about the two additional years. This is a graph that shows—and it was made up by the Dominion Bond Rating Service last year—how Manitoba Hydro compares with other utilities in terms of our fixed and variable costs.

As you can see, we have the lowest total costs in the country. Our fixed costs are higher than some and our variable costs are extremely low. This is a graph that compares utilities across the country and averages them all and that is the composite line. In addition, I chose Manitoba Hydro but we can compare ourselves to any other utility.

We cannot mention who is the best unless it is ourselves. In other words, we cannot identify other utilities without their approval. You can see that in '96, we were the best in the country. It also shows our projection for the future with a rate increase in real terms and the cost of power coming down in Manitoba.

These are our projected financial results. I have reviewed some of those with you earlier. It also shows our projected rate increases and retained earnings and our debt ratio at the bottom. You can see with the 1 percent rate increases all along, every year, that we end up with

a debt ratio of 70 percent debt and 30 percent equity by the year we get to 2007-8. Our target is to get to 75 percent by 2005, 2006, and we make that with relatively modest rate increases.

Our interest coverage is just barely in the range we would like, but our target is to get in a range of 1.20 to 1.35. Interest coverage is a measurement of our net income before interest to interest.

These are our financial targets that we have approved within Manitoba Hydro, and we have reviewed it with the Public Utilities Board. We would like to get to a debt-equity ratio of 75-25 by 2005-6, which I have mentioned we will with relatively modest rate increases. We want to get our interest coverage in the range of 1.20 to 1.35. For a cash flow and capital expenditures, we want to make sure that all our capital expenditures, except for major generation and transmission projects, are covered by internally generated funds. In other words, we do not have to go to the capital markets for our normal capital requirements, so our debt should start coming down.

This is our debt-equity ratio that I talked about earlier. You can see that in '93, we had 95 percent debt and 5 percent equity, and you can see where we are today, and what we are projecting for the next two years after the current fiscal year.

In addition to that, I would point out that in 1990 we had equity of less than \$100 million, and now we are getting close to making that in a year, so we are improving our financial stability extremely well.

This is one that is a concern to all of us in Manitoba Hydro, and that is the amount of debt we have, and the amount of debt here is measured per customer, and as you can see, it is relatively high. It is a function of the type of assets we build in terms of very large hydroelectric plants that cost us a lot of money, and therefore we borrow a lot of money to do that. Consequently, this is relatively high. Our goal, of course, is to reduce it and reduce it pretty dramatically.

Ontario Hydro, they are—and it shows up quite favourably, but what they do in Ontario, it shows all the customers in the whole province of Ontario despite the fact they are all served by municipal utilities. It does not show the debt of any of those municipal utilities. Having

said that, a lot of them are debt free, but it still does not show any debt at all for those utilities, but it shows all the customers so it makes them look quite a bit better than they really are.

Mr. Tim Sale (Crescentwood): Some of those utilities have a lot of exports and some of them have very little. Is this domestic, or is there some correction to the fact that we are exporting half or so of our generated power, and that is sustained by the debt or the debt is sustained by those power exports? Is there any adjustment here for export activity, because some of these are big net exporters and some are big net importers?

Mr. Brennan: This is just measuring our total debt based on the number of customers. So when we export into another system, the number of customers is very small, like one—[interjection] Yes. Certainly, most of our plant though has been built for our own system. The last sale we had, which was a very, very large one, or the last major sale we had allowed us to bring in a large plant rather than the small plant which is economic for the system. But you are correct in that some of the exporting utilities, which are the ones with the major investments in hydroelectric facilities, are also those.

It still is a concern to us though to get it down. I guess to get something like Nova Scotia Power is probably not the target we should have. Nova Scotia Power, by the way, and TransAlta are investor-owned utilities, and they do not have the guarantee of the provinces.

Mr. Sale: I guess I would just ask that maybe in future, if this really is a serious concern—that my sense is that there is a bunch of apples and oranges in these various bars because of the very different profiles of the companies represented, and maybe we should look at some perhaps more meaningful statistic there than customers. When you have a huge customer, as represented by the Limestone sale, it kind of distorts this picture and makes it look like you have a somewhat weaker picture than perhaps this is really representing. So just a comment.

* (1040)

Mr. Brennan: I guess Manitoba Hydro, in terms of our debt equity, though, is, with the exception of Ontario that is just in horrible, horrible condition. We still have an

awful lot of debt and very little equity, so it is still a concern to us, and I guess our goal is just to point out the fact that we do have that concern. Having said that, Manitoba Hydro's performance generally is at the top of every other indicator, so I think you have to look at the whole ball of wax and gradually go at the debt problem, and I think that is what we have been doing.

Interest coverage, we have approved a range of 120 to 135, and as you can see with the modest rate increases of 1 percent a year, we do not get in that range. I think that is the type of thing I was talking about before, Mr. Sale, that we should sort of look at everything and not go at it just to achieve one particular target.

This is our Capital Expenditures, and as you can see, they are covered by internally generated funds.

Customer Service: This is another slide that shows how we compare with the composite of other utilities across the country, and in '97 we were not the highest. There was another utility that was higher than us. We bounce in and out of first place on this particular one. Some of the services we have had more recently. We brought in a customer call centre in June of '96 to our system, and that has worked out extremely well for us. We found that the number of calls is continually going up, and the fact of the matter is that we were probably not handling this very well before we had a call centre.

We have introduced a water heater program. We are continuing with our Power Smart programs, and we had a recent program telling people how to do things, certain things within their system to make their homes more power smart and more efficient in terms of energy use. We have been very, very effective in assisting businesses in reducing their energy costs. We find that to be a win-win situation. We have entered into a joint use trenchering program with the telephone system and Greater Winnipeg Gas to reduce our costs, and that is working out very well. We also have various rate programs that have been designed to help our customers, and that is especially true of our industrial customers.

I will go through these quite quickly. This is our total customer unit cost compared to a composite, and, as you can see, Manitoba Hydro is the lowest in the—certainly compared to the composite is very good, and I previously showed you that other graph that showed we were the lowest.

This is a residential electric bill for 1,000 kilowatt-hours a month, and it was May of '97 when we made the--and it was not us. It was Northern States Power that made the comparison, but you can see that we are the lowest. This is 100 kilowatt-hours, and this is like a small grocery store or something in that neighbourhood. It is 100 kilowatts of 90 percent power factor and 25,000 kilowatt-hours a month. You can see that here Vancouver has the lowest rate, followed very, very closely by Manitoba Hydro.

This is a small elementary school and that neighbourhood at 300 kilowatts and 120,000 kilowatt-hours a month, and you can see that Manitoba Hydro is the lowest there. This is a 20 megawatt load and 12 million kilowatt-hours a month, and now the distance between the various utilities is starting to get quite a bit greater. This is a manufacturing concern within the province. There are two or three companies about this size, and it is getting to be a larger customer certainly, as you can see by the bill of \$352,000 a month.

This is the second-largest customer we have in our system. It is right around the 100 megawatt level, and if it was 100 megawatt, it would be \$1.8 million a month. You can see that we are 10 percent lower than BC Hydro. The amounts--you will see what happens if you were in the Maritimes or in Ontario for that same kind of industrial customer. This compares electricity rates in Manitoba with the CA composite as well as an index of the consumer price index, and Manitoba Hydro is lower than that.

