

Fifth Session - Thirty-Ninth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Daryl Reid
Constituency of Transcona

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS**

Monday, May 30, 2011

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

VICE-CHAIRPERSON – Mr. Gregory Dewar (Selkirk)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Ms. Howard, Hon. Messrs. Robinson, Struthers, Hon. Ms. Wowchuk

Messrs. Borotsik, Cullen, Dewar, Martindale, McFadyen, Pedersen, Reid,

APPEARING:

Mr. Larry Maguire, MLA for Arthur-Virden

Hon. Jon Gerrard, MLA for River Heights

Mr. Victor Schroeder, Chairman, Manitoba Hydro-Electric Board

Mr. Bob Brennan, President and Chief Executive Officer, Manitoba Hydro

MATTERS UNDER CONSIDERATION:

Annual Report of Manitoba Hydro for the year ended March 31, 2008

Annual Report of Manitoba Hydro for the year ended March 31, 2009

Annual Report of Manitoba Hydro for the year ended March 31, 2010

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Clerk Assistant (Ms. Monique Grenier): Good evening. Will the Standing Committee on Crown Corporations please come to order.

Before the committee can proceed with the business before it, it must elect a new Chairperson. Are there any nominations for this position?

Mr. Doug Martindale (Burrows): Yes, I nominate Mr. Reid.

Clerk Assistant: Mr. Reid has been nominated. Are there any other nominations? Hearing no other

nominations, Mr. Reid, will you please take the chair.

Mr. Chairperson: Thank you. Our next item of business is the election of a Vice-Chairperson. Are there any nominations?

Mr. Martindale: I nominate Mr. Dewar.

Mr. Chairperson: Mr. Dewar has been nominated. Are there any further nominations? Mr. Dewar is elected as the Vice-Chairperson of this committee.

This meeting has been called to consider the annual reports of the Manitoba Hydro-Electric Board for the fiscal years ending March 31st, 2008; March 31st, 2009; and March 31st, 2010.

Before we get started here this evening, are there any suggestions from committee members as to how long we wish to sit this evening?

Mr. Rick Borotsik (Brandon West): I would suggest we sit for a period of two hours. We go till 8 o'clock and then rethink it at that point in time, but 8 o'clock seems to be the time.

Mr. Chairperson: It's been suggested that this committee sit until 8 p.m. and then review sitting at that point in time. Is that the will of the committee? *[Agreed]* Thank you.

Are there any suggestions as to which order we consider the reports that I previously mentioned?

Mr. Borotsik: I would suggest, as we've done previously, and I do know that—I'm sure Mr. Brennan and Mr. Schroeder have a presentation to make. I'd like to suggest that we do it in a global fashion at this point.

Mr. Chairperson: It's been suggested to this committee that we review the reports in a global fashion. Is that agreed? *[Agreed]* Thank you to committee members.

Does the honourable Minister responsible for Manitoba Hydro wish to make an opening statement, and would she also please introduce the officials in attendance here with her this evening?

Ms. Rosann Wowchuk (Minister charged with the administration of The Manitoba Hydro Act): Yes,

and I will make a statement, and I'm very pleased to have Mr. Brennan, President and CEO, and Mr. Vic Schroeder, chairman of the board, with us here this evening.

I want to begin by welcoming everybody to this committee, particularly the people from Manitoba Hydro, and thank them for being here. They have been here quite a few times. In fact, twice this—last year, as they did the year before. And it's no surprise Manitoba Hydro is doing exceptionally well as our biggest public-owned asset, and Manitoba Hydro is sharing that success with all Manitobans through reliable service and the lowest overall rates in North America.

You know, it's—it would be easy for us to just take for granted that this is just happening on its own, but I want to recognize the diligence and hard work of Mr. Brennan and the staff at Manitoba Hydro, both those and head office, but also the staff throughout the region—throughout the province, for the work they do to provide hydro services for all Manitobans.

I also want to recognize that Manitoba Hydro has achieved this record on rates and reliability at the same time as securing the company's financial future and strengthening its fiscal stability. Manitoba Hydro is in its strongest financial position of its 57-year history.

We have heard—some say that we should call on Manitoba Hydro to abandon its current business model of keeping rates low and affordable for Manitoba families and businesses and to move rates to as high as the market will bear. In fact, we have heard that from the opposition that Manitoba Hydro should look at how they can maximize its return on investment, and I want everybody here to know that we do not agree with that. We—our government believes Manitoba Hydro should continue the work they do to ensure that rates remain affordable because it is those affordable rates that give us the best—give the best opportunity and have Hydro dividends flow to all Manitobans.

To give you a sense of how dividends flow to Manitoba customers, I want to say that I share with you what's other in—costs are in other provinces. Toronto families pay \$682,000 more a year than a Manitoba family. A Regina family would pay \$628. In Calgary, it would be \$383 more. So these savings and low rates are a direct benefit to the bottom line of every household in this province and helps support our economic stability and growth.

So what's our future vision for Manitoba Hydro? We know that we have entered into a period that has been called a decade of investment. Manitoba Hydro needs to invest, again, to build and develop our publicly owned hydro resource in order to keep on reaping the benefits for all Manitobans. To ensure our low-rate policy continues well into the future, Manitoba Hydro is making major investments, and new infrastructure such as Wuskwatim, Keeyask, Conawapa and Bipole III, a capital estimated to be at \$18 billion.

So how will we pay for this? Indeed, we have shared this before that export sales are what helps move us forward, and in the last 10 years, export sales have brought in \$6 billion or 35 per cent of the total revenue. Over the next 20 years we expect that export sales will generate \$21 billion.

I was very pleased that last year—last week we were able to announce the 475 megawatts of new power contracts with Minnesota Power, Wisconsin power service, as well as the completion of 125-megawatt extension with Xcel-PS-NSP, all worth \$4 billion, this on top of the \$3-billion sale that was negotiated with Xcel Energy late in May. Together this brings in \$7 billion in new long-term contracts over the next decade.

Along with this, we know that negotiations are still under way to expand the Wisconsin sale from the existing 100 megawatts to 500 megawatts, which will advance the Conawapa—the construction of Conawapa. Clearly, this is an exciting—and—a time of building for Manitoba Hydro. For the first time since Limestone project in 1980s, Manitoba Hydro is building a new hydro generation station, and this is Wuskwatim. It is our first new electro-hydro generation station in 20 years, and it is unique in that it is built in a modern, new—and a modern new-approach way of hydro projects working in partnership with First Nations, and having them as an equity partner is a new way.

* (18:10)

What's of great significance today is the terms of building Hydro. We have the Wuskwatim dam and now last week's announcement will trigger the Keeyask dam, which will also—being built in partnership with First Nations and be a huge economic benefit for the next decade, creating many jobs and continuing to produce long-term, low-cost, reliable, low-carbon power for the next hundred years.

It's important to highlight that some have said we should look at privatization of parts of the company. I want people at this table to know that although some have suggested that there could be privatization of the dam projects, it is not something that we would support. Any chance of privatizing is not on our agenda. We want to keep Manitoba Hydro in public hands so that all Manitobans can benefit. We are committed to keeping Keeyask public and all aspects of Manitoba Hydro public.

Building our public hydro resource means we need new transmission lines and new converter stations that will carry our power to market both for Manitobans and for our export customers. Manitoba Hydro is building the Bipole III line along with new converter stations in the north and south. The new bipole line and new converter stations are urgently needed to secure the reliability of our power supply. Bipole III will greatly enhance the reliability by protecting against losses of the—off the existing bipole lines and the loss of the existing converter stations. We know that losing Dorsey would be a catastrophic event costing the economy billions of dollars and exposing the province to blackouts for years. Bipole III with new converters is needed as soon as any new hydro station is added to the north. That means it is needed as soon as Keeyask is online to carry that power and the power that comes from Conawapa.

Clearly, reversing the Bipole III project now and attempting the east-side route, as the opposition has pledged to do, would have serious negative consequences for Manitoba Hydro and for all Manitobans. We know this risk exists for the—I beg—*[interjection]* We know that there are risk including long and indefinite delays in the project, legal battles involving First Nations opponents as well as resource—well, resource environmentalists, the risk of igniting major international controversy that would threaten our ability to export power to US markets. We know these risks exist. There have been—the Province has received 40,000 letters and email opposing the project on the east side from Manitobans and 10,000 of those have been received in 2010.

There are many examples where people have attempted to do lines such as bipole and then have been halted. As recently as May 8th of this year, two BC First Nations threatened to blockade a BC Hydro power line slated to run through their traditional territories. The good news is that bipole—the Bipole III project on the west side of the province is

now well under way and has been for many years. Hydro is proceeding with Bipole III route that could actually get it built in the real world, that can get built on time for reliability and long-term sales and that can get built in a way that does not undermine Manitoba Hydro's reputation in the export market.

I want to make a few brief comments on the record about the need for converter stations as the opposition has repeatedly said they would cancel the converter stations from the project. Between 70 to 70 per cent of our power flows through the existing Dorsey Converter Station. It is shared by both Bipole I and II and is also the terminal for the Dorsey-Forbes line, which is a major export-import line to the United States. The consequences of losing Dorsey Converter Station for even a short period of time would be very grave. In fact, we would have very serious impacts on our economy should this happen.

Manitoba Hydro has stated publicly that the complete loss of Dorsey station could result in an extended outage of up to three years. If such an outage occurred without a new southern converter station as backup, Manitoba Hydro would only be able to serve two-thirds of the load for much of the time over the coldest winter months. This would mean rolling blackouts and would force Manitoba Hydro to import power to meet the demands for Manitobans and lose its profitable export markets. Manitoba Hydro rates would be forced to rise sharply and would affect the financial health of our—of Hydro and, of course, the province. Hydro is an engine at the heart of Manitoba's economy. It is a \$56-billion economy. So, clearly, if we did not have reliable supplies of power, our economy would be put at risk.

In addition to the reliability risk to not build the converter stations, it would effectively cancel all future developments—Hydro developments on Nelson River. That includes cancelling Keeyask and Conawapa. It would mean a huge blow to Manitoba's future. It would be—the cost of the required new converters is less than two weeks of Manitoba's economy. Surely, we cannot put at risk Manitoba's economy by gambling and not building converter stations.

Not building converter stations would be like a family making a decision on whether they should insure their house or not. Certainly, a family wouldn't do that; Manitoba Hydro cannot take the

risk of not building those converter stations to keep Manitoba's economy going.

With those few comments, I want to say that—to this committee, that we, as a government, are committed to keeping Manitoba Hydro strong and growing and building and publicly owned for the benefit of all Manitobans. And I'm very pleased that we have the chairman of the board here, and the president, as I said earlier, and I would like to just turn it over to chairman—Mr. Schroeder—to make his comments.

Mr. Chairperson: We thank the minister for the opening statement. Does the critic for the official opposition have an opening statement?

Mr. Borotsik: Yes, very briefly. I know that the statement given by the minister this evening certainly will open up a number of questions, globally, that we're going to be discussing this evening.

Just in confirmation, we on this side, also, Mr. Chairperson, agree with the fact that Manitoba Hydro is without question the most important Crown corporation that we have in the province of Manitoba. And we believe that with proper ability to manage its affairs, itself, that, in fact, could become much greater than what it is in today. A long time ago I learned from a gentleman a very interesting management philosophy and that's let managers manage.

And we do know that managers in Manitoba Hydro, and engineers in Manitoba Hydro, certainly have the ability to manage their affairs in the best interests of the province of Manitoba and the ratepayers in the province of Manitoba.

Minister talked about privatization. That is not, nor is it ever, on the agenda of the opposition. However, I should indicate to the minister that I do believe that Pattern Energy has some relationship with privatization with Manitoba Hydro and the wind power. Perhaps that's a bit of a contradiction that the minister may well—that the contradiction that the minister may well have put on the record right now, and I think it should be corrected. And, in fact, Pattern Energy is a—is not a public corporation but certainly a private corporation.

An Honourable Member: Is it American or Canadian?

Mr. Borotsik: We'll get into some details on all of that.

I do also like to welcome Mr. Brennan, who's been at this table a number of times, and I do know that Mr. Brennan, given the opportunity, certainly has the best interest of Manitoba Hydro at heart, and I'm sure that he will be able to give us some understanding as to where Manitoba Hydro is at the present time.

Thank you, Mr. Chairperson.

Mr. Chairperson: I thank the critic for the official opposition for the opening statement.

Mr. Schroeder, did you have an opening statement?

Mr. Victor Schroeder (Chairman, Manitoba Hydro-Electric Board): I do.

I would just like to underline how pleased the board is to have announced the finalized substantial, long-term power sales agreement with Minnesota Power and Wisconsin Public Service. We expect, as well, that the remaining large sale agreement with WPS will be finalized in 2012, when their transmission issues have been further clarified.

This is an extremely positive step forward for the corporation, and the agreements entered into, to date, triggered the construction of the Keeyask Generating Station. Both the sales and the generating station project are significant undertakings and major investments with major long-term benefits. The sale announced last week also requires that we have in place new north-south, high-voltage transmission. While Bipole III is fully justified on its own as a reliability project, to reduce the risk of the unavailability of the two bipole lines and/or the existing converter station, Bipole III is also now needed to carry power from Keeyask to meet our export commitments.

In addition, there will be new transmission to the US border which will open up new opportunities for Manitoba Hydro over the lifetime of our hydro system.

* (18:20)

However, in the context of these major sales, I want to put some comments on the record regarding the importance of protecting our southern markets and their recent public discussions about their markets and how they view and treat Manitoba Hydro as a supplier of their energy. In the past decade, Manitoba Hydro and ministers of this government have regularly been forced to lobby in Minnesota and Wisconsin to have our hydro seen as

a clean, renewable, premium product on equal or better status than their own local renewable energy resources, being mostly wind, biomass, some solar.

On May 18th, a letter I wrote on this topic was published in the *Free Press*. To further introduce my comments, I want to read that letter into the record and then elaborate on some of the key points. I wrote the letter in response to an op-ed piece by Garland Laliberte, but also in response to others who have dismissed publicly and made light of the risks and challenges faced by Manitoba Hydro in marketing and exporting to our US markets.

And here's the letter: In his May 6 column, Garland Laliberte gives the false impression that Manitoba Hydro faces no risks and no challenges when it comes to marketing and selling our power as a clean, premium product in export markets. Nothing could be further from the truth. Loss of exports harms our Manitoba customers and we have a responsibility to be cautious to protect them.

Despite the fact that 97 per cent of Manitoba Hydro's power is generated from carbon-free, self-renewing water power, there are currently no U.S. markets that qualify our hydro power as a renewable resource. This places Hydro's electricity at a disadvantage compared to other renewable energy sources, because it results in our electricity not counting toward renewable energy requirements U.S. utilities must meet by law.

The story doesn't end there. Environmental organizations, which have derailed other resource projects in the past, as well as tens of thousands of individuals, have expressed strong environmentally based opposition to an east-side line. There have been several recent attempts by opponents of Manitoba Hydro in the U.S. to pass special laws that would impose unique environmental and socio-economic requirements on our sales to U.S. customers.

