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**STANDING COMMITTEE**  
**ON**  
**PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**

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Speaker*



**TUESDAY, 10 JUNE, 1980, 10:00 a.m.**

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty - First Legislature**

**Members, Constituencies and Political Affiliation**

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<b>BANMAN, Hon. Robert (Bob)</b>	La Verendrye	PC
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<b>WESTBURY, June</b>	Fort Rouge	Lib
<b>WILSON, Robert G.</b>	Wolseley	PC

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

**Tuesday, 10 June, 1980**

**Time — 10:00 a.m.**

**CHAIRMAN — Mr. Arnold Brown (Rhineland).**

**MR. CHAIRMAN:** I call this meeting to order. We have a quorum. Before we start, I would like to ask the Clerk to read a letter.

**MR. REEVES:** Gentlemen, I have a letter signed by Mr. Brown and addressed to myself, under date of June 10th. I wish to advise you of my resignation as Chairman of the Standing Committee on Public Utilities. I am resigning because I am a member of the Manitoba Hydro Board. When Mr. Shafransky was a member of the Hydro Board and chairman of this committee, his impartiality as chairman was challenged and, in my opinion, rightly so. I also may wish to participate in the discussions pertaining to Manitoba Hydro. I trust the committee will accept my resignation to take effect immediately. I wish to thank the members of the Standing Committee on Public Utilities for, first of all, electing me as their chairman and, secondly, for the co-operation I have received as chairman.

As I have said, this is signed by Mr. Brown. I take it the resignation will be accepted. If that is the case, then this committee will be without a chairman and I would be open for suggestions or nominations for a new chairman.

**MR. GARY FILMON (River Heights):** I move Mr. Steen, the Member for Crescentwood, take the Chair.

**MR. REEVES:** Mr. Steen. Are there any other further nominations? Going, going, gone. Hearing none, I would ask Mr. Steen to take the Chair.

**MR. CHAIRMAN, Warren Steen (Crescentwood):** Perhaps, gentlemen, we can start the meeting by asking the Minister responsible for Manitoba Hydro to introduce the annual report and go from that point onward.

### **MANITOBA HYDRO**

**HON. DONALD W. CRAIK (Riel):** Mr. Chairman, the usual procedure is to move right into the chairman's comments. He will speak to the report. Maybe I could take the opportunity, though, to indicate that the new president and chief executive officer, Mr. Laurie Blachford, is also with us today. The president and CEO's appointment to the board is a joint Hydro Board/government appointment.

The structure of the board has been changed, well, two years ago in the legislation, so that in the case of the Manitoba Hydro, the chairman and CEO position now is not the same person, but has been split into two offices.

So with those comments, Mr. Chairman, perhaps we could move on to the chairman of Hydro's

comments. Mr. Curtis is the vice-chairman, or the acting chairman of Hydro, in view of the fact that the permanent chairman has not been appointed yet.

**MR. CURTIS:** Mr. Chairman, since this committee last met, there have been changes to the board of Manitoba Hydro. As the Minister mentioned the former vice-chairman and acting chairman, Dr. Wedepohl, left the province to assume a teaching position in B.C. At the present time, the Board is comprised of the following members: myself as vice-chairman and acting chairman; Mr. Arnold Brown, MLA; Mr. Don Ellis; Mr. Ed Kuffel; and Mr. Bill Wilton. Also, as was mentioned, Mr. Laurie Blachford was appointed as president and chief executive officer.

The 28th annual report for Manitoba Hydro for the year ended March 31st, 1979, was tabled in the Legislature on April 9, 1980. Additional copies are now being made available and are here at this meeting. Mr. Blachford and other staff from Manitoba Hydro are present to assist in answering any questions that come up with respect to that report. Before moving to questions however, I would like to give you a brief overview of the year which has just ended. The accounts for the year have been closed and are in the process of audit.