This slide shows all the generating facilities in Manitoba. It also shows the major transmission facilities, and it shows our two thermal plants as well as the hydraulic plants. It shows the export capability. As you can see, we have three lines going into Ontario with an export-import capability with 300 megawatts each way. In the case of Saskatchewan with our four lines, the situation is the same. When you go to the United States, we can export 2000 megawatts and import 500 megawatts at the present time, so we can certainly export an awful lot more than we can import. We do want to import in times of low flow conditions.

This is our capacity factor in our system. Right now, we have the capability with our thermal and hydro plants for about 5,100 megawatts. Our last peak in '97 was

3,600 megawatts. We also have undeveloped hydro potential that is greater than what we have installed, and that is a relatively economic hydraulic potential. There is even more than that available. It also shows that we do not need any new power in the province based on our current load forecasts to the year 2015-16. Any new firm export sale would advance that, and any changes in our load forecast within the province would advance that as well. These are for the second consecutive year an extremely good water condition. We have had record generation within the province and record export sales as well. We also had the record amount of power required to meet the needs of Manitobans.

We talked of the storm last time, and the efforts of Manitoba Hydro employees in dealing with the storm were just exceptional. We did not have the costs the last time we met, but the total cost of that system interruption was in the neighbourhood of \$10.6 million, both in terms of the repairs, the lost exports, the cost of importing power and the reduction in the water rentals because of reduced generation.

This is the reliability of our system as compared to the CA composite, and, as you can see, Manitoba Hydro, in terms of the number of outages per customer, is just above the one level, and that has been relatively constant throughout that period of time. Every now and then, you get some peaks in the Manitoba hydro system, and that is the storms.

This is the average duration in terms of minutes that the system has been out, and you can see Manitoba Hydro, being the blue line, is all over the place. Certainly it depends on--this is very, very storm-related. This measures, once we do have an outage, for those customers that do experience the outage, how long we were out. So parts of the system in rural Manitoba, it certainly is not as reliable as it is in urban centres.

This is the overall average outage in terms of minutes per customer, and it compares Manitoba Hydro with the composite. For '97-98 and '98-99--especially '98-99 for Ontario and Quebec will be just horrendous, and they will truly influence the composite.

This compares average system interruption in terms of minutes as well as the system unit cost. This is always a trade-off. In other words, you can improve the reliability

of your system based on the amount of money you put into the system. As you can see from that, we have been measuring reasonably well because our unit costs are the lowest, and we have the lowest average system interruption time.

Public and employee safety: This is a graph that compares Manitoba Hydro with the composite, and we are always, as I mentioned earlier, within the top one, two or three in the country. This one is measured in fatalities per million population. That one, by the way, was public fatalities. We always know when we get the actual fatalities. We do not know about all the electrical accidents that the public is involved in, mainly because they are not all reported the same way.

This is Manitoba Hydro's employee accident frequency. This is the number of accidents per million employee hours. In '96 we had a fatality that really had a serious impact on our statistics there.

* (1050)

The environment: I will go through these very quickly. Our total to our Power Smart program, our energy savings, without considering the rate programs that are dependent upon reintroducing them continually, we have an accumulative demand saving of 72 megawatts. John mentioned our environmental commitment and responsibility program. There is a program that is really, really important to the industry as a whole. The fact that we got all the utilities across the country to be part of that program is a major accomplishment.

Various fish works. Our Forest Enhancement Program. Because we cut down an awful lot of trees for transmission lines and that sort of thing, we have a program whereby we help the public with various initiatives that they are doing. They apply to Manitoba Hydro. We have an independent group that looks at what kinds of programs these are and whether we should fund them. It has been very, very effective in helping us meet some of our environmental responsibilities. Through that same program we are a supporter of the Fort Whyte Centre's environmental education program, as well as other educational programs.

This is the public attitude survey that is done by the Canadian Electrical Association. It shows the public

satisfaction compared to a composite. Corporate citizenship, especially as it relates to our aboriginal citizens within the province. The NFA agreements, we have now signed four of the five. We still have Cross Lake to work with. We are talking to the Fox Lake First Nation with an initiative with them. Our North Central Project, we are hoping to have completed this summer the winter roads. That is sort of a problem because the warm weather has been causing us some difficulties, but we are still hopeful of having everything done this year.

We have been talking to the community of Churchill regarding enhancing the Churchill River itself as a result of our developments of the '70s that caused them a great deal of difficulty. We are committed to talking to all the communities before we do any work in anybody's area whether it is aboriginal or otherwise and making sure the communities know exactly what we are trying to do and why and what the impacts would be on the community as a whole.

We introduced just recently on a trial basis an aboriginal trades trainee program. One of our problems is that we would like skilled aboriginal people to work in most of our generating facilities. They live close by. One of the problems the aboriginal people have is trying to find out what kind of field they would like to go into, so we have introduced a trades trainee program whereby we will hire somebody for a 10-month period, and they get rotated through the various disciplines within a generating facility. At the end of the 10-month period, they can decide what trade they would like to go in, and then Manitoba Hydro will take them from there in terms of training them in that particular trade.

South Indian Lake, we have been dealing with them over the years as well. Lake Winnipeg issues, we have all talked about that. Lake Winnipeg experiences storms, and this causes property owners around the lake a great deal of concern. Manitoba Hydro thinks we are doing everything right, and some of the property owners certainly do not think that. It is one that is going to require ongoing dialogue and creativity on both Manitoba Hydro and government and the cottage owners' part.

We want to have motivated and highly skilled effective employees. That is our goal, and I really believe we do that. Our employees definitely go beyond the call of duty. They were involved in restoring our own system and had

the pc line back and within five days with the last major storm there in the fall of '96.

Our people were involved in the flood, and they helped out very, very effectively.

We loaned all our equipment out if it could be used within the flood. We provided assistance to North Dakota of which the people of North Dakota are extremely pleased with. I really, really think it helped both Manitoba Hydro and the province.

We provided assistance to Ontario especially, and from that we had people go into Quebec.

We have a quality initiative program going on within the company. It is a very extensive program. It is a costly program, but I believe it is working in getting people to think about what they are doing on a much more aggressive basis than they have in the past. A lot of our employees, through their involvement with non-Manitoba Hydro activities, get recognized quite extensively.

The changing electrical industry: We talked about the changes to The Manitoba Hydro Act. We now have a full MAPP membership. It is certainly helping us export—we are maximizing our export revenues and that is continuing. Our transmission system is open on a wholesale basis, so somebody could purchase—Saskatchewan, as an example, or Winnipeg Hydro—power from the States and use our transmission facilities and pay us a service charge for that use. In late '98 we are going to have a new system control centre in place. That is a picture of the building there. We have gone through corporate restructuring a year and a half ago, and that is now working out very, very well. We just introduced a new SAP accounting system. Some of these new systems, by the way, the new control centre and the new SAP accounting system, also helped us deal with the year 2000 problem.

Preparing for a competitive future: We have various quality initiatives going on, and I talked about our quality improvement initiative as it affects employees—the call centre. We have a venture with Centra Gas effective January 1 of this year. We now have one meter reader reading both meters. That has been very cost-effective for both utilities. We have other joint ventures. We have

a trades training centre that is located out in Stonewall that is now going to be the basis for all our trades training. We are involved in the selling of professional services outside the province, and we have various energy services programs.