These efforts have aimed to devalue our product and tarnish our image. Manitoba Hydro continues to work diligently, along with our First Nation partners, to build up our reputation as a clean energy provider.

Manitoba Hydro recognizes that there have been significant impacts to the environment and to aboriginal communities as a result of past hydro development. And that's why we're committed to a modern approach to hydro development today—one

that is more respectful of the environment and more inclusive of aboriginal people as partners.

Routing Bipole III along the west side of the province, instead of through the intact boreal forest on the east side, is a modern and responsible approach to development today.

Another is Manitoba Hydro's ground-breaking partnership with NCN First Nation on the Wuskwatim dam. It will start producing power later this year on the basis of a substantially re-engineered design, which reduced flooding to less than half a square kilometres, down from 40, even though that meant a more than a hundred-megawatt reduction in electricity capacity.

Wisconsin, one of our most important and growing export markets, is presently considering a bill that would qualify power from our new dams, starting with Wuskwatim, as a renewable resource. We see this as a very positive development.

Contrary to the suggestions of some, now is not the time to risk our progress by reverting to old-school models of development. We need to move forward with responsible development, including Bipole III on the west side.

That concludes the letter, and I want to elaborate a bit on the situation we currently face in Wisconsin and on the background to the situation in Minnesota that I made reference to in my letter.

First of all, Wisconsin: The state of Wisconsin is an important and growing market for Manitoba hydro power exports that is more than ever confirmed by the just announced sale. However, there remain ongoing challenges to protecting this market. Although it is not a well-known fact here at home, our past large-scale hydro developments have been and are the subject of controversy and debate ongoing in Wisconsin. The main point of concern is due in large part to First Nation and environmental NGO concerns about flooding, environmental damage, lack of consultation and the adverse effects of these developments on Aboriginal communities in their vicinity. In addition, renewable energy development interests in Wisconsin who clearly view hydro power from Manitoba as competition have also raised these issues about large-scale hydro to argue that hydro should not be counted as renewable power.

Wisconsin introduced legislation at the end of April of this year that will define Manitoba hydro as renewable, but only once environmental licensing

and reporting conditions are met. Designation as a renewable power would make purchases more valuable to customers who would then get credit toward their renewable power requirements. It is therefore strongly in Manitoba and Manitoba Hydro's strategic market interest to have Manitoba hydro power classified as renewable power.

The Wisconsin bill has drawn a number of critics who oppose counting Manitoba hydro power as renewable under any conditions. These include local wind, solar interests, the League of Conservation Voters. The Potawatomi Nation has also been a very vocal opponent of counting Manitoba hydro power as renewable, citing concerns about environmental damage and First Nation impacts, lack of consultation, socio-economic disruption and lack of benefits and participation.

This new bill follows on failed attempts by the previous Doyle administration to pass legislation that proposed similar conditions for Manitoba Hydro to achieve renewable status. Under the Doyle bill, conditions for Hydro included licensing requirements related to the Churchill River Diversion and Lake Winnipeg regulation, as well as resolution of the concerns of First Nations affected by those projects.

The Doyle administration bill was the product of the governor's task force on global warming which recommended that hydro power from Manitoba only qualify for renewable power subject to the resolution of concerns of First Nations regarding new and existing hydro projects including final licences before any new hydro projects are built for export.

The proposed new legislation is the second attempt to legislate Hydro's status in Wisconsin in recent years. The latest news from the Wisconsin legislature is that the assembly gave a preliminary okay to the bill May 10th after the State Senate endorsed the bill. A procedural move by assembly Democrats kept the bill from final passage. A vote is scheduled for June the 8th.

Mr. Chairperson: Mr. Schroeder, one minute.

Mr. Schroeder: Okay. Minnesota has had similar concerns. There's a number of bills which have been passed into law over the last decade and have been—one of them from 2007 has been repealed. We have had orders from the Minnesota Public Utilities Commission directing Manitoba Hydro to provide information on a yearly basis to Minnesota about how we are now treating our Aboriginal and northern

environment in an improved fashion, and we can go on.

There are numerous of these factors and the law requiring the reporting would not—would not—have been repealed but for the concerted efforts of First Nations, Manitoba Hydro, successive Hydro ministers, then—Premier Doer and Minister Robinson, all of whom were very effective in persuading people at that time to end that legislation.

* (18:30)

I just want to emphasize that this is not something minor. This is not something you should be rolling the dice on. This is very serious for the future of Manitoba ratepayers.

Mr. Chairperson: I thank Mr. Schroeder for the opening comments.

It's my understanding that Manitoba Hydro wishes to make a PowerPoint presentation this evening. Is it the will of the committee to allow for the PowerPoint presentation? *[Agreed]*

Mr. Brennan, sir, I believe you're the one with the PowerPoint.

Mr. Bob Brennan (President and Chief Executive Officer, Manitoba Hydro): Okay, well, thank you very much, Mr. Chairman. I will try to go really fast.

This is a graph we see each time—or a chart. It shows the export capability going outside the province right now, and it also indicates that right now we're getting 80 per cent of the total generation for the province out of the Nelson River.

This is preliminary numbers now for March 31st, 2011, numbers, and, as you can see, we end up with a revenue—a net revenue of approximately \$150 million and our extraprovincial sales are about \$400 million.

This is a graph that shows the historical net revenue from our operations and our projections into the future. The red line is March 31st of 2011.

This is net extraprovincial revenue. This is net of purchases and fuel, and, as you can see, in 2004 we experienced the drought, and, as you can see, as we go up and get into the major contracts we have signed and are looking to sign further with Wisconsin, they're growing dramatically.

These are financial targets. We have three main ones, a debt equity of 75-25, interest coverage of 1.20 and capital coverage to maintain our ability to

provide for our capital expenditures other than major generation transmission.

This is our retained earnings, how they've grown since the year 2000. They've grown dramatically. They're now about \$2.5 million, and, as you can see, they grow pretty dramatically, as well, in the future.

Interest coverage ratio: With our major capital spending in the next 10 years, you can see that we don't have where we'd like our interest coverage to be in the year 2019 and 2020, but it recovers dramatically after that.

This is our projected equity ratio. It shows the next 10 years and we've done projections for the following 10 years. So you can see that our equity ratio drops materially as a result of the debt incurred to finance our major capital investments and recovers relatively quickly as a result of the sales coming onto the system.

This is just a note about the rate application we made on December the 1st of 2009. The hearings are still going on for that, and we asked for a rate increase April 1st of 2010 of 2.9 per cent. That was granted on an interim basis. We then also asked for one for April 1st of 2011, and the Public Utilities Board gave us 2.8 for the first time and 2 per cent as of April 1st, 2011. And as I mentioned, the hearings ongoing.

This is a graph that shows our rate increases compared to other utility rate increases starting in 2006 and going to 2011. The cumulative amount of the rate increases put Manitoba Hydro and Hydro-Québec relatively close. Hydro-Québec has had lower rate increases than Manitoba Hydro. Manitoba Hydro had 15.8.

If you take our current rate index as a result of the residential rate and use that as a base with Manitoba Hydro being a hundred per cent, you can see that everybody else is higher than Manitoba Hydro, including Hydro-Québec.

This is the average retail price of electricity. This was a survey that was done by the US Department of Energy in conjunction with Edison Electric and January the 2011 it was done, and as you can see, Manitoba Hydro is significantly better than most other areas. The closest ones to us in Canada are Québec and BC.

This is a residential monthly bill for relatively small users of 1,000 kilowatt hours a month, and as you can see, Manitoba Hydro is not the lowest but is

very close to the lowest, and as soon as you get any use at all in excess of the 1,000, the following occurs: Manitoba Hydro bounces into the lowest.

This is a commercial monthly bill of 10,000 kilowatt hours a month, and as you can see, Manitoba Hydro is dramatically lower than most other areas.

The—an industrial monthly bill of 31 million kilowatt hours in a month with a capacity of—or a load of 50,000 kilowatts—here the—in Manitoba the cost is 1.1, a million dollars and—because this is in thousands—and as you can see, BC is \$300,000 more than Manitoba, and Québec is approaching 300 as well.

A little bit about our export activities. We're able to sell virtually all our power into export markets and it's a—we sell them at market prices and so we can sell everything at those market prices, and it's subject to our transmission capabilities and the limits there.

There's a—despite the recession in the United States that hit some of our customers relatively hard, there's still a demand for our power. It's not quite as strong as it was in the past, but it's still relatively strong. To make sure that Manitoba Hydro is able to export and export to different types of customers in the United States and to make sure that we have adequate capacity to export, we need new transmission lines.

This is a chart that indicates the percentage of our provincial generation that's exported to the US, and as you can see, Manitoba Hydro as a percentage of the total generation is by far the largest exporter.

This is the same graph expressed a little differently. It's net imports, so it includes any—or includes net exports, so it includes any imports by the various utilities, and as you can see, BC was a net importer.

A little bit about the sales we've been announcing recently. This is the NSP sale that was a 375-megawatt sale in the summer—or in the winter—in the summer, I should say, and 325 megawatts in the winter. This was announced last year and this—at the same time, we announced a 350-megawatt diversity sale where we sold 350 megawatts to NSP in the summer and took it back in the winter. This is a Minnesota power sale and that was announced last year as well.

* (18:40)

And then we go into the 250-megawatt capacity sale that was just announced last week. It provides for a new interconnection to our system that we're quite pleased with and it's a 15-year sale. It's essential component of our preferred development plan. It also provides for an energy exchange whereby we'll purchase wind and resell it back to Minnesota Power at times when it's more important to them—or when the market price is better for us and the demand is better in the United States.

We also announced a hundred-megawatt power sale system—firm sale of 100 megawatts of capacity, and this will be done through existing transmission. It is a eight-year sale starting in 2021.

We also, at the same time, took a look at the term sheet we had. We changed it so that we are now providing for the 100 megawatts and then adding 400 more megawatts to it to get to the 500. It still provide—this one provides for a major new interconnection in conjunction with Minnesota Power. And this is conditional upon Conawapa coming into service as well.

A little bit about Ontario. We certainly—they certainly have a demand for power. They're phasing out their coal facilities. They're also having load growth, and consequently they have a need for new generation. The big problem is the ability to transmit that power down into southern Ontario and the cost of that. But we continue to talk to them, albeit the urgency on their part is not high, mainly associated with the cost of transmission.

Saskatchewan, the Province of Manitoba have signed a MOU between the two provinces whereby we'll continue to look at various sales and opportunities on both sides. We continue to talk to them. They have a need for power. We'd especially like to sell them surplus power that we have that is non-firm, and we're looking at various ways to achieve that. We're also looking at other ways to increase our transmission capability through other firm sales.

The bipole. We've completed round 4 of the consultations. We've talked to various people that are impacted about our preferred route and trying to come up with information that'll allow us to come up with the preferred route. We're also talking to any First Nations that are impacted by the line or the converter station. We're taking that information and considering it in the overall preferred route as well as the environmental impact statement.

A little bit about Bipole III costs that were the focus of the last meeting we had. As you know, we've released the more recently approved cost of the bipole, and for the most part the cost increase was associated with conversion equipment and, as you can see, it went up \$724 million, and the collector lines as well, \$130 million. The line itself went up 178 on a 1.1 original estimated cost.

This is a little bit of a study we have going on. We're looking at and we're talking to Saskatchewan Power about a new transmission line into Saskatchewan.

A little bit about new hydraulic generation. All our plants are now designed to minimize flooding and the environmental impacts of what we're trying to achieve with those plants. We're minimizing the impact on almost everybody and the environment itself. And both Wuskwatim and Keeyask, we're taking partners in through the First Nation communities. This is just a chart that I think has been up—shown before, and it shows the capacity of the plants, the cost, the in-service dates that we're currently projecting and the area flooded.

A little bit about Wuskwatim Generating Station. It's coming along quite good from our perspective. We expect the first unit to be producing power early in 2012, and the rest of the—the other two units will be shortly thereafter.

A little bit about the Manitoba content and the Aboriginal content associated with the construction; there was 500 workers as of March, 2011, of which 137 are Aboriginal. And since the project inception, the total number of project hires is 5,108, of which 1,990 have been Aboriginal, or almost 40 per cent.

A little bit about Gull. The earliest possible in-service date right now is 2019. This would require generation construction starting in 2014. A joint Keeyask development agreement with the four partners has been signed in 2009. We've also dealt with adverse effects with the four communities as well.

Conawapa, we're currently projecting 2024 and that would require a infrastructure agreement starting in 2014. The infrastructure is a preliminary work that we'd hoped to be done in conjunction with First Nation communities. On a per-unit basis, it is the case now and it has been the case for some time, it is the lowest unit cost on the system in terms of a new plant. The real issue associated with it, of course, it's

very large and there's a lot of surplus energy available that you'd have to sell to make it attractive.

We're extremely proud of our Power Smart program. It's been recognized nationally in quite a few ways. And since we started it, our total participation in the program has been approaching 140,000 people or customers. Since the Power Smart plan itself involves a 15-year, \$572-million investment targeting an additional 2,100–2,133,000,000 kilowatt hours of electricity, which is equivalent to 74 per cent of Keeyask and 36 per cent of the residential-commercial use of Winnipeg.

This is actually what has been achieved to date. The next graph shows the future—what we're expecting to achieve by '24-25. And this is the amount of greenhouse gases that would be saved, and it would represent 740,000 fewer cars on the road. And \$242 million in loans have been approved through the Power Smart residential loan program.

Geothermal process—the total number of heat pumps installed to date is almost 6,000 heat pumps throughout the province.

We also have a lower income energy efficiency program and the program provides, if you qualify for it, for free home insulation, free basic energy efficient measurements and also the ability to purchase a high-efficiency natural gas furnace at \$19 a month. The furnace itself—the savings associated with it are greater than \$19 a month. The number of homes retrofitted today are almost 3,100.

A little bit about the St. Leon wind farm. It's a 99-megawatt wind farm. It began commercial operation in June and is working quite well. We have a power purchase agreement that expires in 2026, but it is quite successful to date.

* (18:50)

The next one is the one I think Mr. Borotsik was talking about earlier. It's the St. Joseph wind farm. It's a privately owned, 130-megawatt wind farm located near St. Joseph. It started into commercial production on April the 2nd, and it's a 27-year power purchase agreement which expires in 2038. We also—to make that work, we entered into a loan agreement with them that'll be repaid over 20 years, and we also provide—that \$260 million is made up of \$250-million loan and a \$10-million working capital loan, so the total is 260.

Little bit about our head office building. As of April 30th, almost 8,000 people have toured the building. It houses a—right now 2,245 Manitoba Hydro employees. When I saw that number, it was much more than I thought were there. And the total construction cost is \$283 million.

This is some of the awards that the building has attracted, and there's quite a few. And here's some pictures of it. It is definitely a nice building to work in. It's—the air and the whole environment is very good. It's the kind of building you want to work in at the start of your career, not at the end of it.