River flows during the fiscal year 1979-80 were plentiful. This together with the newly completed generating stations and the good export market resulted in hydro electric energy production amounting to 20,704,000,000 kilowatt-hours in 1979-80, an increase of 10 percent over the previous fiscal year. Of the total generation, 99.3 percent was hydro electric and 73.7 percent was produced by the Nelson River generating stations. Manitoba firm load at generation was 12,791,000,000 kilowatt-hours, an increase of 2.5 percent. However Manitoba firm deliveries from the common bus increased by only one percent to 11,465,000,000 kilowatt-hours. The Manitoba firm peak demand at generation was 2519.3 megawatts, 4.2 percent higher than the 1978-79 peak.

A market has existed for surplus hydro-electric power resulting from the excess of plant and from good water conditions. The unit price for export power has varied, depending upon the time of day when the sale has been made, ranging in price from 2 mills per kilowatt-hour to over 30 mills per kilowatt-hour in 1979. The average price was 13.5 mills per kilowatt-hour. This of course emphasizes the need for close contact with potential buyers in order to assure the maximum total revenue from the sale of surplus energy. In 1979-80, out-of-province sales yielded 96 million.

An estimated excess of revenue over expense of 45.5 million has increased the total reserves of the corporation to 141.5 million, representing a debt equity ratio of 94 to 6. Total revenue increased by 14 percent to 374 million. These figures, of course, are subject to final audit. As announced by the government last year, rates for electric power in

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Manitoba have been frozen until March 31, 1984. This is mainly made possible by the province of Manitoba relieving the corporation of cost associated with the foreign debt of Manitoba Hydro, and replacing it by the cost of equivalent to Canadian advances as at the date the debt was incurred. Had the province not assumed the cost of foreign debt, the long term debt position of the corporation, if translated at exchange rates as at March 31, 1980, would have been increased by approximately 375 million, plus an additional 30 million which matured in the year ending March 31, 1980. And the estimated excess of revenue over expense for the year would have been reduced by some 36.7 million.

Customer service reliability continued to be above the Canadian average, despite reduced maintenance resulting from the restraint on expenditures which has been practised by the corporation for several years. At the Long Spruce generating station, and the Jenpeg generating station, all units have been placed in service. The major rehabilitation work at Great Falls is continuing, project completion is scheduled for 1982. The project budget totals approximately 40 million. The need for, and the extent of additional repairs, is being investigated.

Rehabilitation work at Seven Sisters was begun in 1979. Sluiceway and spillways work is scheduled to be completed by the end of 1983. Dike repairs and drainage ditch improvement is scheduled for completion by the fall of 1981. The total costs are estimated at approximately 25 million.

The Winnipeg-Minneapolis 500 kb transmission line went into commercial service in May of 1980. This adds approximately 700 megawatts to Manitoba's import-export capability.

The third interconnection with the Saskatchewan Power Corporation was completed November 23, 1979. This added approximately 100 megawatts to the capability of the Manitoba-Saskatchewan interconnection.

The growth and the demand for underground distribution to new residential lots declined in comparison to the previous fiscal year. Underground distribution was extended to 1800 lots during the year ended March 31, 1980. During the fiscal year, 15 new major customers, that is those taking 1,000 kva or more, were added, 13 of them in the central region. Manitoba Hydro now has 318,202 customers. The reduced construction activity resulted in significantly lower financial requirements in 1979-80. No long-term financing was undertaken, with the exception of a drawdown for approximately 2 million against the federal government transmission facilities, related to the Long Spruce generating station.

Capital requirements were met from internally generated funds, and from short-term borrowings.

In July, 1975, the maximum number of staff on the payroll was 4,993. At March 31, 1980, the total number on payroll was 3,812, a reduction of 1,181 personnel, or 23 percent in five years. This does not include reductions in contractors' forces.

Manitoba Hydro, with the concurrence of the provincial Electrical Energy Marketing Committee, has continued negotiations with the Nebraska Power District for construction of a major interconnection, and for the exchange of seasonal diversity power. This is called the Mandan Project. This exchange

could delay the need for additions to generation to supply the Manitoba load.