Last week we had a group that went up to the Northwest Territories that signed a business alliance and a memorandum of understanding to look at various things that Manitoba Hydro and the province can do for those utilities. In this particular case it is aimed at energy issues, and we believe we can enter into a situation with them by looking at various opportunities that will be a win-win situation for both parties.

That ends my presentation, Mr. Chairman. Thank you very much.

Mr. Chairperson: How does the committee wish to proceed this morning? Shall the report be considered in its entirety or page by page?

An Honourable Member: In its entirety.

Mr. Chairperson: In its entirety? Agreed? [agreed]

Did the committee wish to indicate how late it wishes to sit this morning, or should the committee look at this at twelve o'clock?

Some Honourable Members: Yes.

Mr. Chairperson: We will revisit this at 12. Agreed? [agreed] Now the committee is open for questions.

* (1100)

Ms. Mihychuk: I do have a series of questions that I would like to go through before this committee adjourns, and before I do that, I want to thank Mr. McCallum and Mr. Brennan for their informative presentations, which they always are. I, as well as other Manitobans, am very proud of Manitoba Hydro's work that it does, its legacy and its projected future, and we congratulate them on a successful Crown corporation.

One of the things that all Manitobans are being impacted by—and living in Winnipeg I am quite thrilled with El Nino, quite frankly. Mild weather here has meant

that I have only plugged in my car for one week this winter, and it is saving me money, but it is probably costing Manitoba Hydro, and in my case, Winnipeg Hydro. Can Mr. Brennan tell us the impacts of this unusually warm weather on Manitoba Hydro?

Mr. Brennan: One of the benefits of Manitoba Hydro's system is that power we do not sell within the province, we are able to either sell on the export market or store in reservoirs. We have been able to take advantage of very strong export conditions and sell the majority of it, albeit it is not at the same rate that we sell within the province. It will cost us certainly, and it will have an impact on our actual results this year. My estimate now is in the neighbourhood of \$8 million up to the end of February and certainly March, because most of the power that is consumed in February and the early part of March will be billed in March. It will cost us in March pretty dramatically as well. So that number will go up, but I am still very, very optimistic that we will make our forecast of \$85 million, if not exceed it.

Ms. Mihychuk: One of the other impacts of this very mild weather is the closure of the winter roads. Some communities have only had access for, I think, two, three weeks. How will this impact the North Central Project?

Mr. Brennan: For the most part we have the majority of our material in. We do have concerns with a transformer. We have a major transformer, and the last I heard it was not directly into the North Central Project yet, but we are hoping to get it in, but it is very, very much of a concern. There were three or four days there when it got extremely cold in the North and it was still warm in the south, and that helped us a little bit, but at the present time there are still concerns.

Ms. Mihychuk: In regard to the North Central Project—and I have been reading many articles about how the people are thrilled to be receiving power—one of the downsides of it is going to be their power bills. Has there been a projection on the amount of the average hydro bill for those communities?

Mr. Brennan: We have worked with the Department of Indian Affairs as well as the province in making sure that there are educational programs. We have looked at various Power Smart initiatives as to how people can make sure that when they try to address the cost issue in

their facilities that they try to take advantage of some of our programs. In addition to that, there has been an awful lot of help from Indian Affairs and the province in trying to deal with this issue as well. There is no doubt if people use it for electric heating purposes, their bills will go up. The bills will go up because they are going to be using more power generally. Hopefully, this is something that we are going to have to work with the communities and hopefully will recognize the need to really do everything possible to keep their bills low.

Ms. Mihychuk: I am not sure that I got an answer to my question. Do we have an actual amount for the average bill?

Mr. Brennan: I cannot give you one because that is a function of the house and the way people use power within the house. So we certainly know from other northern communities what a bill could be, and in some cases they are relatively high, but it depends on how people use the power and it depends on how they deal with the facility itself. There is an awful lot of people in the North though that do provide the right type of conservation initiatives to minimize the cost of power.

Ms. Mihychuk: If I recall correctly, it is not that unusual to get a hydro bill of \$400 a month compared to perhaps a Winnipeg home which may see a bill of \$100 a month, and there is a various number of reasons for those types of high bills. One of the things that you mention, Mr. Brennan, was providing workshops or programs to inform northerners about Power Smart and other programs. How many northern workshops have been conducted by Manitoba Hydro over the last year?

Mr. Brennan: I would have to give you the exact number. I do not know the exact number. I do know there has been a series of programs and the community itself is involved in them.

I would like to go back to your question about comparing the bills. There is no doubt that the temperatures are different in the North and that is very much of a concern, but when people look at their bills in the south they better always make sure that they add the gas and electricity bill together when they make the comparison because most people in rural Manitoba do not have access to natural gas, and you know, there they are talking one bill as compared to two and that always makes it look higher as well.

Ms. Mihychuk: Mr. Brennan, last year I talked about possibly looking at translated brochures or information into Cree for northern aboriginal communities. Has that been investigated?

Mr. Brennan: Most of the material that we have been dealing with associated with the North Central Project has been translated in, I am not sure if it is Cree or not, but quite often I see various reports come out and they have English as well as the native language. I am not sure about the extent to which we have various brochures, but I will check into that again for you. We thought that was a real good idea, though.

Ms. Mihychuk: Mr. Brennan, can you tell us the cost to Manitoba Hydro for the North Central Project and the projected revenues from that project as well?

Mr. Brennan: I cannot give you the projected revenues, but we will get it for you, and what we will do is the same way we have in the past: we will just make it available to the committee as a whole. The projected cost is in the neighbourhood of \$150 million though.

Ms. Mihychuk: No doubt northern projects, in providing access, are an expensive expenditure. One of the other communities that has been looking to have access to a line is Shamattawa, and I would like an update on the status of those negotiations for, is it 60 amp service?—and when we expect that to be provided for that community.

Mr. Brennan: This is one that Manitoba Hydro was prepared to put 60 amp service in as soon as the community wants it. The community is concerned that if they put the 60 amp service in, they may not get a land line and certainly a land line going into Shamattawa is extremely expensive for the revenue that would be received from that community, and I think it is a horrible situation that the people will not decide to take 60 amp service. Having said that, it is their decision. I feel bad for them, but as soon as they want it, we will provide it.

Ms. Mihychuk: In general I want to go back into the status of Manitoba Hydro. From the presentation that you have presented, it looks that once again Manitobans have the lowest residential rates in America. Would that be confirmed?

Mr. Brennan: I think for the most part that is correct.

Ms. Mihychuk: Can you tell the committee what the recommendation was by the Dominion Bond Rating for Manitoba Hydro? I had an opportunity to read the report a couple of years ago which recognized that, and it was useful to have another agency, another organization, recognize Manitoba Hydro's position in the industry. Was that also available in the past year?

Mr. Brennan: I have not seen an extensive review like they did the time before. The time before, their main concern was our high fixed cost levels mainly resulting from the high debt levels. I think we have been certainly going into that pretty aggressively, recognizing that if we go at it really aggressively, it is going to have a negative impact on our customers. I think we have been pretty sensitive to that.

Ms. Mihychuk: One of the other things that the Dominion Bond Rating report mentioned was the high water rental rates that Manitoba Hydro pays to the Manitoba government. Can you tell us what the water rental rates were for the past year, or the amount?