A little bit about Centra Gas operations: Our—*[interjection]*—yes, I think some of our employees think so too.

This reflects the—our gas rates reflect the cost of acquiring natural gas, including transportation costs. Most times when prices are not as low as they are right now, the cost of acquiring and transporting the gas is up around 70 per cent of the total bill. Right now, it's down in the neighbourhood of 56 or 57 just because of low prices. But the main cost of anybody's bill under regular prices is the majority of the bill.

The system we have right now, as approved by the Public Utilities Board, rates change every three months. So they change four times a year. This is a personal opinion, but I don't think customers have a clue as to what they're paying in natural gas. I think it's a way we—once again, it's a personal opinion. We have to come up with something that is acceptable to the Public Utilities Board that we don't have these changes going on all the time where nobody knows what the bill is; nobody knows really how to control the bill and—but it is important we have energy conservation programs attracted at gas customers to allow them do what they can.

These are the type of changes. Most of them are decreases there, but it's only because we had price increases earlier when prices were going up. And we offered a fixed-price contract. It's much better to offer a fixed-price contract when prices are high than when they're low, but we haven't been getting all kinds of takers at this point. But, in actual fact, it would be a wonderful time for people to tie it up; it really would. Now is the time to do it, for sure.

Thank you very much.

Mr. Chairperson: Thank you, Mr. Brennan, for the presentation. The floor is now open for questions.

Mr. Hugh McFadyen (Leader of the Official Opposition): Firstly, I want to thank the minister, the chairman of Hydro and Mr. Brennan, the CEO, for your presence and comments tonight, and again restate our agreement that Hydro is the most important Crown corporation in Manitoba and, obviously, an organization that every Manitoban feels a connection to and feels good about in terms of its contribution to our province.

Mr. Schroeder, in his remarks, indicated quite rightly that we need to be mindful of opposition coming from American groups to hydro sales made by Manitoba Hydro into the US, and, in particular, Mr. Schroeder, you made reference to a bill before the Wisconsin legislature. Can you just indicate when that bill was introduced?

Mr. Schroeder: I believe that it was introduced earlier this year. I wouldn't have the—I can get you the date on that.

Mr. McFadyen: So it's—the bill, then, that he's referring to was introduced after the government announced the west-side bipole route. Is that correct?

Mr. Schroeder: Yes.

Mr. McFadyen: So is the—is opposition to the west-side route part of what's driving the Wisconsin bill?

Mr. Schroeder: I'm sorry, could you repeat that?

Mr. McFadyen: Just to confirm, the sequence was you announced the west-side route, and then the opposition started building in Wisconsin with the bill introduced this year.

So is it fair to assume the Wisconsin bill is driven by opposition to the west-side route?

Mr. Schroeder: No. The sequence is that—in my presentation, I mentioned that the government in Wisconsin attempted to pass legislation which started at least a year and a half ago to designate Manitoba electricity as green. It didn't pass.

The current legislation, if it is passed, would designate new Manitoba electricity as green, so it is very positive for us, but the opposition in Wisconsin has been out there ever since there were any discussions of significant hydro-electric exports by Manitoba to Wisconsin.

Mr. McFadyen: And that opposition has carried on subsequent to the announcement of the west-side route, is that right?

Mr. Schroeder: That opposition has to do with hydro-electric generating stations which were built in the 1960s and the 1970s and the dealings Manitoba Hydro had with its Aboriginal population back then, and it's based on all of those old issues.

And I certainly don't think for one second that if we were to give them an opportunity to attack us for what we are doing in 2011 by attempting to go through the boreal forest, the intact boreal forest on the east side, that that wouldn't be added on and wouldn't make sure that we wouldn't get the legislation which we have a chance to get now that we are going on the west side.

Mr. McFadyen: And with respect to the St. Joseph wind farm, Mr. Schroeder, can you just indicate who owns the generating assets at St. Joseph?

Mr. Schroeder: I believe that was a part of our presentation.

Mr. McFadyen: There's a reference to Pattern Energy and one thing that wasn't mentioned in the presentation was whether that's a Crown corporation, or is that a privately owned company?

Mr. Schroeder: I believe if you check the transcript, there was a specific reference to whether it was privately owned or a Crown corporation.

Mr. McFadyen: And it is a privately owned company, and one thing that's not mentioned is, is that an American, privately owned company that owns those windmills at St. Joseph, Mr. Schroeder?

Mr. Schroeder: It's an international corporation. It's certainly not resident in Canada.

Mr. McFadyen: Are 100 per cent of Manitoba's generating assets Crown-owned currently, Mr. Schroeder?

Mr. Schroeder: Our generating assets are 100 per cent owned by Manitobans. We do purchase electricity, not only from Pattern but also from other organizations in North Dakota and surrounding communities, depending on the circumstances.

* (19:00)

Mr. Brennan: Just to clear the record, the assets are owned by St. Joseph wind farm, and that is a wholly owned subsidiary of Pattern Energy.

Mr. McFadyen: Just in terms of the general approach to energy sales—and maybe I'll just ask the question of Mr. Brennan to start with—and the connection between sale agreements and capital

construction. Is the—can you just outline that general approach? Would you go ahead with capital—new capital construction without a firm power sale agreement or would you—would the power sale agreement come ahead of going ahead and making expenditures on new generating capital?

Mr. Brennan: You would try to have a sale that would allow you to defray some of the cost of a generating facility. Our load growth goes up about one and a half per cent a year, so it would take you a long time to use all the output of a station without having a firm sale. So we try to tie the two together. We know that we need some new facilities in our system around 2020, in that neighbourhood. So it would be good to have some kind of a sale that would allow us to help pay for the facility as it came into service.

Mr. McFadyen: And just with the specific reference to the Northern States Power sale agreement, which is already in place involving 125 megawatts. Is that sale being accommodated with existing generating and transmission capacity?

Mr. Brennan: Yes. What happened was we had a 500-megawatt sale that was expiring, and then we entered into two other sales that have come up to close to 500 as well.

Mr. McFadyen: And so the—what's the date of the expiration of the 500-megawatt sale to Northern States Power?

Mr. Brennan: If you ask somebody else a question, I'll find it for you.

Mr. McFadyen: So just to be clear. The 475 megawatts recently announced replaces a 500-megawatt agreement. Is that correct?

Mr. Brennan: I think so.

Mr. McFadyen: So, on a net basis, after the 475 megawatts of new sales, we're down 25 megawatts after the current agreement expires. Is that right?

Mr. Brennan: I think it works out to be 500–500. But I'll check it for you.

Mr. McFadyen: And so, Mr. Brennan, is it an absolute certainty then that based on the replacement sales just announced that Keeyask will be built without any further sale agreements?

Mr. Brennan: No, it was the 250-megawatt Minnesota sale that caused Keeyask to be built, that along with the 100-megawatt sale to Wisconsin.

Mr. McFadyen: And, in terms of Keeyask and Conawapa, how many more megawatts on top of what's already been announced would have to be agreed to as part of a sale to justify proceeding with Keeyask to start with?

Mr. Brennan: I missed the question. I'm sorry, I was still looking up the other one.

Mr. McFadyen: Just from the presentation, Keeyask would have a 695-megawatt capacity. How many more megawatts of sales on top of those already announced will be required in order to properly fund Keeyask?

Mr. Brennan: I'm not sure what—right now, looking at the sales we have alone, in Keeyask alone, it is profitable to proceed with what we have right now. So I don't think it requires anything else.

Mr. McFadyen: And, according to past testimony and reports that have come out of Hydro recently, both Keeyask and Conawapa, when built, will require some additional transmission capacity, DC transmission capacity as well. Is that correct?

Floor Comment: That's correct.

Mr. Chairperson: Mr. Brennan. Sorry, I missed that. For the record, please, sir, your answer.

Mr. Brennan: That is correct.

Mr. McFadyen: And to be clear on that point, that's beyond bipoles I, II and III in terms of added requirement for transmission capacity. Is that correct?

Mr. Brennan: It would—that would take care of I, II and III.

Mr. McFadyen: So you're saying that Bipole I, II and III as proposed will have enough capacity to carry all of the power that would be generated by Keeyask and Conawapa when built?

Mr. Brennan: That—all three would be very close to doing that, yes.

Mr. McFadyen: By very close—I guess the question is: Between Keeyask and Conawapa, there's a little more than 2,000 megawatts of added generating capacity. So are you then saying that Bipole I and II, with the addition of the proposed Bipole III on the west side, you're saying that those three transmission lines will be all that's required in order to transmit power from Keeyask and Conawapa?

Mr. Brennan: I think I'd have to confirm it to you, but it's my understanding that we have enough

generating facilities with—or we have enough transmission capability, including the DC facilities as well as AC coming from the north, to take care of all our generating facilities, including the addition of Keeyask and Conawapa, but we'll confirm that for you.

Mr. McFadyen: Just the reason the question is being asked is that the internal reports from Hydro indicate that there would be a need for a bipole IV and V in the event that Keeyask and Conawapa are built. Can you just confirm or—I'm sorry, I guess it's through the Chair. Can he confirm, Mr. Brennan, that the construction of Keeyask and Conawapa will require a Bipole IV and V, which is what the internal Hydro reports are saying?

Mr. Brennan: I think the internal reports are saying that any generation after Conawapa would require more transmission capability and it would require a bipole IV or V or—I guess it's a function of what you're going to build, but you're going to have to match the generation with transmission. Now, that transmission could be AC or DC, but there is a need for additional transmission of some form, after Bipole III is built, with any new generation.

Mr. McFadyen: Just on the issue of Bipole III, the 2006 report done by Hydro indicates that it was initially recommended to government in 2001. It's now 2011. What accounts for all the delays and the ten years of lost time in connection with Bipole III?

Mr. Brennan: I think the—mainly routing concerns. At one point, we had—well, relatively recently—the original plans would have Bipole III in service today.

Mr. McFadyen: And so you're saying the reason Bipole III isn't in service today is because of routing concerns raised by government over the last 10 years?

Mr. Brennan: You might even go back before that.

Mr. McFadyen: Mr. Brennan, the—there are three reports that were—that are in the public domain right now on routing issues. There's the 2005 report that came out last week, 2006 report that came out today, and then there was the 2007 report known as the Farlinger report. Can—Mr. Brennan, can you just indicate whether there are any other routing reports or studies that Hydro has that are relevant to the routing discussion that's now taking place?

* (19:10)

Mr. Brennan: I'd have to check.

Mr. McFadyen: Just the public comments made by you were that there was a whole bunch of reports, and the letter released today says there was a series of reports done.

Can you just undertake to provide that series of reports to the Legislature?

Mr. Brennan: Yes, I think we can give you the listing of what the reports are called, and some of them have confidential stuff, you know, commercial issues associated with them, but we could look at them all.

Mr. McFadyen: Just in terms of sequence, the 2005 report highlights some quite significant concerns about the western—the far west route, as it's described. The 2006 report was done, in essence, in response to a requirement by government to not go down the east side and to look for alternatives. And then there's the 2007 letter that was written by the then-minister of Hydro, the current First Minister.

We understand there was a lot of discussion at the board level and the executive level about how best to proceed in term—with Bipole III in light of the various requirements and issues that were being raised by government.

Mr. Brennan, can you just confirm, or maybe Mr. Schroeder, as board chair, just confirm that the 2007 letter that was written by the minister of Hydro was done so at the request of the board because the board didn't want to take responsibility for the decision?

Mr. Schroeder: Yes. The issue of the routing, as Mr. Brennan says, had gone back a number of years and it was—it had been stated by various members of the administration that the east side wasn't available, and that triggered the administration at Hydro to recommend by about 2006 that we proceed on the west side because the east side wasn't available.

The board and management discussed that and agreed, that while protecting the in-service date of the west side, we would—we felt that it was our responsibility to ensure that all of the facts were fully available before a final decision was made, and we asked government to make it crystal clear whether or not the east side was available.

If it wasn't available, then we had to proceed with the next best choice, which we had been dealing with for about two or three years prior to that point in time. And, of course, the Farlinger report was one

that we had commissioned, which came out, I think you said 2007. It would have been roughly in that area. That report confirmed, as well, that that type of decision, as a public policy decision for a Crown corporation, ought to be made by the government of the day, and, as you know, it had numerous issues that it raised in terms of the west side, the east side and so on.

And, of course, what I believe triggered government interest was the fact that the east side could very well become an international cause célèbre, given—and that was one of the areas that he had been asked to look at—the environmentalist opposition, and that was one of the areas which Hydro management had told us years earlier that they did not have experience in, that is, in dealing with international environmentalist NGOs.

Quite frankly, that is something that very few Manitobans have experience with and that's—that was the process that was gone through to ask the government to tell us, quite clearly, whether the east side was or was not available. If it is not available, given that it is the Queen that owns the land, we do not have rights of way; we do not have the ability to borrow the money; we do not have the ability to initiate section 35 constitutional discussions. I don't believe a resource company in the world would have made a decision other than the one recommended to us by our executive and approved by the board.

Mr. McFadyen: Now, just to be clear on the sequence because it is an important issue. And I think everybody acknowledges that it's important to take account of the impact of groups from outside of the province on these sorts of issues, but it's unusual for a minister to have to put in writing direction to a Crown corporation board.

And so when you, Mr. Schroeder, when you say that the board needed clear direction from the government, can you just confirm that the board asked the minister to put that direction in writing so that the board would not have to take responsibility for the decision?

Mr. Schroeder: That wasn't the thinking. The thinking was that we needed a clear public policy decision. And, in fact, Crown corporations' counsel had made it abundantly clear that where government wishes to provide a direction, it ought not to do it through the back door. And I believe that this is an example of a government doing precisely what good governance dictates that it ought to do, and not to go by any back-door way, but to say specifically what

public policy is, and it is then up to Crown corporations to implement policy.

Mr. McFadyen: And, again, Mr. Schroeder, can you confirm that, if it had not been for the written direction received from the Minister of Hydro, that the view of the board and the executive was that the best way to go for Bipole III was down the east side?

Mr. Schroeder: Absolutely not. Certainly, many members of the board—and I did not need to, nor did I canvass all of the members of the board, but, certainly, many of the members of the board were strongly opposed to going down the east side from fairly early on.

Hon. Eric Robison (Minister of Aboriginal and Northern Affairs): I want to thank Mr. Brennan for the presentation as well, and Mr. Schroeder.

I do have a couple questions what—that do stand out in my mind. I want to go back a little bit on the First Nations' issues that were identified. I know that business with First Nations was quite different than the way it is done today, in the 1960s and the 1970s.

I wonder if either Mr. Schroeder or Mr. Brennan would confirm that, especially with our US customers, that they wanted to get some satisfaction that the First Nations' issues were being addressed adequately by Manitoba Hydro prior to them becoming customers or potentially being our customers here in Manitoba.

Mr. Schroeder: Mr. Chairman, thank you for that question.