In addition, Manitoba Hydro has provided input to the feasibility studies undertaken for the Western Electric Power Grid and other projects. Pending agreement, limited studies on the Mandan Project are being undertaken. The principal activity at present is an environmental and land use study in a large area west of Winnipeg and south to the U.S. border, from which a transmission line corridor will be selected. During the past year, one of the three collective bargaining agreements covering employee groups of Manitoba Hydro expired, and the other two agreements were re-opened for wages only. All three agreements were successfully renegotiated in the two-party process and renewed with the bargaining units. On April 1, 1980, negotiations started with the International Brotherhood of Electrical Workers regarding renewal of the contract covering field employees, which expired on June 4, 1980.

Manitoba Hydro was ranked by the Canadian Electrical Association as having the second best overall safety record of the 15 major electrical utilities in Canada. Manitoba Hydro has been ranked among the top three for 16 consecutive years.

Manitoba Hydro's long-range load forecast for generation planning purposes is for an average growth rate of four percent over the next ten years, decreasing to an average growth rate of three percent in the following ten years. Historically, the growth rate had been seven percent, but in the past five years, the average has been down to 3.3 percent. Key assumptions in the current load forecast are, a slight improvement in the economic growth realized in the past five years, a continuation of customers introducing conservation measures, the availability of natural gas and oil will continue interrupted to the end of the century, and natural gas will remain competitive with electricity for space heating during the period.

The in-service date for Manitoba Hydro's next generating station will depend on a number of factors, such as (1) whether or not the Mandan project goes ahead; (2) the actual rate of domestic load growth; (3) the extent to which industrial demand develops; and (4) whether or not the Western Power Grid goes forward. Studies are continuing with respect to the Limestone Generating Station, and on other potential alternatives.

Mr. Chairman, that concludes my opening remarks.

**MR. CHAIRMAN:** Perhaps, to the members of the committee, we can follow a pattern that has been adopted in previous committee meetings and that is, we will discuss the report in general terms and then perhaps at the conclusion of questioning and answers from the chairman and senior staff members of the Hydro, then we can pass the report in its entirety. Perhaps at this time, maybe Mr. Blachford would join us at the table and members of the committee can direct their questions either to the Minister or to the Acting Chairman or to the General Manager or, as we have done in previous years, we have also had other senior staff members of the Hydro sit at the table and answer questions. Is that agreeable to members of the committee?

Mr. Walding, would you like to lead off.

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**MR. D. JAMES WALDING (St. Vital):** Mr. Chairman, I have a few questions I would like to ask of Hydro. Before I do, I would just like to comment very briefly on the resignation of the previous Chairman. It was not proposed by members of the New Democratic Party that Mr. Brown should not chair the committee. We had no objections to his continuing in that position. We note that the matter was raised at previous committees by the Conservatives, and they are being somewhat consistent.

Maybe I could also ask the Minister, who proposed in 1971 that the then chairman of Hydro, Mr. Cass-Beggs, be sworn in to give his testimony, I wonder if the Minister or the Conservatives would insist, in this case, that the chairman be sworn in.

**MR. CRAIK:** No, Mr. Chairman, I don't think it is necessary from my point of view, but it may be from Mr. Walding's point of view.

**MR. WALDING:** No, Mr. Chairman, we don't think it's necessary. We didn't think it necessary then and we don't think it's necessary now.

I wonder if the chairman could give us a copy of the remarks that he made this morning. There were a number of figures and statistics in there and I wasn't able to make a note of them. Also, Mr. Curtis read the list of the Board members a little too quickly for me. I got down the first two, Mr. Brown and Mr. Ellis, I didn't catch the names of the . . .

**MR. CHAIRMAN:** Perhaps, Mr. Walding, Mr. Curtis could read the Board members list again.

**MR. CURTIS:** Mr. Brown, Mr. Ellis, Mr. Ed Kuffel, who is the new Dean of Engineering at the university, and Mr. Bill Wilton of Brandon.

**MR. WALDING:** Can I ask when the last two were appointed to the Board?

**MR. CURTIS:** It was part way through the year. I'm not certain of the exact date; we can obtain the date.

**MR. WALDING:** Can I ask Mr. Curtis the date that he became acting chairman of the board.

**MR. CURTIS:** It was just prior to Dr. Wedepohl leaving, early September. I'm not sure of the Order-in-Council date but I can obtain that.