Mr. Brennan: It was between \$50 million and \$60 million. I will confirm that actual number, but I believe it is in that neighbourhood.

* (1110)

Ms. Mihychuk: Mr. Brennan, what were the current charges to Winnipeg Hydro for power?

Mr. Brennan: Can I take a fast look at the annual report and I will not be wrong? In the fiscal year 1997, the bill was in the neighbourhood of \$50 million, \$49.9 million.

Winnipeg Hydro has been able to take advantage of—we give them their share of the extraprovincial revenue, so in actual fact their bill came down from \$56 million the year before to \$49.9 million because of extraprovincial revenues.

Ms. Mihychuk: Can you translate that into the amount per kilowatt-hour?

Mr. Brennan: It would have come down as a result of

the high flows, but I believe it is in the neighbourhood of 3.5 to 3.8 cents a kilowatt-hour.

Ms. Mihychuk: What are the current charges that we levy to you as customers?

Mr. Brennan: It depends on the type of customer. If it is a firm sale customer, it would be more than that. If it is certainly more than an industrial customer and if it is an interruptible customer that we can cut off when we do not have the water or when people within Manitoba require it, it would be less than that, than an industrial customer.

Ms. Mihychuk: So when we are exporting power, we are charging basically about the same rate?

Mr. Brennan: It depends on the type of customer. We have two types of customers, one of which is a firm customer where we actually have a situation where there is like a contract to supply a certain amount of power. In that case we get a good return because they are usually paying the cost of our facilities that are in place, and they would pay a rate that is higher than an industrial customer. If, in fact, we are just selling power that is a surplus to our requirements and is available on an interruptible basis, that would be less. That is just the terms of condition.

We have not come up with a rate program within Manitoba that allows our industrial customers to get the same rate as our extraprovincial customers. So if we got this surplus power available, we can now sell it to people within the province on the same terms and conditions. If our load goes up and it is a cold day, we can cut off those customers.

Ms. Mihychuk: What is the average cost to, let us say, a person in Minneapolis for power on a kilowatt-per-hour basis?

Mr. Brennan: I do not have the exact cost, but I will get it for you, and it is significantly more than a customer in Manitoba.

Ms. Mihychuk: The recent bill that we passed, Bill 55, was allowed for deregulation. One of the concerns that people have is that, in fact, we are now going to be competing in an open market, and this will impact on our

rates, that our rates will by necessity move up. Do you see that in the future for Manitoba customers?

Mr. Brennan: When we looked at the recommendations from Manitoba Hydro to the government regarding the changes to that bill, we were very, very concerned as to what the options were. We could open it up on a retail basis, which we felt would allow our rates within Manitoba to go up and allow Manitoba Hydro to get revenues at the source where we would get the best return.

The other option was for Manitoba Hydro to retain the obligation to serve anybody within the province but only keep it on a wholesale basis; therefore, our industrial customers or some of our better customers could not be cherry picked, if you will, leaving Manitoba Hydro with just the bad customers or the more expensive customers to serve.

We were quite pleased with the fact that we were able to get that passed in the way we recommended it, and therefore protect consumers within Manitoba. When we met with our industrial customers, we convinced them that this was better than having them in a real competitive market, and their biggest concern was talking to some of their head offices and convincing them that a truly competitive market was not in their interest. Certainly, they went along with it very well as well, and I am quite pleased with the way everything worked out, extremely pleased as a matter of fact.

Ms. Mihychuk: In terms of some of the implications of Bill 55, it was my understanding that would allow for more international agreements and other joint ventures, and we saw that in your presentation.

Recently, Manitoba Hydro announced its joint venture with Minneapolis or Minnesota Power utility. Are there further negotiations or other ventures that Manitoba Hydro is investigating?

Mr. Brennan: Yes, we would very, very much like to get into the eastern part of Wisconsin. There are transmission limitations right now for us to do that, and we are entered into alliance with Minnesota Power, which we are quite happy with. They are really good people to work with, and we are talking about a transmission line being built from Duluth right down into the southeastern

part of Wisconsin, and part of that will be Manitoba Hydro, should the opportunity arise, supplying additional firm power down into that area. We are also talking to other utilities about opportunities to get into more expensive or more costly areas, if you will, where we would be able to sell power at higher rates. In most cases, that requires additional transmission, and that is why alliances are so important to us.

Ms. Mihychuk: Manitobans take a great deal of pride in Manitoba Hydro, and I think it is quite clear that it is a corporation that is very successful. We like to point out it is a Crown corporation and owned by all Manitobans, but it must also be viewed internationally as an extremely attractive corporation that many would like to perhaps obtain. Has there been any interest by other energy companies in acquiring Manitoba Hydro?

Mr. Brennan: Nobody has talked to me about that.

Ms. Mihychuk: Mr. Chairman, could I direct my question to the Minister responsible for Manitoba Hydro? Is he aware of any interest by energy companies in obtaining Manitoba Hydro?

Mr. Newman: The only situation that I am aware of that was discussed came out of Premier Romanow, and that was in relation to SaskPower being interested in some sort of arrangement with Manitoba Hydro and MTS.

* (1120)

Ms. Mihychuk: That was, I believe, a year or two ago that that was looked at. Is that still on the table, and is Manitoba Hydro in negotiations with Saskatchewan in that project?

Mr. Newman: That is something that Mr. Brennan would be able to deal with. I have had no discussions with the minister in Saskatchewan or the government or with SaskPower.

Ms. Mihychuk: I would like to direct the question to Mr. Brennan.

Mr. Brennan: We have been talking to SaskPower regarding the possibility of doing things together that would result in efficiencies within Manitoba Hydro and SaskPower, and we think there are opportunities there.

In addition to that, we have been talking to them about the possibility and trying to meet some of their future requirements on a firm basis. In terms of one utility buying the other utility, we have not done anything of any consequence at all.

Ms. Mihychuk: One of our other neighbours is in what looks to be a serious energy crisis, and that is Ontario. Has Manitoba Hydro explored the opportunities in Ontario for providing power?

Mr. Brennan: One of the problems Manitoba Hydro has, and it is not a very serious problem, but it certainly is an issue, is that we committed ourselves to selling Ontario Hydro 200 megawatts of power at a relatively high load factor starting in the fall of '98 for five years. That takes up a great deal of our transmission capability into northwestern Ontario, but we do see opportunities there.

We are looking at seeing what we can do to increase our transmission export capability, and we are talking to some of the municipalities, as a group, within northwestern Ontario. That is a very, very changing market, but it clearly is an opportunity for Manitoba Hydro, and we are going to have to sit back and make sure we plan for the year 2000, if not before, so we can take advantage of those opportunities. I think we are really well fixed to do it. But we are certainly aware of them and will try to take advantage of it. We are also talking to the utilities, both Ontario Hydro as well as the municipal utilities in northwestern Ontario, on a regular basis.

Ms. Mihychuk: The transmission line—that would be upgraded or would a new line be needed to provide that type of power to Ontario?

Mr. Brennan: We right now have three transmission lines going into Ontario, and the rating of them is about 300 megawatts, and it would require a combination of events, depending on how much capability you want to go into Ontario. We would not make the expenditure of new transmission facilities unless there was a positive return. So we need the return identified before we would make those expenditures.

Ms. Mihychuk: Then I take from that that you are in negotiations to try and secure that return, and if that is

positive, when would we see that capital project moving along?