* (19:20)

Back in the early 2000s, the Xcel Energy entered into an agreement with PCN, with Cross Lake, pursuant to which they were required to monitor the activities of Manitoba Hydro. Now, in the 2000s—and that, of course, was based on what had happened back in the 1970s with Lake Winnipeg regulation and Churchill River Diversion, which the engineers of those days told Hydro and told the government and told the people of Manitoba would be cost-free in terms of dealing with the Aboriginal population.

As you know, there was tremendous displacement at the time. We have already expended over \$700 million in mitigating those damages created by those projects and by—and that includes the Grand Rapids generating station from the 1960s, and we still have huge liabilities on our books for future damages caused by those projects that are now 50 years old and 40 years old.

So, yes, Mr. Chair, those issues were raised by First Nations to people like Fresh Energy, a variety of environmentalist groups in Minnesota, with the politicians, and they were coming back and saying, hey, you're power isn't green.

And they were comparing our power in a negative fashion to coal and nuclear, and it was a very awkward position for Manitoba Hydro to be in, and we've been working on that and trying to rebuild our reputation and to deal fairly with the population in the north since. And we have been making progress.

Mr. Robinson: Yes, I noted in the presentation that the Joint Keeyask Development Agreement was made with Tatakweyak Cree Nation, Fox Lake, War Lake and York Factory.

One of the new elements that comes into the picture now is back in the 1960s, 1970s and even into the 1980s was section 35 consideration, the duty to consult on behalf of any government with First Nations. The whole debate occurring right now at the east-side transmission line or the west-side transmission line could, in fact, be in vain if First Nations happen to say no to any such arrangement.

Has Hydro had discussions with their legal counsel on these very matters relating to section 35 consideration, that, in fact, if First Nations didn't want to—didn't want this debate to further commence or further—go any further than it has, that, in fact, if First Nations have that ability, as per Supreme Court rulings, that they could, in fact, say, no, there is no—there is not going to be an east-side transmission line, there is not going to be a west-side transmission line, in fact there will be no hydro development, keeping in mind the section 35 considerations—now, what have legal counsel told Manitoba Hydro in that regard?

Mr. Schroeder: Section 35—what we've been told is that section 35 requires that government consult with the First Nations. This isn't something that Manitoba Hydro would do directly. Certainly, we as a corporation would say that we believe that ultimately some accommodation, some reasonable accommodation, would be made.

When you say east side and west side, first of all, certainly, we haven't had any indication that there is that type of an issue on the west side, and there has been consultation, and, although there is a bit of a delay, it has nothing to do with opposition that we are aware of at this point in time. It has to do with

the right of those First Nations to provide their traditional knowledge of their environment in terms of where the line is going to go, and that's taking a little longer than we had hoped for.

But the process is certainly better than the one in the '60s and '70s where they weren't consulted at all, and they were fishing on the lake and, all of a sudden, saw the Caterpillars on the horizon. It's quite a different process now that section 35 is in place. The Constitution is making a difference.

Mr. Robinson: With that in mind, am I correct to assume, then, that if, in fact, First Nations don't desire any power sales to occur to the United States, that they, in fact, have the ability under section 35 to block any export sales of hydro? Is my understanding correct or incorrect in that regard?

Mr. Schroeder: I think we'd have to get back to you. I think that the short answer is that it would create difficulties and delays.

Mr. Robinson: I certainly wouldn't want to suggest that First Nations people be denied the opportunity for economic development jobs, training and a sense of pride, because I think that we all know the dire circumstances that Aboriginal people are faced with in many of our northern communities. And, certainly, what they want to do is enjoy a quality of life which is comparable to other Canadians, and that is to provide for their families and be able to put food on the table for their families and feel that sense of pride that other people enjoy that have that opportunity to work.

I know that Manitoba Hydro has made it an effort to ensure that a new way of business is conducted with First Nations. Now, this was one of the sticking points with the potential US customers that I was talking about in Minnesota and Wisconsin. In your view, do you think that those concerns that have been identified by legislators in Minnesota and Wisconsin have been satisfied?

I think that all of us here know that the negative impacts that hydro development has had on First Nations people, particularly in the past, has been somewhat traumatic in many respects. But, with the new way of doing business and the attempts by Manitoba Hydro to be more receptive to the needs of Aboriginal people, First Nations people in northern communities, the ones that were directly affected by past hydro activity, hydro development activities, in your view do you think that our customers are now basically satisfied—this goes back to my first

question—are generally satisfied with the attempts that have been made to correct the wrongs of the past, if you will?

Mr. Schroeder: I do believe that they're more comfortable, especially because of several things which have occurred in the last couple of years, one of which is the renewed discussions with Cross Lake. It was the last of the five Northern Flood communities. And, of course, they were instrumental in dealing with the Minnesota Legislature in getting Xcel to enter into that agreement, partially because Xcel had been required by the Public Utilities Commission to report every year on whether we were still doing bad things up north.

And, you know, a couple of years ago, it was so bad that their CEO came to visit us, came to the north. We took him to Thompson, Wuskwatim and so on and showed him the projects that we had. And, in the last couple of years, this has improved dramatically due to, I believe, hard work by leadership in that community, hard work by Hydro. And so, at this point, things are going much better. I think that they could slide back very, very quickly should we make some policy decisions—that they would want to fight.

* (19:30)

Mr. Robinson: I do appreciate the responses being provided by the chair of the Manitoba Hydro-Electric Board.

It would appear that just from what I've been listening to in the last little bit, that our American customers, or US customers, are also aware of the past that we're talking about and have been informed of the impacts of widespread flooding that occurred in the past; and, on the urging of local lobby groups who are quite effective, they've taken steps to try and block the hydro power from being purchased by their states. Are we successful in convincing these lawmakers and our potential customers in the United States that, in fact, there is a new way of doing business, there's a new atmosphere of relations in the province of Manitoba with First Nations particularly?

Mr. Schroeder: I think, at the moment, the answer is yes—that is, that you'll recall the movie they made, *Green Green Water* or something like that, and it was a vicious attack on Hydro, you know, many facts distorted, but there were facts that were true. And, as long as they were getting that push from Manitoba First Nations, there were certainly people willing to

take on that fight and partly, I believe, maybe cynically, but I do believe that there are competing forces in places like Minnesota and Wisconsin who don't mind hearing those things because they can prevent us from competing with them in their market, and that's especially so for high-cost alternative energy projects, such as wind, solar, biomass, projects that environmentalists tend to get very excited about, and those are the people who tend to be able to organize crowds.

Mr. McFadyen: Just picking up on where the member for Rupertsland (Mr. Robinson) has left off, because the issues, the historical issues, and the challenges in appropriately resolving those and moving forward are a really important part of this discussion, can you just indicate, Mr. Schroeder, those past injustices, which, I think, is the right way to describe it: Did they arise from the construction of generating facilities that caused flooding or did they arise from the construction of transmission lines?

Mr. Schroeder: The issues that have arisen came as a result of the Grand Rapids Generating Station. I don't know whether or not there was transmission associated with it that created some of the displacement, but I'd be surprised if there wasn't. Similarly, there would have been displacement due to transmission as well as—but, of course, the major problem in those instances was huge amounts of water, huge amounts of flooding, huge amounts of displacements due to generating stations. I would not discount transmission entirely.

Mr. McFadyen: Given—because your—I think your explanation of the history is correct, can you just indicate, currently, in the context of the proposed Bipole III, whether Hydro and the Province have, as of today, is it your view that you have already discharged the duty to consult with First Nations, or are there remaining consultations, discussions and agreements yet to take place with respect to the west-side route?

Mr. Schroeder: Mr. Chairman, the duty to consult is not Manitoba Hydro's, and so that would be something that would be for the Province to determine whether—when the consultations had been completed.

Mr. McFadyen: And it is—that is an important distinction, certainly legally. And so I'm just wondering if either the minister or the chairman can indicate whether they believe the Province has discharged all of its constitutional obligations with respect to the proposed Bipole III.

Ms. Wowchuk: The Province hasn't started section 35 consultations because we have to wait until Hydro files their environmental impact statement, and then section 35 consultations will begin.

Mr. McFadyen: And, in terms of the other Manitobans who have an interest in property that would be impacted by the proposed Bipole III, how many of those private landowners or individuals who lease land that's going to be impacted by the route have signed agreements currently permitting Hydro to make use of that line for the purposes of Bipole III?

Mr. Brennan: I would have to check into the process. I'm not sure if we've done any until such time as we have a line that is approved. So I don't think we'd have any, but I'd have to confer on that. I'm almost positive.

Mr. McFadyen: Just in terms of the people who may have an interest in land that would be impacted by Bipole III, does the—is it the intention of Hydro or the Province to compensate both those who lease land and those who own land on the proposed route?

Mr. Brennan: Certainly, the owners of the land would be compensated, for sure, and we're looking at doing something that would be reasonably attractive. In the case of the leased land, I think that'd be between the owner of the property and the lessee.

Mr. McFadyen: Just in terms of both, I think the indication is that the section 35 consultations have not yet begun with respect to the west-side Bipole III, and that it's a very early stage in terms of dealing with private landowners. I'm just wondering if you can indicate, Mr. Schroeder, what is causing the delay in the application for the environmental licence.

Mr. Brennan: I think there's a series of issues. We're not expecting a very long delay, like a—we're—at this point, we're planning to do it by the end of June and now it looks like it's going to continue for, you know, a couple of months after that. One of the ones is to make sure we get—and I guess the largest one from our perspective is getting the feedback of the impact of Aboriginal people that are going to be affected.

Mr. McFadyen: And then, just to confirm the sequence: the application for the licence will be made at some point after June, within a couple of months, perhaps. And only after that will section 35 consultations begin, as well as discussions with private landowners. Is that right?

Mr. Brennan: Certainly, Mr. Chair, the discussions would—after that has happened, from our point of view, we'd start discussions with property owners. I think until such time as you get the licence, you wouldn't enter into formal agreements, but I'll check that process to confirm it. But it doesn't sound like it.

Now, section 35, of course, is not our responsibility.

Mr. McFadyen: The—just on the issue of the reports that the board has relied on to support the west-side decision, or that the government has relied on to support the west-side decision, the—we've got one from 2005, one from 2006, both of which raise significant concerns about the west-side route; 2007 is the Farlinger report. I wonder if—Mr. Brennan, can you just indicate whether a draft version of the Farlinger report was circulated internally to Hydro employees for comment prior to the finalization of that report?

* (19:40)

Mr. Brennan: I'm not sure if it was circulated or not. I usually see draft reports myself, usually, but I don't know if it was circulated. That sounds like a pretty strong word.

Mr. McFadyen: Yes, I'll just ask again, just whether that report, in draft form, was circulated internally to Hydro employees in the environmental or the transmission and distribution departments for comment prior to its finalization.

Mr. Brennan: I would think the senior management in those groups would. I think it's just the one group though, the transmission group.

Mr. McFadyen: And again, to Mr. Brennan, can you just indicate what the comments were that came back from Hydro staff when that draft report was circulated?

Mr. Brennan: I don't have a clue.

Mr. McFadyen: I wonder if you could just undertake to check into that and release the comments that were provided by that staff on the draft report.

Mr. Brennan: I'm not sure if we do that. Do we—like, I don't think that we normally release information that goes back to management, but I'll take a look at it.

Mr. McFadyen: Just ask whether any of the comments that were received led to any amendments

in the final report prior to it being made public in September of 2007.

Mr. Brennan: Would you please report—repeat the question for me?

Mr. McFadyen: Whether any comments received by staff at Hydro led to changes to the draft report that were then captured in the final report that was then made public in September of 2007.

Mr. Brennan: I don't really know.

Mr. McFadyen: Could I just ask the minister, in terms of her responsibility to the Legislature, if she could ascertain the answer to those questions and report back publicly.

Ms. Wowchuk: I think that I would leave those comments to Mr. Brennan to ascertain. He has indicated in his comments that there could be internal documents and has indicated that that may not be the practice to release those kinds of documents, so—or those kinds of comments. And I will leave it to him to make the decision as to whether there's information there that can be released or not released.

Mr. McFadyen: Just on the—on a cost side of the project, just to Mr. Brennan, can you indicate why the cost of the converters escalated more quickly between 2007 and 2011 than the cost of bipole—of the line itself, Bipole III itself?

Mr. Brennan: The main reason for the cost increases, as I understand it, was contingencies. People wanted more contingencies. That was one of the issues all the way along. We were finding that when people went to market, they were able to attract prices that were lower than what we had in our estimates, and it was disturbing to us all the way along. We've—there's one that was released in March that is less than half the cost of what we have in our revised estimate right today. So we do think that—I think there's a good chance that we're going to come under our estimate right now.

Mr. McFadyen: Just in terms of the—there's very rapid escalation in the cost of the converters between 2000—the budgeted or the estimated cost of the converters between 2007 and 2011. Is the reason for that escalation that the converters had to go—undergo design changes to compensate for the technical problems of the long west-side line?

Mr. Brennan: That's not my understanding. Having said that, I'm not an electrical engineer either. I'm a chartered accountant, but it's not my understanding.

Mr. McFadyen: Was there a much less expensive alternative presented to the executive and board of Manitoba Hydro to deal with the concerns about a catastrophic outage at Dorsey, much less expensive than what's currently being proceeded with?

Mr. Brennan: I'm not sure what it is because the board of Manitoba Hydro—if there is such a thing—the board of Manitoba Hydro asked management to look at all alternatives other than coming down the east side. The recommendation that came back from management and—was that the best alternative, at that time, was to come down the west side if the east side was not available.

Mr. McFadyen: The reason the question is being asked is that the—and I share the same lack of technical expertise, if not more so, than the CEO as a CA. There's nothing in law school that teaches us about converters or power lines.

But our understanding, Mr. Brennan, is that, because of the longer length of the west-side line and the difference in voltage, the pressure that the power would have to have applied to it in order to travel the lengths of the west-side line, resulted in the need for significant and expensive changes to the converter capacity.

Is that your understanding of what drove those cost increases?

Mr. Brennan: No.

Mr. McFadyen: Then what is the reason for the cost increases?

Mr. Brennan: It's my—none of them—the cost increases do not reflect what the marketplace was doing today. So it was a concern about the future in terms of price. People were not comfortable with the uncertainty associated with—that's where almost all of it came to.

Having said that, in March of this year, there was a news release by a major manufacturer that came out and said, for a longer line than what we have, the conversion equipment was less than half of what we were—had in our estimates. So it seems to me, I think our estimate is quite good. Now that's just a non-technical response.

Mr. McFadyen: Now, just in terms of the opposition to Manitoba Hydro south of the border, you've indicated a lot of it is driven by economic interests. You made a comment about people who want to protect their own sources of generation, like

garbage burning, wind and other means of generating electricity.

Mr. Brennan, can you just expand on the interests in the US that are opposed to the purchase of power from Manitoba Hydro and what's driving those interests?

Mr. Brennan: I think the chairman, Manitoba Hydro chairman, went into that earlier.

Basically, it's because of their own self interests. They also want to increase the amount of renewable energy that each state should be providing.