**MR. WALDING:** Does the Minister attend Hydro Board meetings, Mr. Chairman?

**MR. CHAIRMAN:** Are you asking that question to Mr. Craik or to Mr. Curtis?

**MR. WALDING:** The chairman of the board.

**MR. CURTIS:** Well, during my fairly brief time as acting chairman, the Minister has not attended any of the meetings.

**MR. WALDING:** I would like to ask Mr. Curtis whether he feels entirely comfortable in his positions, being Deputy Minister of Finance and the Deputy to the Minister to whom Hydro reports, and also fulfilling the position of chairman of Hydro's board.

I'm suggesting to Mr. Curtis he is in a rather awkward, if not impossible position as trying to wear two hats in one position.

**MR. CURTIS:** I don't feel particularly uncomfortable. I realize it is on an acting basis. I think it is helpful from the point of view of the Department of Finance to have a fairly close contact, in any event, with Hydro, to understand what is in the works with respect to long-term borrowing requirements and so on.

**MR. WALDING:** Does Mr. Curtis feel that the Board is intimidated in any way, the fact that the chairman of the board is obviously there representing the Minister to whom Hydro reports? Is it reasonably possible for the board to come to any other decision than that with which the chairman agrees?

**MR. CURTIS:** I haven't found any problem in that respect, Mr. Chairman. The Board has acted, I think, in as independent a way as one could hope for. I have not felt any pressures from government with respect to the items that we have discussed on Board matters.

**MR. WALDING:** Do the members of the Board feel any pressure, the fact that you are there representing the Minister?

**MR. CURTIS:** They haven't indicated to me that they have. As I say, we have had good discussions and some debates and differences, but I think that is to be expected on any board where there are different points of view being raised by members that have different backgrounds and interests.

**MR. WALDING:** I would like to ask Mr. Curtis the extent to which the Hydro Board is involved in the search for a chairman of Hydro?

**MR. CURTIS:** We have no involvement in the search for a chairman.

**MR. WALDING:** Are you able to inform this committee of what steps are being taken to appoint a permanent chairman, given that you have been acting chairman now for nine months?

**MR. CURTIS:** As I say, Mr. Chairman, the Board doesn't have any input into selection of board members, which are appointed by Cabinet. I have hinted, perhaps, from time to time to the Minister that it might be appropriate to find a chairman.

**MR. WALDING:** Mr. Chairman, perhaps I could direct the question to the Minister, ask him what steps are being taken to find a permanent chairman for Hydro? I haven't seen any ads in the paper, for example, seeking applications for the position.

**MR. CHAIRMAN:** Mr. Craik, could you help Mr. Walding in his search for some answers.

**MR. CRAIK:** Mr. Chairman, I don't know whether I can help Mr. Walding, but I can indicate to him that it's the government's intention to appoint the permanent chairman. As I indicated earlier, it has not obviously occurred at this date and we have been

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very fortunate to have, firstly, Dr. Wedepohl, and then Mr. Curtis available for the chairmanship on an acting basis. The government's intention is to appoint the permanent chairman, however, it is partly impeded by the good service we have had from the acting chairman, I suppose, but in due course, it is the government's intention, along the lines of the study that was done on reorganization when the government first took office, to follow the same course with regard to the major Crown corporations, Hydro, Telephones and MPIC, and in due course we will be moving on all of those.

**MR. WALDING:** Mr. Chairman, I understand the government's policy. It's been enunciated several times before and I don't quarrel with it, but that wasn't the question that I asked. I asked the question of what the government is doing to find a permanent chairman, given that is that the Minister does not intend to continue with an acting chairman.

**MR. CRAIK:** Mr. Chairman, looking over the possibilities for all three of the Crown corporations, I think, Mr. Walding made reference earlier as to whether or not we were running ads. If we ran ads for a chairman it will be the first time in history I have ever seen ads run for the chairmanship of a corporation or other body. The chairman would not be a permanent person but would rather be a lay person from the community, most likely, in all of these three positions.