Mr. Brennan: At this point, there is nothing very firm. We are continuing to talk to them, and I think it just depends which opportunity is taken advantage of, but we do believe there are opportunities. I think it is pretty hard for me to say, to put an exact date on it.

Ms. Mihychuk: One of the things that was quite noticeable is the projected loss of revenue next year. We are looking at perhaps \$85 million in revenue this year, and next year I think it drops down to about \$50 million, if I remember correctly. What is the rationale for that projected loss, and are there significant capital projects coming on board, or why is there such a difference between the projections?

Mr. Brennan: Well, we are projecting \$85 million in the current fiscal year and then it drops down to \$51 million, so that is a decrease of \$33 million. Extraprovincial revenue is a result of going back to average flows. It takes in about 20 of that right off the top. So then we have finance expense going up and depreciation as a result of our capital spending impacting the bottom line as well. Our operating and administrative expenses remain relatively constant, so we have extraprovincial coming down by 20 with the rest being taken care of for the most part by depreciation and the charges going up as well as interest on those facilities. Our capital spending is in the neighbourhood of about \$250 million to \$275 million a year.

Ms. Mihychuk: When we are looking at extraprovincial sales, I would like to inquire about the status of the lawsuit with Ontario Hydro over the Conawapa cancellation.

Mr. Brennan: This is extremely hard for me to talk about inasmuch as it is before the courts. It is before the courts. It is going relatively slowly and I do not know if there is much more I can say to that.

Ms. Mihychuk: Is it possible to lay out what we expect or what we have paid already in terms of this dispute, and how much we project the legal bill to be over this Conawapa cancellation?

Mr. Brennan: Certainly, we can provide you what it

has cost to date. I can estimate it to be between the neighbourhood of—I think it is approximately \$900,000 so far. It is in that neighbourhood and I will confirm that number for you, but the future depends upon how long it takes to get a result.

Ms. Mihychuk: One of the things we were in the midst of, I believe, is an environmental assessment of the Conawapa project on the Hudson Bay system. What would be the projected costs to complete or do that comprehensive environmental assessment?

Mr. Brennan: I do not believe we were involved in an environmental review of the Hudson Bay situation at all. I thought the review was only the environmental impacts associated with the project we were building.

Ms. Mihychuk: Perhaps Mr. Brennan could explain that, and in terms of the Conawapa project, what type of environmental assessment had been conducted?

Mr. Brennan: We have done all the various types of environmental studies that have to be updated now, should any conditions have changed, but we have tried to determine what all the impacts of that facility being placed in our system would have, and for the most part I believe they are all public, but I could look into that. They were all discussed. I am not sure at what point we finally had everything at, but the majority of our studies were pretty well completed.

Ms. Mihychuk: Would you say that from Hydro's perspective all the environmental assessment work has been completed for the Conawapa project, and it would still be valid today or in the recent future?

Mr. Brennan: I think we would want to update them and make sure that everything is current, especially as it relates to the transmission line, probably, in that if there are various demands placed on those resources in that area, we would have to consider that and just where the line fit in. In addition, we would probably have to go back to the generating facility as well just to make sure everything was current.

Ms. Mihychuk: Can Mr. Brennan give us the projected cost to build Conawapa today on a similar scale as it was in '89? What would be the cost of Conawapa today?

Mr. Brennan: For me to give you that—I could give you the base costs—it depends on what year you would place it in service, and then we would add the appropriate amount of inflation and interest to that. It is going to be a fluctuating number depending on what year you want it into service, and we would use our corporate inflation and interest rates, escalation rates and interest rates to apply to that and give you a number. We could give you the number for whatever year you wanted to place it in service, appreciating it would take 10 to 12 years to go through the environmental process and actually build it. So if you give me those dates, I could take it from there and give you a number.

* (1130)

Ms. Mihychuk: I would appreciate it if we decided now to go ahead with the project and if we estimated it would take 10 years to build, if we could look at something in approximate numbers for the cost, I would very much appreciate that.

Further, I would like to ask if consideration was given—and I direct the question to the minister—to give the go-ahead for the Conawapa project seeing the number of opportunities that Manitoba Hydro has in terms of a number of export sales.

Mr. Newman: No detailed consideration has been given to that, no.

Ms. Mihychuk: To the minister, the government's policy in the past has been that there will be no further capital construction by Manitoba Hydro of any significant measure. Is that policy still in effect by the government of the day?

Mr. Newman: I think that policy is open for review at any time, and I am not even sure it is a—"policy" might be too strong a word.

Mr. Chairperson: Before I recognize Ms. Mihychuk—Mr. Brennan.

Mr. Brennan: Manitoba Hydro is not operating under that policy. Right now Manitoba Hydro is operating on the basis of we would make a recommendation to the board of Manitoba Hydro and the government, from a management perspective, based on what opportunities

became available to us. If, in fact, they required some new generation, we would then make the recommendation to both the board and the government of the day and let them deal with the particular issue, but from a management perspective we would look at what is best for Manitoba Hydro.

Ms. Mihychuk: Well, I guess that leads into the question of, from Manitoba Hydro's perspective, do you see that the Conawapa project would be an asset to Manitoba Hydro in terms of export sales and further development?

Mr. Brennan: It certainly would. What we would have to do is make sure that the ratepayers in Manitoba can carry it, and what we need is a firm sale to do that. A firm sale requires a major transmission coming down from the North as well as the plant, and we would have to have a great deal of revenue to cover those carrying costs. Conawapa, of course, is not the only plant in the system that would support a sale, and we would make sure that if we came across a firm sale that was in the interests of Manitoba Hydro, we would look at the best option. It may, in fact, not be Conawapa just because of the size of Conawapa. One other thing that is going to bring out when I give you the cost for the generating facility, I would also have to give you the cost of the transmission facilities to get it down.

Ms. Mihychuk: Recently we have had a number of signings of northern flood agreements, and I wanted to talk about the Norway House agreement that was signed last month. Somewhat controversial was the fact that there was a vote, a referendum, in the community. It did not pass all requirements, and a second vote, a second referendum, was called for Norway House. What was the involvement of Manitoba Hydro in that calling for the second referendum?

Mr. Brennan: We gave our opinion as to whether there should be a second vote or not, and we clearly thought there should be.

Ms. Mihychuk: Was this a recommendation from Manitoba Hydro, or was this provided to the government? Was it a government initiative or a Manitoba Hydro initiative to call for a second referendum?

Mr. Brennan: This is an agreement that was negotiated by all four parties to the agreement, and so it was a decision of all four parties, not just Manitoba Hydro. It was not one that anybody was directed to do anything. It was just a discussion that ended up just being what was viewed to be in the best interest of the community.

Ms. Mihychuk: The situation is still up in the air in terms of that, because I understand that there is a considerable number of people involved in Norway House who are actually suing or in court about the second referendum. Even in today's paper—I believe it was today's paper—it was cited as an example of the way not to do business; if you do not like the results of a referendum, you call a second one.

Was consideration given for the negative impact of, for instance, going for a second referendum? The impacts to that community are long term, as I see it. Perhaps this question is better directed to the minister.

Mr. Newman: What is the question?

Ms. Mihychuk: The question is the decision to go for a second referendum has serious impacts on the community and, I would argue, legal and political consequences for calling for a second referendum, and I am wondering if the government gave due consideration to that when they went ahead with the decision to do a second referendum.