And I always call it garbage burning, by the way. The more sophisticated name is biomass, and I should be using that.

But, in any event, those type of projects, including wind and solar—it's the people that want to see that type of development occurring within their own state. They want to get the benefit of it, and they want to restrict Manitoba Hydro's large dams as being renewable and they do everything possible to do that.

And it is a major issue for us. And I think we're, as a company, there is a major threat there. And we have to put a lot more effort into it than we did, say, 20 years ago, and we've got to be really, really concerned about it at all times. It's really a major issue.

* (19:50)

Mr. McFadyen: And the opposition, as you say, and certainly our understanding is, primarily self-interested, south of the border.

On the issue of Hydro customers, never mind its competitors, we're talking about its competitors now, obviously competitors don't have the best interests of Manitoba Hydro at heart. From a customer standpoint, how important is the issue of reliability?

Mr. Brennan: I think it's extremely important. Manitoba Hydro's real strength is being able to produce a good reliable product to our customers, and whenever I talk to any of the senior people, they're very appreciative of getting our power. It's really a good product.

Hon. Jennifer Howard (Minister of Labour and Immigration): Thank you very much, Mr. Brennan and Mr. Schroeder, for your presentations. I always learn something when I come to the Hydro committee. I've gone from not understanding at all how the lights go on to having a basic understanding.

Not yet an electrical engineer or a chartered accountant, so—but I want to thank you again for being here.

I don't know if you've seen these pieces of mail that have been going around, Mr. Brennan and Mr. Schroeder. I've had some questions about them, people very concerned about them. I can table them for the benefit of the members of the committee. They're—they seem to purport to represent a hydro bill—it has your logo on it anyways—and that says that the people's hydro bills for the average Manitoba family are going to go up over \$11,000. I'll let you take a look at that so you can take a look at it.

Now, I see your logo on that piece of advertising and I know it's a claim that's been repeated by members of the opposition. I find it to be a very misleading claim, but I wonder if you could tell us if the use of the Manitoba Hydro logo was authorized for that document.

Mr. Brennan: It was not authorized.

Ms. Howard: Thank you very much for that.

Now, I did a little math with that number. I did take a lot of math in school—so no electrical engineering but a fair bit of math. So when I multiply that number by the number of families that the chief statistician tell us exist in Manitoba, I get a total amount of \$3.8 billion. Now, when I looked at your presentation you made, the total estimated cost for the Bipole III was \$3.2 billion. So this advertising seems to suggest a total that's more than the cost—of the estimated cost that you told us today of the bipole. So is that—would that be accurate? Like does your math match up with my math on that or am I off on this?

Mr. Brennan: I—first of all, I got tons of these things mailed to me as well, tons being—I don't know—probably approaching 50 or so and then I got quite a few phone calls on that as well.

I assumed that the amount—I had a hard time with the arithmetic myself—but I assumed it was talking about the incremental cost of going one route versus the other; that's what I assumed it was. So I went through my own calculation and I seemed to get quite a bit a different number. I took the distance in length—as a matter of fact, I made some notes somewhere—yes, I took the difference in length between the two routes and I took the total transmission cost, found out the cost per kilometre which works out to really quite an expensive amount, I think it was \$940,000 a kilometre, and applied that

to the incremental length and got a number of \$428 million.

I did not include, which Mr. McFadyen was talking about, just the increased losses that would occur; I excluded that. But that wouldn't be—it wouldn't double this number, for sure; it'd be less than that. So then I took the number of households from the escalated—up to 2017 and that number is less than our current number of customers. So I used that number and took the incremental cost per household for the difference in the two lines. That number came out to \$821 per household, and then I said, well, that is over the life of the line, so I divided that by 60 and so the annual cost would then be \$13.68. Then I figured, well, if we're talking households, households only use a third of the total amount of the system—power that's used on our system, so I thought that number should be divided by a third, but I didn't go that far.

Ms. Howard: You did a lot more math than I did on that.

So, by your calculation, then, we're talking about \$13, and it could be lower than that. That would seem to me to be less than \$11,478. Do you think by that math that this—the numbers contained in this partisan mailing are entirely inaccurate and misleading? Do you think it would be fair to characterize it that way?

Mr. Brennan: Definitely a different number.

Ms. Howard: So, when I look at the numbers in this mailing, the only conclusion I can come to is the only way for this—the people that sent this out—to make it so would be to cancel the line, not build it on the east side or the west side, cancel the converter stations and then magically find an extra \$600 million somewhere, which is, perhaps, from the sale of some part of Hydro. I don't know exactly what they've planned for that. That's the only way that I can make it all work.

What would be the consequences if there was no Bipole III built on any side and no converter stations?

Mr. Brennan: We would not have a reliable system for Manitoba customers.

Ms. Howard: And is it possible that without that kind of reliability, we might use—we might lose some of the export sales that you've been talking about? Is it possible that you might see as a result to that—and I know I'm asking you some hypothetical questions

here. Is it possible you might see some rate increases if we lost those sales and we lost reliability, we lost the confidence of Manitoba Hydro's customers?

Mr. Brennan: Without the line we wouldn't be able to make the sales, and we would have a unreliable system as well.

Mr. McFadyen: Mr. Brennan, the original estimate for the new tower downtown was \$75 million. What was the final cost on that project?

Mr. Brennan: I don't agree that the original estimate was \$75 million. That is something that—I don't know where that number comes from as being that office building. We had an estimate that was a place maker for a new head office building. It was just a number. It was not related to any building anywhere, so the first estimate we had for our building downtown was \$278 million. That was the first estimate for the building itself.

Mr. McFadyen: Well, the \$75-million numbers comes right out of Hydro's capital planning estimates from prior to the construction of the building, and so we're just—and the original announcement was considerably lower than the final price tag, so could you just indicate what accounts for that very significant discrepancy between the original estimate of \$75 million and the final price of just below \$400 million?

Mr. Brennan: We had an estimate as a placeholder within the capital plan. We did not use that as an estimate for the building. We hadn't even looked at what kind of building we're going to build. Nothing at all was available at that point in time. So we couldn't come up with a detailed estimate at that time at all.

Mr. McFadyen: And what was the final cost of Wuskwatim, and what was the original estimate for that project?

Mr. Brennan: The—I'd have to dig that out now. The estimate we have right now, of course, is available publicly and that's there. We don't have a final cost because the building's still under—or the generating facility's still under construction. We expect it to be marginally over the current estimate.

* (20:00)

Mr. McFadyen: The original estimate of—on Wuskwatim was about \$800 million and, as I understand it, the current cost is about \$1.6 billion, which is double that original estimate. How do you

account for that very significant overrun in terms of estimates?

Mr. Brennan: I'll have to dig out all the reasons. I think the estimates that you're talking about, though, only included generation and no transmission associated with it, and so I—it—the last number we had, part of that was, I think, 1.3 with everything.

But you're right that the current estimate is—for everything—is 1.6.

Mr. Chairperson: We've reached the hour of 8 p.m. and we've—this committee agreed that we would review at that point in time.

What's the will of the committee?

Mr. Borotsik: I would ask, Mr. Chairman, to extend by one hour. I do know that there are others that are here right now that would have other questions. I know Mr. Gerrard is here as well as some of my colleagues.

So I would ask that we extend until 9 o'clock and then review at that time.

Mr. Chairperson: Is it the will of the committee to sit until 9 p.m. and then review at that point in time? *[Agreed]*

Okay. We'll continue with the questioning then.

Mr. McFadyen: Just how many different estimates has Hydro put out now on Bipole III?

Mr. Brennan: I'd have to check on that.

Mr. McFadyen: More than one estimate so far and haven't even started the project. Would that be fair to say?

Mr. Brennan: Well, for sure, we know of two. So, yes.

Mr. Martindale: Mr. Brennan, in your presentation, you indicated that Keeyask Generating Station is needed to fulfill the recently announced sales to Minnesota and Wisconsin, and congratulations on those power sales.

This \$5.6-billion project is clearly going to be a major boost to the economy over the next decade, and I'm wondering if you could tell us about some of the economic benefits of this project, including jobs, direct and indirect, business contracts, training, purchasing, and over what period of time.

Mr. Brennan: We've worked on an arrangement with the First Nation communities to allocate some of the infrastructure work to those First Nation

communities, and we're proposing to start those prior to the actual construction. That will allow them to get jobs right on the project. We're looking at getting them into various trades that would allow them to slip—or actually obtain employment on the projects themselves. So it'll be very, very successful from that point of view. They'll be able to work right through the entire project, and the whole length of time will be long enough that they'll be able to get journeymen status and the like from that.

They—also other benefits will occur, such as improvements to the road system up there and that sort of thing.

But the training that will come out of this will be just immense, and so they'll certainly be better off, economically, by far.

Mr. Martindale: What benefits would there be and, presumably, similar benefits if and when Conawapa is built?

Mr. Brennan: Conawapa is more than twice as large as Keeyask, so the benefits would, presumably, be more than twice as big.

Mr. Chairperson: Mr. Pedersen, you were next. Are you giving up your—okay.

Mr. Blaine Pedersen (Carman): I just have a couple of questions, and it's related to Bipole III and the community development funds.

Can you outline the purpose of these?

Mr. Brennan: The purpose of the fund itself is to allow communities, including First Nations, to benefit from the impacts associated with the line, and it's to offset some of those impacts.

Mr. Pedersen: And what would some of those impacts be?

Mr. Brennan: I think, just the fact that they're crossing various roads, land. I think people feel that they should get some benefit from having those facilities in their communities.

Mr. Pedersen: Mr. Chairman, through you, to Mr. Brennan, then.

Is there criteria for qualifying for these community development funds? Does the—does Hydro decide who gets these, or how—what is the criteria for these CDFs?

Mr. Brennan: It'll be—the criteria will be associated with where the line goes and what municipalities and First Nation communities we're impacting.

Mr. Pedersen: So can you be a little more specific on the criteria? Is there a set distance from the line that a community would be eligible for a community development fund or is it arbitrarily Hydro that decides who is available for these CDFs or does the community—can a community apply for these?

Mr. Brennan: It will be the municipalities and First Nation communities for which the line goes through. So it'll be every one—every one that the line goes through.

Mr. Pedersen: So how—to date now how many communities—because I believe Hydro has been out, as part of your consultation process. You were out meeting with municipalities, and I'm particularly talking about municipalities because in my constituency, it's more municipalities than First Nations.

How many communities have been offered community development funds to date, then?

Mr. Brennan: It'll be anybody that is impacted so—within those—where the line goes through. So it'll be everybody. We haven't—I don't know which communities we've talked to, which municipalities we've talked to at this point, but I would think a good number of them. I think most of them.

Mr. Pedersen: Can you supply us with a list of communities that, to date, have been offered?

Mr. Brennan: As a matter of fact, what I can do is give you some kind of a note as to the process we're using and where it sits. I can give you that.

Mr. Pedersen: I'm really more interested in the list of communities that have been offered and in the dollar amounts. I've talked to a couple of municipalities who—one happens to be approximately 20 kilometres from the line, has been offered a community development fund. Another community is within eight kilometres; I'm wondering whether they have been offered. I haven't talked to them.

And so can you actually give me a list, to date, of communities that have been offered a community development fund?

Mr. Brennan: I maybe miss—I seem to have not got across that which I was trying to say.

It is not one of offering. It's going to be available to anybody that is impacted. So it's an entitlement almost to people if you're impacted by it. It'll include towns, villages, cities and the municipality and First Nation communities. So there'll be criteria associated

with it, based on distances from the line and population. I think those are the main criteria but I'll confirm that.

Mr. Chairperson: Mr. Schroeder, on the same question.

Mr. Schroeder: Yes, this might help: There's a provision for any community through which it goes, obviously a municipality or a First Nation.

There's also a provision that deals with providing a benefit to a village or town that's within a certain distance. I don't recall what that is but that only applies to towns or villages located inside a municipality through which the line goes. That's my recollection of it.

Mr. Pedersen: So when a line goes near a community, what would be the benefit of that?

Mr. Brennan: Well, we certainly know the benefit to the community. I think what we're saying is these communities do not have a taxing authority's—to tax transmission lines and for allowing municipalities and towns and villages and the like, if they're impacted, they can see some benefit from it. That's what the rationale is.

* (20:10)

Mr. Pedersen: And is this a one-time arrangement, then, this community development fund, or is it ongoing?

Mr. Brennan: It'll be associated—I think it'd be hard for Manitoba Hydro to get out of it, where a major transmission's involved, where a major line of this size is involved.

Mr. Pedersen: So I kind of missed that. Is it a one-time payment, then, or is it an ongoing payment?

Mr. Brennan: I think what I said was if you—if there's another transmission line of this size, it will—it'll probably be offered as well. Right now, it's going to be reviewed after 10 years. So, like, there's a 10-year limit on it, at which time we'd renew it—review the possibility of renewing it. But I'm sure that if you looked at another one, it would probably start with that as well.

Mr. Pedersen: So, Mr. Chair, just to go back here, and there is not a list available you can—can you supply me with a list of communities that you have attended, municipalities who are—municipal bodies that Hydro has attended and offered them community development money?

Mr. Brennan: That document I was telling you I'd provide to you, we'll include that.

Mr. Pedersen: Will it include the amount offered to each municipality or municipal body, whatever it happens to be?

Mr. Brennan: I'm not sure they've all been determined, but to the extent that we know it I'll give it to you.

Hon. Stan Struthers (Minister of Agriculture, Food and Rural Initiatives): I have a couple of questions. And, first of all, thanks for attending here tonight and answering all of the questions of all of my colleagues.

When I listen to some of the members across the way talk about an east-side line, I think they sometimes mislead people to think how easy it would be just to run a—just to run a bipole down the east side of Lake Winnipeg. But I was interested to note a letter, an open public letter on the website of the Boreal Forest Network. It was a letter from Susanne McCrea to the Leader of the Opposition (Mr. McFadyen), and I think there were some pretty good questions asked, and it led me to think that maybe it isn't so easy to come down the east side as members opposite are misleading Manitobans into think.

I think she made some very good inquiries, and it had to do with—her question for the Leader of the Opposition was whether or not he was going to cancel on the west side and move this project to the east side of Lake Winnipeg, and, according to Ms. McCrea, she didn't get much of an answer from the opposition leader. The—if we did force this bipole down the east side, Ms. McCrea wanted to know what additional costs would Manitoba have to assume with that decision to construct the bipole down the east side of Lake Winnipeg. She wanted to know what the costs would be for undertaking another environmental and regulatory approvals process coming down the east side. She wanted to know if there were any new routing studies that would need to be paid for. She wanted to know questions like whether the opposition leader would agree to any benefit agreements on the east side for communities that would see this bipole come through their areas.

And I think the key question that Ms. McCrea asked was what would this do to the service date for the completion of Bipole III? Where would that

leave Bipole III in relation to future power sales? What would that service date be?

An Honourable Member: Point of order.

Point of Order

Mr. Chairperson: Yes, Mr. McFadyen, on a point of order.