**MR. WALDING:** I really didn't suppose that the government would be running ads in the paper for the position. I did want to know what steps were being taken by the government to seek someone. Is the Minister seeking someone with a background in hydro-electric engineering or an engineer generally, or some other qualifications? Perhaps the Minister could explain to us what the qualifications would be in this person that the government is seeking.

**MR. CRAIK:** There are no fixed conditions, Mr. Chairman. Certainly not necessary for experience in the utility for that purpose, unlike the CEO's position where you would look and we did look for background and experience in the industry. The purpose and direction taken for the appointment of chairman of all the major utilities has been primarily to bring a background not necessarily related to the utility itself but representing the community at large.

**MR. WALDING:** Perhaps the Minister can tell us whether he's had any applications for the position.

**MR. CRAIK:** Mr. Chairman, it is also the type of job where you don't normally take applications, but if Mr. Walding wants to talk to me later privately we can look over his qualifications.

**MR. WALDING:** Mr. Chairman, you never know — it might be a position I could be interested in. Perhaps the Minister could advise the committee of what the salary is for the position or is likely to be.

**MR. CRAIK:** It might even be negotiable.

**MR. WALDING:** Thank you, Mr. Chairman, I wanted now to ask about the position of general manager

and perhaps Mr. Curtis can tell me what input the Board had in finding and employing a new general manager.

**MR. CURTIS:** Mr. Chairman, the position of president and chief operating officer was determined to be filled from a number of different backgrounds but generally with someone that had had a great deal of experience in hydro- electric utilities. It was left to a firm of experts to come up with potential candidates and a number of them were reviewed by myself and the Minister and the final selection was made and discussed at length with the Board who gave approval to the appointment, and Mr. Blachford was clearly a very very strong contender for that position and was selected.

**MR. WALDING:** Mr. Curtis mentioned that there were several names recommended by a company. Was this a company that is in the business as a sort of private employment agency? I know there are companies doing this sort of work.

**MR. CURTIS:** Mr. Chairman, they were consultants engaged and involved in the finding of professional people for these kinds of jobs.

**MR. WALDING:** Can I ask Mr. Curtis what input, if any, Hydro's auditors, Coopers and Lybrand, had into the selection of a new chief executive officer?

**MR. CURTIS:** They had no involvement, Mr. Chairman.

**MR. WALDING:** I ask Mr. Curtis whether a contract has been signed with Mr. Blachford.

**MR. CURTIS:** Yes, Mr. Chairman.

**MR. WALDING:** Can Mr. Curtis advise the committee of the terms of the contract?

**MR. CURTIS:** Perhaps, Mr. Walding, Mr. Craik, the Minister could answer that question.

**MR. CRAIK:** Mr. Chairman, I think it's up to the Hydro Board whether or not they feel that that should be done. This question was raised in the Legislature and I suggested it be raised at the committee. I doubt whether the board has given consideration to it, maybe they have. If so then that's fine but perhaps the chairman may wish to discuss with the board what types of information and what form it ought to be presented to the committee of the Legislature.

**MR. WALDING:** Mr. Chairman, if I may, you may recall or have read at the time that Mr. Cass-Beggs was appointed as chairman of Hydro, there were a number of questions raised as to how much Mr. Cass-Beggs was paid, and a considerable fuss was made at the time that included in his contract were certain retirement benefits and also some arrangement where Mr. Cass-Beggs could go home at certain intervals to see his family. Now if those questions were valid at that time, they would probably still be valid and I'm still seeking the information so as to compare the terms that this

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government is offering the general manager as against the terms that were paid to Mr. Cass-Beggs.

**MR. CRAIK:** Mr. Chairman, not to suggest that the information shouldn't be forthcoming but to point out that there is a difference. In that case the person was the chairman of the board. Mr. Blachford is the CEO of Hydro, and his contract is with the Hydro Board. It is not an Order-in-Council appointment. The chairman would be an Order-in-Council appointment. I don't want to suggest that . . . Am I correct on that? I don't recall. There is a difference. It's not to suggest that the information should not be forthcoming, but it may be the sort of thing that the Board maybe ought to have a chance to decide on, what kind of information ought to come forward. I suppose on the other hand if the committee feels that there is, in effect, going to be Orders for Return filed with the Hydro Board, then that determination ought to be made.