Mr. Newman: The short answer is yes. The more complete answer is the chief and council, after the initial vote was lost—even though a substantial majority of band members had voted in favour of the comprehensive agreement, there were some questions about the process, a lot of the details, the numbers, eligible voters, a whole variety of issues, and the band and the chief and council were very concerned that the will of the people be reflected and that a legitimate vote take place in a forum that was agreed to by all the parties to the agreement.

The federal minister under the Indian Act had certain discretionary powers about a re-vote, and with the approval of all the parties to the agreement, another vote was held which confirmed that a substantial majority of band members did want this particular agreement.

You must appreciate the consultation process of the

chief and council with band members was very extensive and took place over a substantial period of time. A lawsuit was brought in the form of an injunction, seeking an injunction to restrain the vote proceeding or the results of the vote being implemented and went to the federal court. I believe it was November 25 of 1996 the federal court judge dismissed the injunction and confirmed that everything had been done in an appropriate way, and after that the parties signed the agreement.

Quite frankly, I think the treatment in the media, which I have heard both on CBC and in the Free Press in an article and in an editorial, is very unfair to Minister Stewart and is very unfair to Hydro and very unfair to the province in terms of the treatment. It is a one-sided version of events by the dissidents of Norway House who are unhappy with the result who reflect a substantial minority, but they have every right to appeal the decision of the federal court, and they have done that. That is, as I understand it, yet to be determined.

Ms. Mihychuk: The neighbouring community next to Norway House is Cross Lake. Can the minister report on the status of negotiations with Cross Lake in terms of the Northern Flood Agreement?

Mr. Newman: The status of the negotiations is that they are at an end because the chief and council have asked that they terminate, and we will respect whatever decision the chief and council make. It means that is a reversion back to the—or a continuation of the processes under the Northern Flood Agreement passed in 1977. If that is the will of the band members through their chief and council, we will respect that. Even though we may be of the view that that is not in their best interests, that is not for us to impose. It is for them to decide in their own democratic processes.

* (1140)

Ms. Mihychuk: One of the other communities that is in negotiations with Hydro is the South Indian Lake fishermen. I understand that water levels were raised dramatically to try and deal with the flooding last year. What is the status of those negotiations now with the South Indian Lake fishermen?

Mr. Brennan: I would like to just say one thing. I think the minister mentioned that the federal court decision was

in November of '96. I believe that was November of '97.

Back to South Indian Lake. We have had a series of agreements in the past with the community of South Indian Lake, I believe both in terms of agreements as well as infrastructure work we have done with the community. I believe we have spent something in the neighbourhood of \$30 million, and that includes a couple of agreements, some with the fishermen directly to take care of their fishing problems both in the past and the current and the future. So I think we have dealt with them in a reasonably fair way.

The fact that we have operated the plant outside the licence or the facilities outside the licence is not correct. Everything we did was within the licence. We did experience some difficulty with the fishermen, and we are in the process of talking to them. Their fish catch went down this year, and as well as that, the last three years, their fish catches were record catches, and the quality of the fish was good as well.

So the fishing, despite the fact we have compensated for it, has returned in the community and has actually been better than what it was before our facilities took place, and there are more fishermen. Having said that, we are in the process of talking to them to see if there is anything that Manitoba Hydro did wrong or could have done differently to help these particular people, and those discussions are ongoing.

Ms. Mihychuk: I understand that it is within the licence, that Hydro did not exceed it, however, that water levels were raised beyond what was normal or had been recorded since the hydro development in that area. One of the complaints is that there was a significant breakdown in communication, that people were not prepared for the rise in water level. I would just like to, for the record, I guess, urge Manitoba Hydro to be much more proactive in terms of the communities that are being impacted—in this case, we saw South Indian Lake have some very serious consequences of very rapid lake level rising—and that Manitoba Hydro recognize their responsibility in that and take the lead and compensate those people, because I think that perhaps if notice was given, there may have been a possibility to minimize the damage.

My question is: not only the fishermen were impacted,

the whole community was impacted, and are negotiations now being conducted with the community of South Indian Lake in those regards?

Mr. Brennan: We do agree with you that communication certainly could have been approved dramatically, and we have worked within Manitoba Hydro to correct that. We are not very happy about the way we did communicate with the community. The real concern was we let water out of South Indian Lake in a very short period of time and the quantities went up dramatically down the Churchill River. So anybody fishing on the Churchill River or any of the lakes leading into the Churchill River were caused a great deal of difficulty and certainly frustration in that the levels south of, well, I guess it would be east of South Indian Lake, were in a great deal of difficulty. We went out, when we were doing it, communication was on a weekend and stuff—these are all excuses, by the way, because we clearly should have communicated with the people much better than we did that live right in the community.

We did communicate by helicopter with all the people that were on the river itself. So all those people were notified, but they did not have a great deal of time to react to it, like the increased flows were coming down in a relatively short period of time. Any damage we did to those people of any sort, we have agreed to compensate those people for.

Ms. Mihychuk: Just to sort of get the statistics, what is the actual water level of South Indian Lake today?

Mr. Brennan: We can regulate up to the maximum of 847.5, and I believe it is just below 847, but I will have to check that as well.

Ms. Mihychuk: One of the problems again with the warm weather is the access to—it is called—safe ice trails. Perhaps what I am trying to say is that is it only El Nino that is having an impact here, or is Manitoba Hydro also one of the reasons for making these safe ice trails less passable? There was a recent announcement on February 19 that people in the South Indian Lake resource area were advised not to use these trails anymore, and it impacts very significantly on trapping and transportation in that area.

Mr. Brennan: I would assume and I will check into that

particular example that you gave. We advised them not to use it on the basis that it was not safe, and I think it was Manitoba Hydro recognizing the fact that some of these routes were not safe, that we wanted to make sure people knew that as soon as possible, so that nothing untoward could happen.

Ms. Mihychuk: It is my understanding that my colleague Mr. Sale has some questions, and I would like to turn over that opportunity to him.

Mr. Chairperson: I have previous requests before Mr. Sale. I recognize Mr. Helwer for a question.

Mr. Helwer: Mr. Chairman, I just have the one question. Perhaps Mr. Brennan can help me out here. In light of the erosion that has taken place along Lake Winnipeg, on both sides of the lake this past year, in consideration of the storms we have had, the wind and also the flood, and Manitoba Hydro has a licence to operate the lake level at approximately 715 feet. If the lake were lowered to, say, 713 or 714, what effect would this have on Manitoba Hydro's generating capabilities?

Mr. Brennan: We have estimated what the cost of that would be to Manitoba Hydro, and it would be in the hundreds of millions of dollars. In addition to that we do not believe that reducing the level of the lake by one foot would stop erosion in any event. We believe erosion would continue, and it would continue in those areas that do not have the right type of protection. This whole question of Lake Winnipeg is very much of a serious concern to Manitoba Hydro and the cottage owners, of course, or any property owner certainly has the greatest concern, and it is hard to feel for those people because I know how I would feel if my cottage was impacted. I think this is something we are going to have an ongoing dialogue between the province and ourselves, the cottage owners, to see if there are creative ways to help these people enjoy the facilities they have purchased.