Mr. McFadyen: Thank you, Mr. Chairperson. The member for Dauphin is referring to a letter that was addressed to myself, not to Mr. Schroeder or Mr. Brennan. It may be more enlightening to the member if I simply told him what my response to that letter was rather than asking other people to speculate about what it might have been.

Mr. Chairperson: Just give me one moment, please. On the point of order, it would be helpful to the Chair to allow for the smooth proceedings of this committee. I understand, I have not seen the letter myself, obviously, and it would be helpful if we had a copy of the letter that might be made available to this committee. Then we wouldn't have to have other matters or members commenting about it.

So I'm wondering if the—if Minister Struthers, if you have a copy of that letter that you could provide to this committee.

Mr. Struthers: I believe I can. It was an open public letter on the website of the Boreal Forest Network. It was there for everyone to view. I think it was open in public and I think we can treat it that way here.

Mr. Chairperson: Same point, Mr. McFadyen.

Mr. McFadyen: On the same point. If the member is interested in knowing what the response to that letter was, maybe I could just ask leave of the committee to permit me to respond to the member's question.

Mr. Chairperson: The committee needs to deal with the point of order before—first, Mr. McFadyen, and that's why I was asking if the copy of the letter was available to folks that we could distribute to the committee members.

Minister Robinson, on this same point of order?

Mr. Robinson: On the same point of order, Mr. Chair, if I may. In fact, assuming that this committee meeting was open to the public, Ms. McCrea did provide a written submission to the standing committee, and I think that it would resolve the very matter that's before us right now. So, if you would allow the indulgence of the committee, I believe that if the presentation were allowed to be distributed it

would help you make a decision as the Chair of this committee.

Mr. Chairperson: Well, there would—my understanding is there would be leave of the committee required, and obtained first, before that would be able to enter into the records of this committee proceedings. And you would have to make a request of the Chair to have that included as a part of the proceedings of this committee. And is that your recommendation to the committee, Mr. Robinson?

Mr. Robinson: Yes, I believe, Mr. Chair, my comments were that in order for you to arrive at a decision I think that you should canvass this committee, and if they so allow the presentation that was supposed to have been made to this committee, because I understand that Ms. McCrea was under the assumption that this was a committee meeting that was, in her understanding, that was open to the public for public presentation. So I believe that if you canvass this committee you would get a copy of the presentation that is being discussed currently by this committee.

Mr. Chairperson: If it—it might help these proceedings a bit more clearly here. My apologies, I'm trying to get some direction here on the rules. I had asked Minister Struthers if he had, because he had made reference to this letter in his question to Mr. Brennan, if he had had a copy of that document, that he could, as we have had tabled here this evening, documents that have been tabled as a part of the proceedings. Other than asking for the recommendation of the committee to present that, because Mr. Struthers had asked the question or—and had made reference to the letter, he could, as a part of his question, table the document, I'm advised. And I'm wondering whether or not, Mr. Struthers you have access to that document and if that is your intent?

* (20:20)

Mr. Struthers: I can provide, not just now, but I can provide a copy of the letter. I—what I think I can suggest to get us past the impasse we have is that I can rephrase the question in such a way that I do not refute—not reference that letter. The only reason I brought that forward is to—is that I've seen the letter. It's on the website, and I thought that I might be able to just rephrase my question in such a way that I stay within the rules of this committee.

Mr. McFadyen: And on the same point of order, the member has made reference to the letter, and he has mischaracterized my response. So now that he has made reference to the original letter from the Boreal Forest Network and then mischaracterized my response to that letter, I think the only way to proceed would be just to permit the opportunity for the member to table that letter, permit me to table my response to that letter, and I think that might help resolve the issue.

The response certainly dealt with the points raised, and it went on to ask the Boreal Forest Network for its position on the NDP's east-side highway through the boreal forest. We haven't had a reply yet from the Boreal Forest Network to that question, so I think that's—that would be—I think to summarize the correspondence. But I think to table both letters would be the right way to go, Mr. Chairman.

Mr. Chairperson: My apologies to members of the committee. Trying to get—make sure I'm close to the rules of this committee proceedings.

My understanding that the document in question here is a public document and is on a website. It is available to all members of the public to view. Now, if the members of the committee wish, we could distribute that document without having to table it, just for the courtesy of members of this committee, and it—hopefully, then, the members themselves could view it at their leisure, and it would not be entered in as a part of the record of this committee, if that's the will of the committee.

Mr. McFadyen: I have to confess I don't know what the recipient of my response to that letter has done with that response, whether it's on the website or not. I haven't checked to see whether they've posted my response or not. I'm just wondering what the view of the Chair is in terms of the reply, which was asking for their position on the boreal forest highway.

Mr. Chairperson: Good point. I thank the member—official opposition. Then, perhaps, as a courtesy for members of this committee, if the member also has a written response that he wishes to share with members of the committee, then we could distribute that to members of the committee as well. If you're—if the committee is in agreement with that, then that should conclude the point of order. Agreed. Okay.

* * *

Mr. Chairperson: Mr. Struthers, to continue, perhaps, rephrasing your question, sir.

Mr. Struthers: Through you to Mr. Brennan, what should—

Mr. McFadyen: Point of order.

Point of Order

Mr. Chairperson: On a point of order?

Mr. McFadyen: On a point of order. The member for Rupertsland (Mr. Robinson) had raised the issue of wanting to permit the Boreal Forest Network to make a presentation to tonight's committee meeting. And we are very strongly supportive of the right of the Boreal Forest Network to speak publicly to this committee on this issue. And we're also very supportive of the right of Karen Friesen, on behalf of the landowners organization, Mr. Len Bateman, a former chairman of Hydro and others who have an interest in the issue to make presentations. In fairness to those individuals, there's virtually no notice tonight. And so we would want to support the member for Rupertsland and suggest that those presentations be permitted to be made on reasonable notice. And I would simply seek leave of the committee to proceed on that basis.

Hon. Jennifer Howard (Government House Leader): I know this is an issue we've talked about before at this committee and I think last time we discussed that it would not be the current practice of the committee on report, when we hear reports from Crown corporations, to entertain public presentations. For many of the reasons that were cited last time. There's an issue of notice. There's an issue of how those presentations come to be. And, certainly, in setting up this committee meeting, as very clear in my communication to the Opposition House Leader (Mrs. Taillieu), that it would be our intention to operate this committee by the standard rules and practices that the committees been operated by and that continues to be our position.

Mr. Chairperson: Now, the Chair, I think, has heard enough advice on this. We're, as a standard practice of these committees, standing committees of the Legislature, of course, is not to entertain any public presentations as a part of our proceedings this evening. And that is in keeping with the rules of the Legislature. And then the Chair—I'm not sure, did the Leader of the Official Opposition—okay, then the proceedings and the rules of this committee will continue to be followed and that is not to entertain, as a part of the standing committee proceedings, any

public presentations. There are other opportunities for that is to occur, but it will not be entertained by this committee as according to the rules, and, therefore, there is no point of order.

* * *

Mr. Chairperson: Mr. McFadyen, on a new point of order?

Mr. McFadyen: Mr. Chairman, it's a motion.

The member for Rupertsland has put forward what we think is a good suggestion which is that we open this important committee meeting to public presentations on the issue of the government's bipole decision. We would note that there's been very little opportunity for public input on this important issue. We note that present and ready to present tonight is the Boreal Forest Network. There are many other Manitobans and perhaps people from outside Manitoba who may want to make a presentation. And, Mr. Chairman, you have correctly stated the rules as they stand but it's also a rule of the Legislature that committees can amend the rules as they see fit, provided that's carried by a majority of committee members.

And so I would put forward a motion, seconded by the member for Brandon West (Mr. Borotsik), that this committee amend its rules and procedures to permit public presentations on the issue of Bipole III and that the committee follow the procedures that would normally be used at during the bill—during bill consideration, which would permit every presenter an opportunity to present for 10 minutes, followed by five minutes of question and answer. And so I would put that motion forward.

* (20:30)

Mr. Chairperson: Mr. McFadyen, the Chair would need a copy in writing of your motion, please, for consideration of all committee members.

Minister Howard, on this same motion.

Ms. Howard: I think the Leader of the Opposition is aware, or ought to be aware, that generally discussions about rules of committees and rules of the House have traditionally been left up to discussions between House leaders and to negotiations between House leaders. That's been the practice of the House. I think it has in the past worked well. It's led to some significant changes to our practices.

I can specifically recall some of the changes that have happened as a result of those discussions at the

Public Accounts Committee, which I know many members here think has a ways to go yet but has come a far way. So I think as interesting as his idea is, I think the proper channel for him to communicate that would be through his House leader to me, and then we can engage in some discussions and negotiations about the rules of the House. Certainly, we're not about to change what has been long-standing practice and long-standing rules tonight at 8:30 at night with two minutes' notice.

Mr. Chairperson: Mr. McFadyen, would you wish to read your motion into the record, please.

Mr. McFadyen: Yes. And, again, in support of the Boreal Forest Network's right to make a presentation, I move, seconded by the member for Brandon West

THAT this committee recommend to the Legislature that the Standing Committee on Crown Corporations amend its rules to permit public presentations on the matter of Bipole III and that such presentations occur on the same basis as legislative committee meetings that consider bills.

Mr. Chairperson: Okay. It's been moved by Mr. McFadyen, seconded by the member for Brandon West—do you wish to have the rest of the motion read back into the record?

THAT this committee recommend to the Legislature that the Standing Committee on Crown Corporations permit—amend its rules to permit public presentations on the matter of Bipole III and that such presentations occur on the same basis as legislating—legislative committee meetings that consider bills.

And the motion is in order and the floor is open for debate.

Mr. Pedersen: I would just like to speak in favour of this motion. It's something that we felt has been lacking. There's—we know that we have a large number of people who have opinions on one side or the other of this particular issue, and they have not been able to come out in a public forum to give their views, whatever they are, and as legislators that's what we're here for. We should be here to listen to Manitobans on one of the—the largest project that this Province has ever taken on. So I would just like to encourage all members to support this motion and get the Legislature working to hear what people of Manitoba have to say on this issue. Thank you.

Ms. Wowchuk: Mr. Chairman, I want to speak against this motion because we have been negotiating, and there has been discussion for some

time to bring Manitoba Hydro before this committee, so the members of the opposition and members of government could ask Manitoba Hydro questions. That's the purpose of this committee hearing.

I want to support Minister Howard in her comments that we should not be negotiating the rules of how committee operates at the table. This is something that a recommendation, if there is to be a change, should come from the House leader to our House leader, and then negotiations should take place. It would be interesting to note, but I do not believe that in recent time there has been a suggestion from the Opposition House Leader that we should be changing the rules of this committee to have presentations. We seem to come up with it when we're at the meeting. This is not the place to make those rule changes. This is not the way we make rules—changes to rules as to how committees operate.

We have been doing a lot of work on the PAC committees and those have been negotiated and we have seen improvements there. If there are changes that the members want to see made, then they should be negotiated at—away from this table, but at this table we have the opportunity to question the CEO of Manitoba Hydro, the chairman of the board, and to get information out about the specific Hydro projects. And that's what I believe we should be using our time here for.

Mr. Larry Maguire (Arthur-Virden): And I certainly agree. I think that's what we should use our time for tonight is to ask questions of the CEO and the president, and that's why our leader has brought forth the resolution, the very point of having another special committee meeting to let the public have a say.

Mr. Borotsik: Yes, just to confirm what my colleague from Arthur-Virden said, and with all due respect, I think the Minister responsible for Manitoba Hydro is—does not understand the motion. The motion is to ask the Legislature to change or amend the rules of this committee so that at a future date, not today, but at a future date we would then have the opportunity to have an open public forum dealing with Bipole III.

The suggestion was a very good suggestion, and it was made by the member from Rupertsland. So it was a member of the government who had suggested that there be presentations made to the committee, and I—we agree wholeheartedly that there should be presentations made to the committee.

I do believe that there are others on both sides of the issue that have the opportunity, or should have the opportunity, of putting their very important views forward to this committee with respect to Bipole III. So it's not tonight, Madam Minister, that we're asking for that, but certainly going towards—going to the Legislature, and then we can have a full debate on whether this, in fact, should be at this committee or not.

So I'd call the question on the motion, Mr. Chairman.

Mr. Robinson: Yes, I want to be very clear, Mr. Chair; I did not say that we ought to be opening up this committee to public intervention tonight.

*(20:40)

What I did say is that you're at an impasse dealing with one particular matter on a point of order that was raised by the Leader of the Opposition (Mr. McFadyen). To bring further clarity, to bring us some guidance on that particular point of order, I raised the matter where I said that there was, in fact, a document being circulated, and I'm sure members of the committee have a copy of the document that would have cleared up that matter. I was strictly speaking on that matter. Certainly, I was not speaking on a matter of opening this committee for public debate at this time.

Now, I would support my House leader in that this ought to be worked out between the House leaders, both sides, so some conclusion could be made by this, but I certainly don't want my earlier remarks to be misunderstood or in any way misinterpreted by members opposite.

Mr. Chairperson: Any further debate?

Is the committee ready for the question? Do you wish to have the motion reread?

An Honourable Member: No.

Voice Vote

Mr. Chairperson: Shall the motion pass?

Some Honourable Members: Yes.

Some Honourable Members: No.

Mr. Chairperson: The Chair hears a no.

Formal Vote

Mr. Borotsik: A recorded vote, Mr. Chairman, please.

Mr. Chairperson: A recorded vote has been requested.

A COUNT-OUT VOTE was taken, the result being as follows: Yeas 4, Nays 6.

Mr. Chairperson: The motion is accordingly defeated.

Mr. Chairperson: Now, we'll continue with the matters before the committee, which is the annual reports.

Mr. Struthers: I'll—I'd like to ask some questions about the true costs of the—of routing a pole—bipole down the east side of Lake Winnipeg. If a government came along at some point and decided to move to the east side, what additional costs would Manitoba have to assume in terms of constructing this bipole? What kind of costs would be undertaken in terms of environmental and regulatory approvals if it came down the east side? Would there be any new routing studies and costs associated to—if we came down the east side with this bipole, would there be a—some kind of an estimate in terms of costs of benefit agreements to communities on the east side?

And, I think, the key question is in terms of what would all this do to the anticipated service date for completion of Bipole III. I understand that there's court challenges as well that have been talked about emanating out of the east side, that need to be taken into consideration by whoever is advocating on behalf of the east of Lake Winnipeg, Bipole III. I'm just wondering if some—if you have any thoughts on those kinds of questions?

Mr. Chairperson: Mr. Brennan, sir, yes, please pull your microphone forward to answer.

Mr. Brennan: We've already spent money—the money we've spent, including any commitments, I think, would be in the order of, I'd say, 130 to 150 million dollars right now. By the end of the year, it'll be closer to—this fiscal year, it'd be closer to 200. And it would have a delay. We've got estimates that it'd be at least two or three years. We're—we are concerned about just reliability concerns, but, having said all that, it would be two or three years at least.