**MR. WALDING:** Mr. Chairman, on the last point, I am not sure that the Rules of the Legislature allow for an Order for Return to be filed with a Crown corporation. I realize they can be filed with the government. I wonder why there is this hesitation on the Minister's part. The Minister is quite correct that Mr. Cass-Beggs was the chairman and what we are discussing now is the Chief Executive Officer of the Board, but I can recall seeing a report from a Mr. Justice Hall concerned with MLAs salaries, tabled two, three, four months ago, in which it listed salaries paid to the President of the University, Chairman of Crown corporations, the Presidents of hospitals. And still going from memory, I recall that it listed two Vice-General Managers, I think it was called, of Hydro and gave the salary range in which they were listed, noted that the position of Chairman of Hydro was vacant, but it did give the salary range of the previous incumbent.

**MR. CRAIK:** Mr. Chairman, by the reference to an Order for Return, I was saying it more in the negative, because as the members of the Committee know that isn't the practice and never has been. Again all I am suggesting is, I am not trying to suggest it shouldn't be provided, simply to give the Board an opportunity to decide what types of information ought to be provided, and if the Chairman feels that he is on fair ground by doing so with the rest of the Board, then that is fair enough.

**MR. WALDING:** Mr. Chairman, the question that was directed to the Chairman of Hydro, I am still waiting for a response.

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** As I say I am not familiar with the past practices with respect to the Committee. We have an agreement with Mr. Blachford as to salary. If the Committee wishes we could provide that information.

**MR. WALDING:** Mr. Chairman, I can't speak for the Committee. I am making the request as a member of the Committee. If there is some particular sensitivity

or some reason why the information should not be made public, I would be interested to hear it.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, I am not a member of this Committee as it turn out, so I can't indicate what the Committee might want to do, but from the point of view of being the Minister for which the utility reports, I have no reservation about it. The only question I raise, and I think Mr. Curtis has answered that, and he has no concern in presenting it, therefore I can assure the Committee that it is up to the Board.

**MR. WALDING:** Perhaps, Mr. Chairman, I could await Mr. Curtis' discussion of the matter with the Board and perhaps he could advise me as to what the opinion of the Board is.

Just while we are on the topic of information from the Board, I wrote a letter to Mr. Curtis, as Acting Chairman of Hydro, on January 15th of this year seeking a breakdown of the estimated cost to Hydro attributable to work that Hydro had done on the Tritschler Report. I wonder if that breakdown has now been done and if Mr. Curtis can provide that information, and if not, does he have an estimate as to when that information might be available?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** There is a breakdown that was prepared of the direct costs attributable to the Tritschler Inquiry and I could table it if that is the wish of the Committee.

**MR. CHAIRMAN:** Mr. Walding, would you like to have that information tabled?

**MR. WALDING:** I would like to see it, Mr. Chairman, I am quite willing to have it tabled for the information of other members of the Committee.

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** Mr. Chairman, just going back to the question of the salary of the President and Chief Operating Officer, if the Committee wishes I can table the summary of the employment conditions that we agreed to with Mr. Blachford.

**MR. WALDING:** I think that would be fine, Mr. Chairman.

**MR. CHAIRMAN:** All right.

**MR. WALDING:** Mr. Chairman, I don't want to go into the matter in any great depth, at least at the moment, but I did want to ask, further to the Tritschler Report, whether Manitoba Hydro have prepared a response to the report?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** With respect to the Tritschler Report, it is under discussion with the Board at the Board level. I anticipate there will be continuing meetings with respect to various aspects of the report. Staff are presently working on material relative to a

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number of the suggestions and conclusions of the report. I foresee that will be a fairly long process, Mr. Chairman.

**MR. WALDING:** Mr. Chairman, there was no public comment by anyone from Hydro immediately following the tabling of the report and I don't recall any comments by Hydro staff over the last five months on the various recommendations that were in the report, some of which were hardly flattering to Hydro and some of its senior people.

Perhaps I can ask why there was no immediate response, or why there was no response at all? Was there any directive sent down to Hydro staff that no one was to make any comment on anything within the report?