* (1150)

Mr. Helwer: One further question. Has there been any work done lately as to the feasibility of a Hydro line on the east side of Lake Winnipeg to ensure a supply of power to southern Manitoba? Has there been anything done in the last number of years as far as looking at the feasibility of a line on the east side of Lake Winnipeg?

Mr. Brennan: When we lost the transmission line coming down from the North, that was our immediate reaction was, you know, like 75 percent of our power comes from the North along those two lines, and they are both in the same right-of-way and it causes us a great deal of concern. The conclusion we came to though was the only way we could really justify another transmission line down is with another major plant on the Nelson, such as Conawapa, and bring it down that way. So it made us even more concerned about trying to come up with a firm sale that would allow that to happen, but without a firm sale it would be really, really expensive for the ratepayers of Manitoba. We are probably better to look at extraprovincial lines to other provinces where we could bring in power, albeit it would be very costly, but we think that would be the most cost-effective way to provide improved reliability to our own system.

Ms. Mihychuk: Just to follow up in terms of the Lake Winnipeg issue, has consideration been given to providing an independent study to try and resolve the matter of the cottage owners and Manitoba Hydro?

Mr. Brennan: We personally have not looked at any independent study to see whether Manitoba Hydro's facts are correct or not. Based on the amount of knowledge I have had and the way I have looked at it, I am confident that Manitoba Hydro's facilities are actually helping the people on the lake. Now, when somebody's land erodes, you have a hard time convincing that person that we have helped them, but in actual fact we have eliminated a number of high times on the lake, if we take the same period before we built those facilities compared to after. The range in which—their high and low is much narrower. We know we can drain more water out of the lake than could have happened before under natural conditions. So I am personally extremely confident that we are helping those people.

That does not do beans at all to help the people, though, who are losing land, and that, I think, has to be a concern of everyone. It has been going on prior to Manitoba Hydro, so this is not a new problem. The only equation is now we have got Manitoba Hydro in the middle of all of this. I guess what we need to do is try to work with a resource that is available that everybody wants to get their benefits from in a way that is compatible, and I think this is going to require some strong thinking on everybody's part to see what we can do

to really make it a more enjoyable resource for all of us.

Ms. Mihychuk: Clearly, given my formal education included some hydrology background, it is extremely difficult to explain to people who have lost 10 feet of their shoreline how water levels could have been maintained at one level, and they say now it was there and now it is here, obviously something is different. Part of that is that Manitoba Hydro appears to have—I mean they are the ones that are reaping the benefits, or that is how it is perceived, of maintaining what they perceive as a high lake level.

So, again, it may be something that, if put into another hand outside of Manitoba Hydro, may provide for that verification, which those cottage owners and the municipalities may need to understand how complicated hydrological processes are, that many of the losses of shoreline are related to storms—and we know that—that reducing lake level may not seriously affect the erosion. You would have gotten that type of erosion anyway. Anybody who has tampered with the lake by building a weir or trying to modify the effects of currents knows they either lose that structure or perhaps their neighbour loses their shoreline.

So it is a very complicated issue. I am well aware of it. However, what looks like a very significant issue is impacting or is developing in the Interlake, and would again urge the government perhaps to consider providing that type of independent resource which may then be viewed by both sides as clearly having the ability to settle this dispute and look for some leadership and resolution of this issue.

Mr. Newman: I am going to respond very generally to your advice or your invitation to consider that kind of approach. The role that I see myself playing as minister is to be the representative of the people, the stakeholders involved with Manitoba Hydro, for good and for bad.

When issues like South Indian Lake and erosion come up and we hear that, I feel a great obligation to get an understanding of those concerns and make sure that I am satisfied that Hydro is fulfilling its obligations as a corporation which is owned by those people, by us, and meets the highest standards of corporate responsibility. When there is an insensitivity and a lack of even courtesy in the treatment of any stakeholder, whether it is people

at South Indian Lake or people on Lake Winnipeg, that is a matter of concern to me, and I will share my concerns with Manitoba Hydro. So with respect to South Indian Lake, I agree entirely that Hydro should have compensated those people who are victims of an inadequate and insensitive notification process in the circumstances.

We should always put ourselves in the shoes—the management and the people employed by Hydro should always put themselves in the shoes of the people that are impacted by whatever decisions are made and whatever actions are carried out by Hydro. I know the chairman of the board and the CEO respect that and practise that, but sometimes down the lane things are not as perfect as they should be.

With respect to the erosion issue, I have been very concerned about that because of the perceptions and the emotion generated by this and the personal sense of hurt and inequity. The information that I get and all the conversations that I have and all the communications I receive is what they want is they want a solution. They want to know what is the best practice for them to adopt, to protect their property to the maximum. That is the kind of thing I understand Hydro is looking at. If there can be a sharing of best practices, there can be continuous dialogue, there can be creative ways of addressing the problem which have practical results. That is more important than spending money on an independent study in my judgment at this point.

Mr. Chairperson: The hour being twelve noon, what is the will of the committee?

* (1200)

Mr. Helwer: Mr. Chairman, it is only 10 or 15 more minutes of questions, and then if we can pass the report that will be fine, I believe.

Mr. Chairperson: Is that agreed, that we proceed for a few more minutes until a few more questions are asked and answered and then pass the report? Agreed? [agreed]

Mr. Sale: I thank the committee for agreeing to extend questions a few more minutes. I understand that during the presentation the corporation indicated that it had resolved, or it had resolved to its satisfaction, the year

2000 question for the corporation's computer systems. I was out of the room for about half an hour during that time. So first of all, am I correct in saying that the corporation believes it has resolved these problems entirely or is it in the process of resolving them?

Mr. Brennan: We came across two initiatives specifically that we were looking at. One was a new accounting system, a financial reporting system, and another one was our control system. We totally rebuilt those rather than fix the year 2000 problem, but there are other systems within Manitoba Hydro that we have to be concerned about and we are working on them now.

One of the more major ones is the billing system. You know the customer bills go out. We have a deadline to get everything completed of December this year and everything seems to be on track to achieve that.

Mr. Sale: Mr. Chairperson, several times during the year people have spoken to me about private sector—in effect raiding public sector computer programming and support resources, around Y2K in particular, not entirely, but in particular. Has this been a problem for Hydro?

Mr. Brennan: Yes, it is a serious problem. First of all, two things are happening. Because everybody has the year 2000 problem, people are looking at various ways to address it, so they have got computer people working on changing systems for that, and then an awful lot of people are taking the same position that Manitoba Hydro took and said, well, let us take a look at our system as a whole and redevelop it.

So not only do we have the year 2000 going on, we have an awful lot of people trying to implement a major new system. The system we introduced, it is my understanding the Province of Manitoba is introducing it, MTS are introducing it, Great-West Life are looking at it and there is a massive demand. So we came through it first and trained all the people. Now all these people are available for consultants and everybody else. So it is a massive problem, and it is really hard for us to retain people. We have looked at various ways. We are talking to some of our people now, and I think we are going to be okay, but it is a problem. The problem is not just ours. It is everybody's.