Mr. Struthers: What would that kind of delay mean for future—the ability of a future government to conclude power agreement sales with our partners?

Mr. Brennan: Well, I would—the current agreements we have would factor into that. We couldn't build a

new plant until such time as the line was in place. So we'd have to make sure that if, in fact, we couldn't make the in-service dates that we require to produce those sales, then we renegotiate them.

Mr. Struthers: I only have one more question. I'm very glad that we've signed an MOU with Saskatchewan. The—we've been talking about markets. We talk about the southern markets and we've had some good announcements on that. In Saskatchewan, could you confirm, because there are those across the way who have tried to convince the public that we just can't do those deals that—with a bipole coming down the west side.

To me, that suggests that that's a natural advantage to a western bipole, and that's closer to Saskatchewan and closer to signing agreements down the road some day. Could you, in fact, could you confirm that in fact we do have that capability—that a west-side bipole could facilitate that major step on the east-west power grid?

Mr. Brennan: Yes, there would have to be a terminal built somewhere on the east side—or west side, and that would—the power would then—could then be taken from that terminal station into Saskatchewan.

Mr. Struthers: Thank you very much.

And one last question: Could you update us in terms of the talks you've had with farmers who will see this bipole come down the west side in the vicinity of the land that they're farming. I get some—as Agriculture Minister, I get feedback from farmers on this and, you know, advice from farmers on what we need to be offering.

I understand that you have been dealing with a number of farmers who may be impacted. Could you update us on those kind of negotiations?

Mr. Brennan: I think any compensation package that we offer has to be attractive enough for farmers to be receptive to it, and we have to develop compensation programs that take care of that. And I think that we have.

Mr. Borotsik: Just on that question. I recall a question being asked earlier whether you have been negotiating with any of the landowners on the west side, and I recall the answer being: Until the environmental issues have been put to bed that there's no reason to negotiate.

Are you now saying that you have been in conversation with some of these landowners,

Mr. Brennan, since the Minister of Agriculture has suggested that you have been? I don't know. Have you or have you not been in negotiations with these individuals?

Mr. Brennan: I think my previous comments were correct. We have not been in negotiations or anything like that. We've had certainly discussions. There's been a lot of interaction as to where the line should go and those were all discussions. So that's all we've had so far.

Mr. Borotsik: Discussions with individual landowners with you, Manitoba Hydro. Not necessarily you personally, but Manitoba Hydro have been—has had discussions with individual landowners in that routing?

Mr. Brennan: To the extent they've been part of groups meeting with them, I'm sure our people have talked with some.

Mr. Borotsik: Mr. Brennan, I want to talk about extraprovincial sales.

We've talked about—in fact, you want to talk numbers. Over the last three or four days, I've heard any—in fact, the Premier (Mr. Selinger) today suggested that there were \$30 billion in sales to the United States customers is what he said.

Can you tell me just how that \$30-billion number came up? We have agreements now, I understand, with Wisconsin and with Minneapolis Xcel Energy. Where does \$30 billion come? Can you give me a breakdown as to how you've come to \$30 billion in extraprovincial sales?

Mr. Brennan: I didn't come to that number.

I can give you a—what the numbers would be for a fixed period of time. You tell me the time and I'll tell you what our projections are. Our 10-year financial plan is available publicly; our 20-year financial forecast is available publicly.

I made a presentation today where you can see what the extraprovincial revenue is for 10 years, and they all add up. All I know is that total is what is being used to keep rates in Manitoba low, and so that's a very, very important to Manitoba.

Mr. Borotsik: Well, they are projections, so we don't quite know whether they are going to come to fruition or not at this point. And I have on page 3 of your presentation, you did show your 11-year projection, from 2011 out to 2030. I'm sorry, it was a 20-year projection out to 2030.

If I read it correctly, the net extraprovincial sales in the year 2030 have been projected to be \$1.25 billion. It's page 3; it's \$1.25 billion. If I add up the numbers for the next 20 years out, how do I come up with \$20 billion, which is the number that's been used quite a bit by this government, although \$30 billion was the number today—it's in the *Hansard*?

* (20:50)

I think we've expanded a little bit, so can you tell me how you can come up with \$20 billion out of the next 20 years?

Mr. Brennan: If you give me some time, I'll add it all up. I do know that by the time we get to 20 years out, the total is \$1.85 billion. So—but I can add them all up for you and give you the number. It looks like it's going to be pretty large.

Mr. Borotsik: Let's talk about pretty large. Extraprovincial sales: Actually—I'm actually going to the financials for 2010. I really am. On page 54, actually, it says, in the year 2010—because we don't have the 2011 numbers just yet, although you did give me a projection here in—which we're going to talk about—in 2010, there were \$427 million in extraprovincial revenue. And it says that \$361 million of that was US market and \$66 million was for Canadian market. Can you tell me the breakdown as to where the Canadian \$66 million was sent to—the power was sent to?

Mr. Brennan: I don't have it on top of my head but I can give it to you. It'd be Ontario, Saskatchewan and BC might have taken some too. But I'll give you an analysis of it.

Mr. Borotsik: Thank you. And I'm led to believe that about, and correct me if I'm wrong, but I—the last FIPPA we did, there was Saskatchewan sales, I believe it was in 2009, was \$6 million. Is that probably around the right number for Saskatchewan?

Mr. Brennan: It—Saskatchewan's never been a big customer for us up to now. And they are talking to us about trying to do something about that.

Mr. Borotsik: Okay, so if there's \$66 million that was sent to Canadian markets, which says right here in your report, let's assume there were \$6 million. It could be less because I do believe there was one year it was around \$200,000 in electric sales to Saskatchewan. Let's assume it was \$6 million. Of the \$60 million that's left over, is it safe to suggest that that would have gone to Ontario, Mr. Brennan?

Mr. Brennan: I would think a good part of it would have went to Ontario.

Mr. Borotsik: So, Mr. Brennan, if we currently have 10 times the sales going to Ontario than we do to Saskatchewan, would it not seem, from Manitoba Hydro's perspective, that maybe Ontario was a better market that we should be looking at currently for sales, export sales, into the Canadian market?

Mr. Brennan: We have a generation source that's attractive to both provinces. We can produce power cheaper than what they can in both cases. The big cost in the case of Ontario is a massive transmission line to get the power from the border down to southern Ontario where they need the power. That's the big issue. If they could get some help in building that transmission, they'd be a perfect market. But that is the main difficulty. Saskatchewan, to feed their load market, is relatively close. So it makes it a—quite a bit simpler. Saskatchewan have always been concerned in the past to produce as much of their own requirements as they can. And, at one point, of course, they want to use their own coal.

Mr. Borotsik: I guess the point I'm trying to make is Ontario seems to be a very prime market. If you're going to run a transmission line, would it not make more sense going down a side of the province that's closer to a major market than down the side of a province that's really not close to any market at all—\$60 million last year, perhaps as low as \$200,000.

We also see that there's currently, right now, as we sit here, in fact, it's in your own document, the first page, we now have capacity of some 450 megawatts already into Saskatchewan, which they're not taking. They're not taking anywhere close to 450 megawatts. We already have transmission, I believe, three AC transmission lines that go into Saskatchewan at the present time that could certainly carry substantially more than what we're selling them right now. So why is it that we're not selling them the power with the existing capacity, and why is it that we'd want to develop more capacity when we don't have any sales to them anyway and could possibly have those sales into Ontario?

Mr. Brennan: We—I don't know how best to say this without—we make a lot of contracted sales to Ontario and not even deliver the power. There's a lot of that, and—but, having said that, the cost of transmission into Ontario is prohibitive at this time.

Mr. Borotsik: Well, we're finding the cost of transmission to the US through the west side is perhaps prohibitive at this time, too, at \$4.1 billion or 3.9 or 3.8 or 2.2. Seems numbers change quite often—seems numbers change quite often, don't they, Mr. Brennan? Every time you get a new report, it seems that the numbers have changed in some way, shape or form.

Mr. Brennan, in the 2010 report, it shows that there was a total of \$427 million in export sales, extraprovincial. We just figured out it was some \$361 million that were into the US.

I look at your document—oh, where was that number? The projected export sales for—the extraprovincial sales projected in this document, you had showed it, is to be \$398 million for this year; last year it was 427. This year extraprovincial sales are going to be at 398—your own numbers. We have a decrease in the extraprovincial sales. We know that there's about \$66 million of some \$427 million go to Canada. Can you tell me of the 398 that's projected in this document, what the split is? How much is Canadian power and how much is US power?

Mr. Brennan: No, I'd have to provide that to you. I don't know off the top of my head.

Mr. Borotsik: Is it safe to say, Mr. Brennan, that we have less revenue that's being generated from American exports this fiscal year than we did last fiscal year?

Mr. Brennan: I don't know if that's true or not.

Mr. Borotsik: Well, Mr. Brennan, in your own numbers, we have gone from \$427 million in extraprovincial from last fiscal year to 398 in extraprovincial from this fiscal year. Can you guess as to where that came from? Was it a reduction in American sales or was it a reduction in Canadian sales?

Mr. Brennan: The amount of sales we have is a function of market prices; it's a function of water; and it's a function of our own load. If our own load goes up, we have less available to sell on the export market because we're supplying it to Manitobans.

If prices go up or down, it will affect it, as will the quantity of water. So all those factors have to be taken into consideration, and I'll take a look at that and supply you the answer. The annual report will be out in two months, and it will all be there.

Mr. Borotsik: Will all these factors be taken into consideration with the new agreements that you now

have entered into with Wisconsin and with Minnesota?

Mr. Brennan: I believe they have been.

Mr. Borotsik: So the proposed \$20 billion and your projections of \$1.25 billion in the year 2030 may be just pie in the sky if, in fact, there are different variables that are involved in the contract itself, that you have just indicated are involved in the contracts that you have currently that have reduced the revenues. Could those revenues not be reduced in the future?

Mr. Brennan: They could be lower; they could be higher. Manitoba Hydro's done very well in the last 20 years, very, very well.

Mr. Borotsik: Over the last three years they've been reduced quite dramatically—\$623 million extraprovincial in 2009, 427 in extraprovincial in 2010, projection of 398 in 2011. We're going in the wrong direction, Mr. Brennan. So, if we're going in the wrong direction, when is it that we're going to turn the corner?

Mr. Chairperson: Mr. Borotsik, before I proceed to the answer, I, please—the Chair would appreciate it if you would direct all your comments through the Chair, please, instead of to the members of Manitoba Hydro who are here with us this evening.

Mr. Brennan, to respond, please.

Mr. Brennan: Certainly, the profits of Manitoba Hydro have been impacted by the economy in the United States for sure and—but having said that, in the last three years we've still made, I would think, it looks to me like almost \$800 million, if not more. So I think we're doing very, very well.

Mr. Chairperson: The hour being 9 p.m., the committee agreed to review the sitting time at this point, and what's the will of committee?

Mr. Borotsik: I apologize, but I do know that Mr. Gerrard is here right now and he would ask a couple questions. I have one more question and I wonder if the committee would allow an extension until 9:30, at which time we can then rise and report.

* (21:00)

Ms. Wowchuk: I just wanted to asked the member, did he indicate in those comments that he needed half an hour and then he'd be able to pass the reports?

An Honourable Member: No.

Mr. Borotsik: Through the Chair, no, that's not what I said. I said we would need half an hour for Mr. Gerrard to ask some questions. I have a couple of questions. We did not mention anything about the reports at that time, madam.

Mr. Chairperson: It's been suggested to the committee that this committee sit until 9:30 p.m. What's the will of committee? *[Agreed]*

Proceed with questions.

Mr. Borotsik: And I do appreciate that there are sales. Now, I don't know how much are US, because you haven't got the breakdowns, although we do know that in 2010 there was a \$66 million out of 200–427 was inter-Canadian, not American. So that's quite a substantial amount. It's, you know, 15 per cent of the total sales are going to Canada, not the US.

Yes, we have been selling power to the US. I guess the question is, Mr. Brennan, through the Chair, it all depends on what the cost of that power is and what the return on that power is. We now have got \$1.6 billion for a 200-kilowatt–megawatt, I'm sorry, 200-megawatt dam in Wuskwatim. We've got a very expensive wind power farm in St. Leon and St. Joseph's. Are we selling power into the US market at a premium price or are we selling it into the US market at a reduced price, and are—is the cost of production more than what the return on the sale is? A lot of questions in that.

Mr. Brennan: I think your concerns are concerns I share, and I believe that the sales we just completed are beneficial to the people of Manitoba. In addition to that, of course, the Province has said, before we commit new generation, it's got to go through some process of review, and so somebody else will be officially looking at Manitoba Hydro's situation but I'm confident that our numbers will stand up very, very well.

I compared the revenue we'd get from the sales to the actual costs as it flows through the books of Manitoba Hydro on a per-unit basis, and every year we make money.

Mr. Borotsik: Yes, every year you generate money. Whether you make money, Mr. Brennan, is—

Floor Comment: That's not what I said. I said—

An Honourable Member: That's what I said.

Floor Comment: I said we make money.

Mr. Chairperson: Hold on, gentlemen, please. One at a time—

Floor Comment: Sorry, Mr. Chairman.

Mr. Chairperson: —through the Chair, please.

Mr. Borotsik has the floor and then we'll proceed to the answers.

Mr. Borotsik: No, my term was, you generate revenue. Whether you make money off that revenue can't be decided on these financials. We have, as a matter of fact, a substantial amount of money that's being generated by domestic users. In fact, that cost has gone up quite substantially. It's gone up by another 2.8 per cent. We know that, but that's been a rate increase that's been given.

You've asked for another—you've got another 2 per cent this April. You're going for another 2.8 per cent. So, yes, residential and domestic customers are paying a substantial amount of money, Mr. Brennan, so you're making some money. My question is: As our revenues are dropping in the US market, they're getting the same amount of power but the revenues are dropping, so how can you say that you're making money off that or is that not being subsidized by domestic ratepayers?

Mr. Chairperson: Before I proceed to the answer, Mr. Borotsik, may I remind you again, please, through the Chair, please, on your comments. *[interjection]* It would help for the smooth operation of this committee, and you take the personal nature out of it if it's through the Chair, please.

Mr. Brennan, to respond.

Mr. Brennan: Okay. First of all, I'm confident that the sales we just signed are going to be beneficial for—based on all our projections and all the material we have available—will be beneficial to Manitoba customers.

I'd also like to talk about your concern about rates. Right now, you suggested that we had very large rate increases in the past. We have had rate increases but, as I pointed out, on the slide that was given, our rate increases are significantly lower than most other utilities. The only one that had a cumulative rate increase lower than Manitoba Hydro was Québec, and that was at 3 percentage points.