**MR. CURTIS:** There were no directives, Mr. Chairman. We have had discussions with senior staff at Hydro, that is the board members, and we've come to the conclusion that our approach would be to review in detail the recommendations and the criticisms and concerns, and we'll come up, as a board, with whatever changes and improvements, recommendations, decisions, that we feel should take place.

**MR. WALDING:** Mr. Chairman, I'd like to ask whether there have been any changes made at Hydro as a result of the recommendations of the Tritschler Commission? In other words, which recommendations have been accepted and put into place by Hydro?

**MR. CURTIS:** Mr. Chairman, we haven't, to my knowledge, made any changes that you could relate directly to the enquiry at this stage, perhaps with the exception of the employment of the President and Chief Operating Officer. I foresee that the review by the board, with help from staff, will take a fair amount of time and effort, and changes will take place, improvements we hope, to the operations of Hydro, but only over a very long period of time.

**MR. WALDING:** Mr. Chairman, I'd like to ask whether any changes have been made in Hydro as a result of government directives coming out of the Tritschler Report? In other words, have you been instructed by the government to make any changes recommended by the Tritschler Report?

**MR. CURTIS:** To my knowledge there have been no directions from government specifically on the report itself.

**MR. WALDING:** I'm looking for one particular quotation in here that said that senior Hydro people should be liberated from the previous constraints. I wanted to know from you whether you feel that you and the board and Manitoba Hydro senior people have now been liberated from some previous constraints?

**MR. CURTIS:** Mr. Chairman, I don't think they're under any constraints as far as the board is concerned. As to liberation, I don't know whether I feel they're unliberated or not liberated. I think the board has a good rapport with senior management, and our main goal is to make the improvements that

we feel are necessary and this will take some fair degree of time to accomplish. I don't think staff are constrained from coming forward with their thoughts and their concerns.

**MR. WALDING:** Mr. Chairman, I had a number of notes that were not in any particular order. I wanted to ask, perhaps a more technical question now on the effects of the present drought on hydro, water levels and water flows and that sort of thing. I understand we're in a period of low flow as far as hydro generation is concerned, and I wonder if Mr. Curtis or someone on the staff can give us an up-to-date position on the water flow.

**MR. CURTIS:** Mr. Chairman, I'm not a technical expert at all. I know the major concerns are with the reduced water flows. It's very early to predict the financial effect that the present situation will have. I think we have prepared an estimate that at this stage, we've perhaps lost in revenues somewhere around 4 million. The extent of any further losses, of course, will depend to a very large extent, on the continuation of the drought or whatever water flows take place because of potential rain later on. But if you have any specific technical questions I'd have to ask staff to respond, Mr. Chairman.

**MR. WALDING:** How would the present flow levels be characterized, say in comparison with an average flow, or historically, how are they characterized?

**MR. CHAIRMAN:** Mr. Walding, perhaps Mr. Blachford could answer that question.

**MR. BLACHFORD:** I'd like to ask Mr. Tishinski if he'd answer that question.

**MR. W. J. TISHINSKI:** We have a number of river systems supplying our generating plants, so it's difficult to give a composite picture. It would be easier to describe each river system independently and compare them with other years, but to state it as simply as I might, it would appear that if the drought continues, as it has started in the past couple of months, it would be comparable to the one we experienced in 1940-41, and similar to the one we experienced in 1976-77. If I might use a more technical term, it would appear to be in the lower quartile of flows, these are the kinds of terms that we use in water flows.

**MR. WALDING:** Can you give me a breakdown on the main river systems and the flow at Winnipeg River, Nelson, Lake Winnipeg?

**MR. TISHINSKI:** The average flow on the Winnipeg River at this time of the year would be approximately 33,000 cubic feet per second, and we are currently experiencing about 12,000 cubic feet, so that's approximately one-third of the flow at this time of the year. The other major river system is the Saskatchewan River system and here we have a changing picture. It was extremely dry in the western provinces, this is the provinces of Saskatchewan and Alberta until approximately two weeks ago when Alberta received these large rains, and so now the Saskatchewan River is improving rather considerably.