Mr. Sale: Mr. Chairperson, last year and—I know at

least last year and it may even have been two years ago, I raised a somewhat similar concern with the chairman, Mr. McCallum, and indicated that it had been suggested to me at least that Hydro in its combination of downsizing and the pressure related to Y2K—but my initial concern was just around downsizing—had perhaps gone a step too far in reducing its capacity to engineer and monitor and maintain its own computer systems. That concern has been expressed to me by some former employees of Hydro, and it would seem that this current pressure may have made that worse. What steps is the corporation taking to deal with its shortage of staff at the senior level or the senior management of the systems level? I do not mean your level, but I mean the senior people in your computer systems support area. What steps have you been taking to try and address this problem?

Mr. Brennan: First of all, I do not think we downsized all that greatly in the information systems area. Certainly we allowed some people to retire through early retirement incentives, and that caused us some impact. As a matter of fact, some of those people we have had to utilize on a part-time basis now, so they are probably ahead of the game, so to speak.

We are now in the process of making sure that our salaries for these types of people are competitive. We are talking to educational institutions to make sure that they have people coming available to us in greater numbers than they have in the past. This is just an observation, but anybody wanting to get in that kind of field right now, it is definitely the time to do it. I am not sure what it is going to be like in the early 2000s, but it sure as heck is today.

That also requires retraining initiatives on Manitoba Hydro's part for people within the company as well. So we are trying to look at it from every facet possible.

Mr. Sale: Mr. Chairman, could Mr. Brennan estimate or indicate how many positions are currently unfilled or what the scale of the shortage is currently in that area of the corporation?

Mr. Brennan: I am not exactly sure as to how many people we are short now. I do know that out of the people that had the specialized knowledge associated with SAP, I believe there are 11 people and we lost nine

through a consultant. I believe that number is reduced dramatically now. We also were losing people in other areas. It has been stabilized now, and we are relatively—we are not comfortable, but with some of the other initiatives we have taken, we believe we can deal with our problems.

Mr. Sale: Mr. Chairman, to the chairman or the president, I understand that many of those SAP personnel were hired away by ISM and by IBM. Is that correct to your understanding that they went to those companies?

Mr. Brennan: IBM hired one, I believe. The major person that was doing it was the consultant that was looking after some of the other activities as a major consultant in the city.

Mr. Sale: Was that SHL SystemHouse, Mr. Chairperson?

Mr. Brennan: No, it was a C.A. firm.

Mr. Sale: Mr. Chairperson, the reason I was asking the question was that I believed there had been an agreement with IBM that they would not poach staff where they had contracts with government, that they would not pull staff from other public sector organizations to meet requirements. I am wondering whether the minister could respond as to whether he is aware of such an agreement with SHL, IBM, any of the major contractors that are undertaking, for example, the GL system or the SmartHealth system or any of the other major system renewals the province is currently undertaking, the desktop management system. My understanding was that there was not to be raiding of staff in order to take over that competency, and I am wondering whether the minister is aware of that.

Mr. Newman: No.

Mr. Brennan: I am not aware of any specific agreement, but when we lost the individual to IBM, we were left with the opinion that if we did not want them to take the—the individual knew about the opportunity that was available, and certainly if we wanted to totally stop it we probably could have. IBM are pretty sensitive to Manitoba Hydro's requirements, so IBM would not appear to be the major difficulty we have.

Mr. Sale: Just a last question, Mr. Chairperson, was the

new accounting system and the current billing system I believe that is currently under development, were these tendered to external groups or were they sole sourced? Can you describe what external support you received for those two projects?

Mr. Brennan: Maybe there is a misunderstanding on the billing system. The billing system, the only system I have is an older system that we are just changing for the year 2000 problem, and we are in the process of doing that, so that is an older system. We did look at an option of replacing it, but it looked like with the environment we are in that it was not a reasonable thing to do, that it was just too risky and did not appear to be really totally cost-effective as well, but we were concerned about the risk of resources.

In the case of the accounting system, one of the implications was the year 2000 problem and we went through a proposal call and everything like that. We believe we got the best system. Our decision was supported by other people taking the same system, and that is probably what made our people so attractive is we trained them at the beginning.

Mr. Sale: I appreciate the minister's response. The CHESS group that is now doing the meter reading between Centra and Hydro, is there an expectation that you will move into a single utility bill in the near future or in the foreseeable future or is that not part of that plan?

Mr. Brennan: There are ongoing discussions between Centra and Manitoba Hydro on this issue and it is a relatively sensitive one. We like the ability to totally control dealings with Manitoba Hydro customers by Manitoba Hydro. You know, like the bill inserts and the type of advantage we have in dealing with our customers, we like to keep as close to Manitoba Hydro as possible. Offsetting that would be the benefits associated with doing something together.

So, I do not know, we are really cautious in just trying to balance those two and probably to the chagrin of Centra to some degree, because I think they would like us to be a little more aggressive in doing that. Having said that, it is a concern to us, and we want to make sure that, if we did something like that, it is truly in the best interests of our ratepayers, and it is, you know, a slow, grinding thing for us to look at. Having said that, we

have to have a common system and that is some time off in any event, but it really is challenging us today.

* (1210)

Ms. Mihychuk: I ask the committee's indulgence in one final area that I missed and this relates to the community of Cross Lake. There have been ongoing negotiations since the late '70s about a bridge across the river and the community is on one side, the highway is on the other and you have to take a ferry across. The feeling by the community is that, whether the northern flood settlement is signed or not, that bridge is really owing to them since the development on the Nelson River. Can we have an update as to the status of that project? Can we see a bridge in the near future?

Mr. Newman: I will respond and then Mr. Brennan can fill in details I would not be aware of, but that was a matter that was a subject of an arbitration and the arbitration award was the subject matter of a court review, and I am not exactly sure where that is at right now. I could certainly check that out. Maybe Mr. Brennan has more detail on where that is right now, but I do not believe that that has been finally resolved through the court process at this time. That did not specifically deal with the bridge but was somewhat related to it.

Mr. Brennan: Manitoba Hydro has taken the position that that particular claim was a claim against the province, and we have stayed away from it. Like we do not have any involvement in that specific claim as it relates to the bridge itself. It is part of the highway system and the claim was against the province. The arbitrator did support the claim from the community, and I believe they are talking to the province. Manitoba Hydro is not really close to that particular initiative.

Mr. Newman: I can check and report to you and will on the current status of that particular court situation.

Ms. Mihychuk: I sense from the minister that he will look into it. I know that this is an issue that is extremely important to the community. It really does hamper access

to Cross Lake by having to use the ferry, and hopefully a resolution on that one will open up other possibilities.

But I do thank the committee and John and Bob, who are the executives of Manitoba Hydro, for an informative and co-operative committee and thank the minister for his responses as well.

Mr. Newman: I would just like to thank the representatives of Manitoba Hydro, the chair and the CEO for participating as forthrightly and completely as they have, which has been their practice, and I congratulate them for that and also commend the members of the official opposition who have engaged in the questioning. I think there has been a good and constructive exercise for the benefit of the stakeholders of Manitoba Hydro in the province, and it is encouraging that things appear to be on the right track. I welcome the ideas of members of the official opposition on issues like the development of Conawapa, your own views, those kinds of things, and whatever is in the interests of the stakeholders of Manitoba Hydro is something we should always be transmitting to the people responsible for the board and the management of Manitoba Hydro. Thank you.

Mr. Chairperson: We have come to the time of dealing with the annual report. Shall the Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 1997, pass?

Some Honourable Members: Pass.

Mr. Chairperson: The report is accordingly passed.

The time now being 12:20, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 12:20 p.m.