Mr. Borotsik: Thank you, Mr. Brennan, and I do appreciate the fact that we're looking at today and yesterday. We haven't necessarily looked in the future. Those rates and those costs that you now are

showing are current. They don't include capital costs for Conawapa. They don't include capital costs for Keeyask. They don't include capital costs for 4.1, 3.8, 3.3, or \$2.1 billion for a transmission line down the west side, so what you're confident in right now today may well not be that confident going out if in fact the American market's going to recede like it has in this area. And, seeing that, the agreements that you now have signed—it's not a term sheet. It's an agreement that's been signed, and that's what I'm led to believe. And correct me if I'm wrong, but if it's a signed agreement going forward with Wisconsin and—well, no, let me ask you the question: Are they signed agreements with Wisconsin and Minnesota at this point in time, going forward?

Mr. Brennan: Yes.

Mr. Borotsik: Are they fixed-cost agreements? Will you have a fixed price for your product, or is it going to be a floating price on that product?

Mr. Brennan: There's escalators in the agreements.

Mr. Borotsik: Escalators on an annual basis based on your capital requirements, based on your operating? Are those escalators tied in? Or are they based on a CPI or a cost-of-living increase?

Mr. Brennan: There's different ones for different agreements. The energy component goes up with some kind of an energy component, and some part of is a GDP deflator of some sort. And so it goes up with the cost of various components in the industry.

Mr. Borotsik: Through the Chair, my last question, and I promise it is and I'll turn it over to Mr. Gerrard.

I have been told, and you had mentioned it earlier actually, that one of your concerns is transmission on the other side of the American border. If we're going to be transmitting a substantial amount of power under our new agreements, what kind of an arrangement has been made by Manitoba Hydro to take the power from the border to our customer? Is that transmission—is very important. That transmission is at capacity, as I'm told. Is there going to be different or new transmission built on that side of the border that we have access to? Maybe you could just explain to me because I have some real concerns about getting it from here to FOB some place else. Can you tell me how you've corrected those concerns?

Mr. Brennan: The new sales we're proposing require a commitment to build new transmission within the United States.

Mr. Borotsik: Oh, I'm sorry. That begs another question. If that transmission is not developed in the United States, are there penalties to those agreements, or can they just simply cancel those agreements at that time based on the fact that they have not got transmission capability?

Mr. Brennan: It is all based on regulatory approvals on both sides, and they're without penalty.

Hon. Jon Gerrard (River Heights): Mr. Brennan, question for you on the submarine cable, and I note that you're—the report that was produced entitled the *Potential Use of Submarine or Underground Cables for Long Distance Electricity Transmission in Manitoba*, which was a fairly thorough, more than a hundred-page report. And one of the questions that was asked was: Is the technology there for a 500 kilovolt cable technology today? And what the report did was to look very carefully at the state of the engineering of the cable technology, and they looked at maturity, including whether industry standards and recommendations describe tests for manufacturing these systems, whether they're existing applications or long distance, meaning at least 20 kilometres for submarine cables, whether the applications have been in service for at least five years, whether the reliability has been acceptable, and whether a complete cable system, including all accessories, including joints and terminations, is commercially available from at least one supplier.

And they looked at this for—this is on page 44, for the mass-impregnated 500 kV DC submarine cables, as I think you are very familiar with, and they've said, No. 1, that there are, in fact, already two installations at the 500 kV DC level: one Neptune mono-polar link from New Jersey to Long Island, New York, which has 82 kilometres under water, which went into service in June 2007, and the other, a double monopolar link from Italy to Sardinia, which is 390 kilometres under water. And they conclude that—I mean, these cables are operational—that, to date, the reliability's been acceptable and that when they reach 2012, which is in a few months from now, that they will have reached the five-year point and would be considered mature technology.

* (21:10)

That's my understanding of the report. I wonder if you'd comment.

Mr. Brennan: It's my understanding that the technology is available. There's questions as to, you

know, how to make it work in our particular application. But I think the report was quite useful in that it leaves me with the thought that we should be having people look at how the industry, as a whole, can get together to see how applications using that sort of thing can be more economically feasible, and transportation issues and splicing issues and the like can be handled.

But I—certainly, the technology seems to be available, for sure. In most cases, they're used where they don't have any alternate way of transmitting the power. Like, in some cases, you got it, if you want power there, if you live in a—on an island, you got to find some way to get the power there. And that seems to be the only choice.

Mr. Gerrard: I just wanted to confirm that the technology, in fact, is viable, is being used and that that's the, you know, accepted perception and concept at the moment.

Certainly there are some issues which are dealt with at length, in terms of transporting the cable and, as a result of a great deal of work, there is a—basically, they conclude, as I see it, that the technology for transporting the cable looks feasible and doable. There would be—need to be some additional tests, just to prove it, in fact, but that there would also be the option of having a manufacturing plant on the shore of Lake Winnipeg, as another option, which was not explored and that would obviate the problem of transportation, too.

Mr. Brennan: I would agree with that.

Mr. Gerrard: Good.

Now, I have a question for you on the Wuskwatim dam, right? If you could tell me, No. 1, what is the final estimated cost of the Wuskwatim dam, and when the power is produced, what would be the best current guesstimate of the cost of that power in terms of, you know, is it 5 cents or 10 cents or 11 cents per kilowatt hour?

Mr. Brennan: I'd have to actually get the costs for you. I don't have it off the top of my head. The costs per kilowatt hour coming out of it, they have a levelized cost that they could use. And, give me, but I don't have it on the top of my head. The actual—the estimated cost is \$1.6 billion, including transmission and, at this point, that is our approved estimate. And that's what they're working for. It looks like it's going to be marginally over that. What marginally is, is—looks like not very much. But we'll be able to report that soon. The first unit comes into service

in—early in the new year, so we're getting close to having it finished.

Mr. Gerrard: Is it possible to translate that cost in terms of, you know, the cost of the power produced, in terms of cents per kilowatt hour?

Mr. Brennan: Yes, we can provide that to you.

Mr. Gerrard: Thank you. I would appreciate that.

The figure—or—on page 3, you've got a figure which deals with net extraprovincial sales?

Floor Comment: Yes.

An Honourable Member: And—

Mr. Chairperson: Mr. Brennan. Sorry, Mr. Gerrard, to finish.

Mr. Gerrard: Oh, sorry.

The question I have, I mean it's—the figure shows, you know, very big and substantial increases in the years ahead of extraprovincial sales. And that is based, I presume, in part on the increased capacity and in part on the estimate of increased value of the sales.

Can you comment on, you know, what the relative contribution of the increased amount of power compared and the increased value of this—the estimated sales?

Mr. Brennan: We certainly have escalated the price over time. There's no doubt. That would be small compared to the increased generation resulting from the new generation being added to the system. Both Keeyask and Conawapa, especially Conawapa, add an awful lot of power to the system that's available for sale. And that would provide the biggest part of the increase.

Mr. Gerrard: I note that one of the things that's happening in—and you had talked about that earlier on, is that the gas prices are lower than one might have expected. Is that partly due to the presence of shale gas in substantial amounts being found and—or is that just straight and, you know, what's happening with the economy?

Mr. Brennan: Certainly, shale gas has had some impact for sure. I guess nobody knows whether that's going to stay or not, and I guess the economy has also had some impact for sure.

Certainly, industry in the United States is not using the same amount of gas as would otherwise be

the case, although they're still pumping lots down there.

Mr. Gerrard: Presumably, the decrease in the gas usage is a factor in part of what's happening with the economy, but it's also a factor in part of what's happening with renewable energy and a switch from, you know, the use of gas to the use of more renewable energy. Is that correct?

Mr. Brennan: Yes, and I think conservation in the case of certain markets would as well.

Mr. Gerrard: So, you know, if the price of gas stays in the range where it is at the moment instead of rising because of the shale gas and because of, you know, the conservation, because of the increased amount of renewable energy, does that have a substantive impact on what the price of electricity will be?

Mr. Brennan: Yes, it will, for sure. The good thing is the prices we're negotiating these contracts at are at the same prices we had in our term sheet that we agreed to some time ago.

Mr. Gerrard: The—that sounds good provided that the cost of building the generating capacity doesn't go up substantially.

Mr. Brennan: I would agree with you.

Mr. Gerrard: I would also ask you a little bit about the wind power. It is my understanding that one of the reasons for the substantial increase in the amount of wind power in the United States is very substantial subsidies for wind power which are being provided in the US. Is that correct?

Mr. Brennan: Could you repeat that question for me? I'm sorry.

Mr. Gerrard: A large increase in wind power in some parts of the United States—and it's my understanding that part of that increase relates to the fact that there's been substantial subsidies provided by the US government for wind power. Is that correct?

* (21:20)

Mr. Brennan: Yes. There's another issue, of course. People are—have very limited sources in the United States for additional power. People don't want to build coal plants. Nuclear plants are a problem. So the type of sources they have available are being—have gas combustion turbines or some form of renewable, and that is causing increases in wind and

it's also increasing the cost of power in some areas as well.

Mr. Gerrard: With the increased subsidy that's—or with the substantial subsidy that's provided in the United States, a private sector firm which produces wind power can, in fact, deliver the power to market at a lower rate than it would actually cost to produce it. Is that correct?

Mr. Brennan: The subsidies certainly help them building, but they all want a return. I think in—I'm not sure about tax laws in the United States, but tax laws in Canada help wind producers as well.

Mr. Gerrard: So what you're saying is the tax laws may contribute to lowering the price of wind power in the United States, and do you want to comment on the tax laws in Canada?

Mr. Brennan: They are designed to help renewable products get built, and they are—certainly help wind producers to have installations in Canada, for sure.

Mr. Gerrard: So the fact that there is substantial amounts of wind power being produced and that there is some subsidies there, is that contributing in the production in the United States, whether it's through taxes or in other ways—is that contributing to a lower cost of power in the United States?

Mr. Brennan: I think one of the biggest things it's done is a reduction in demand. At one point, one of our customers had a reduction in their demand of 40 per cent. Now that's come back quite a way, but that kind of a reduction would really hurt any utility.

Mr. Gerrard: Now, just to understand a little bit more the reasons for the 40 per cent reduction in demand, is that a decrease in industrial output, or is that a switch to, you know, more lighting which uses less power and all sorts of things?

Mr. Brennan: I think you're right in your first one. Reduction in industrial load was the main one.

Mr. Gerrard: So the reduction in 40 per cent, or by 40 per cent, how widespread is that in your experience?

Mr. Brennan: I think the economy in United States is definitely not very good, so I think it's pretty universal. I don't know about that number. That number I found shocking, so I don't think that would be that everywhere. But they certainly have had a reduction. Canadians don't really seem to be aware of the impact the economy's had down there, but it's

a—it's definitely had difficulty, like it's much more severe than I thought anyway.

Mr. Gerrard: I noticed just in the last few days that our current federal finance minister, Tony Clement, has been talking about the risk of another recession because of what's happening in the United States and in Greece and in elsewhere. If that happens, that's certainly going to presumably reduce both the demand and price that you'd be able to get for electricity. Is that correct?

Mr. Brennan: Yes, that's one of the benefits of the sales we negotiated, though.

Mr. Gerrard: Just to clarify the extent to which the sales which are now signed, they would require the Keeyask dam. Is that right? But the sales signed to date would not necessarily require the Conawapa dam?

Mr. Brennan: You're correct, Dr. Gerrard.

Mr. Gerrard: Yes, I'm just trying to get some clarity. And what proportion of the production from the Keeyask dam?

Mr. Brennan: In terms of capacity, it's more than half. I'm not sure where it sits in terms of energy. I'd have to check.

Mr. Gerrard: We're seeing on Lake Winnipeg and Lake Manitoba pretty high water levels at the moment. Just wondering, you know, whether from a Manitoba Hydro perspective, that's going to be beneficial in providing more power.

But there's certainly a lot of concern by people who are residents around the two lakes about the height of the water. And I wonder if—I just want to give you an opportunity to talk about what Manitoba Hydro plans are for to address water level issues on Lake Winnipeg and Lake Manitoba.

Mr. Brennan: In the case of Lake Manitoba, Manitoba Hydro has no regulation or anything like that. We don't do anything other than that the water flows into Lake Winnipeg.

Lake Winnipeg, we've had concerns about the levels going up for some time. And, since July of last year, we've had the outflow at maximum—the maximum amount we could get out of the lake. We have been allowing that to happen and that will continue for some time.

Of course, all the water coming down the Nelson is impacting all the communities along the way, so that's causing us difficulty. Manitoba Hydro is quite

happy at Lake Winnipeg being close to the top. It's absolutely horrible for the people on the lake. I mean, it really is.

I guess—you know, it's just not something I would like to even think about, you know—people having investments and places where their families go and not being able to enjoy it the way they like. And it's a good thing Manitoba Hydro actually helped increase the outflow of the plant—of the lake when we built our facilities to Lake Winnipeg regulation.

We increased the flow dramatically coming out of the lake, and that helps. Having said that, when you do that, communities downstream are suffering the consequences.

An Honourable Member: Thank you very much.

Mr. Pedersen: Mr. Chair, just—there were some questions before about selling power into Saskatchewan, and—with the west-side bipole line—to sell power into Saskatchewan. Do I understand correctly, then, you would have to put a converter station in to convert it to AC to go into Saskatchewan, then?

Mr. Brennan: Yes.

Mr. Pedersen: So, unless they're taking every last drop of power coming out of that line, what happens, then, with—does the line continue on AC, then, for the rest of the route through Manitoba?

Mr. Brennan: It's my understanding it can continue to go DC for what's left. We're not taking it all. And when we—if I remember the—recall the western grid situation, we were exporting to Saskatchewan and Alberta using a terminal station in Saskatchewan. So it's my understanding it works that way.

Mr. Pedersen: So—

Floor Comment: No, that was DC.

Mr. Pedersen: So, and I'm obviously not—to you, Mr. Chair, to Mr. Brennan—I'm not holding you to any numbers, but, just roughly, what does a converter station cost?

Mr. Brennan: Well, we know that the cost is a lot. The ones that I was—well, I—

An Honourable Member: Dollars. Dollars.

Mr. Brennan: —I think, yes, it's a—\$1.8 billion, wasn't it? For two converter stations. Yes.

Mr. Chairperson: Any further questions of the committee?

Seeing none, shall the Annual Report of the Manitoba Hydro-Electric Board for the year ending March 31st, 2008 pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: The Chair hears a no. The report is not passed.

Shall the Annual Report of the Manitoba Hydro-Electric Board for the year ending March 31st, 2009 pass?

Some Honourable Members: No.

Some Honourable Members: Pass.

Mr. Chairperson: The Chair hears a no. The report is not passed.

* (21:30)

Shall the Annual Report of the Manitoba Hydro-Electric Board for the year ending March 31st, 2010 pass?

Some Honourable Members: No.

Some Honourable Members: Pass.

Mr. Chairperson: The Chair hears a no. The report is not passed.

The hour—oh, yes. If some members do not require the reports that have been provided to them here for this committee meeting, would you please leave them for future, subsequent meetings of this committee.

The hour being 9:31 p.m., what's the will of committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

Thank you to members of the committee and to members of Manitoba Hydro for being here this evening.

COMMITTEE ROSE AT: 9:31 p.m.

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