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The water has not arrived in our water sheds yet, but we know that it's coming, so we expect some improvement in the Saskatchewan River system and, in particular, at our reservoir at Grand Rapids.

The other major river system we would look at is the Nelson River and at the moment the flows at our major plants at Kettle and Long Spruce are a shade, well, I'd say about 60 percent of what they would be at this time under normal flow conditions.

**MR. WALDING:** 60 percent of the normal flow?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Which is what, about 160,000?

**MR. TISHINSKI:** It would be about 120,000 cubic feet per second during the summer months, and we are experiencing approximately 70,000 cubic feet per second.

**MR. WALDING:** Is that below the rated capacity of the Nelson River generating station at its full capacity?

**MR. TISHINSKI:** Yes, it is.

**MR. WALDING:** By how much?

**MR. TISHINSKI:** I should preface my remarks with the fact that these plants are designed so that the full capacity would be used during periods of maximum electrical demand, which may occur for a matter of several hours during the day, or in the wintertime during the days of peak load demand, and under those circumstances we would use 160,000 cubic feet per second at the instant of maximum demand. However, during the nighttime the demand would be reduced and we would not pass this quantity of water through our power plant.

**MR. WALDING:** I would assume from your remarks on the different river systems that there is no water being spilt.

**MR. TISHINSKI:** No.

**MR. WALDING:** As far as the Winnipeg River is concerned, are these works or construction on a couple of the generating stations that were mentioned earlier, does that have any effect on the flow of water?

**MR. TISHINSKI:** No, the work there involves exclusively the dam rehabilitation. There is no work done within the powerhouse.

**MR. WALDING:** But does that construction have any effect on the flow of the water or the holding or releasing of water?

**MR. TISHINSKI:** No, other than the fact that we have had to lower the water levels to preserve the safety factor of the dam, but no, as I understand your question, it does not affect the flow of water.

**MR. WALDING:** But if you have had to lower the level of water in order to work on the dam, would

that not decrease the amount of water available for electrical generation?

**MR. TISHINSKI:** Not really, because eventually the water will have to pass through the power plant. It would not affect the quantity of water, it would affect the head, as we call it, or the drop of the water, which would in turn affect the amount of kilowatts that would be generated; but as far as the quantity of the water is concerned, it does not affect that quantity. The water eventually has to get through the plant.

**MR. WALDING:** One further question while we are still on the Winnipeg River. Have the flows or the levels been affected by any actions taken in northern Ontario?

**MR. TISHINSKI:** We have a Lake of the Woods Control Board, which controls the reservoirs of northwest Ontario, of which we and members from the Water Resources are members, and those flows are controlled by this Board.

**MR. WALDING:** Has it been the general policy of that Board to hold back water in Lake of the Woods for recreational purposes, and hence reduce the flows on the Winnipeg River to the detriment of electric generation?

**MR. TISHINSKI:** No, there are licence limits within which the electric utilities can operate, and I include Ontario Hydro as well as Manitoba Hydro, and so long as we operate within these limits we are given relatively a free hand to control the water for power interests.

**MR. WALDING:** Can you tell me what has happened to the level of Lake of the Woods with the Winnipeg River being down to a third of its normal flow? Has that also had low levels?

**MR. TISHINSKI:** The lake is slightly lower than normal, but not dramatically lower because we are conserving the water with a specific intent of releasing it in the wintertime, so this is helping the recreational interests in this respect.

**MR. WALDING:** Do these lower water flows happen before the end of the last fiscal year, or has it been only since April 1st that there has been an effect on Manitoba Hydro?

**MR. TISHINSKI:** That is an interesting question because during the winter the composite picture of all our watersheds indicated that the snow cover was approximately 90 percent of normal, and we did not believe that there was going to develop a desperate situation. As it turned out, because, as we can best understand it, because of the dry fall conditions in 1979, there was very little runoff and so the inflows that we had expected from the snow melt did not materialize. This, coupled with the lack of rain this spring, has precipitated our drought condition as we have it today.

**MR. WALDING:** Did Hydro feel the effects of that prior to this fiscal year?

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**MR. TISHINSKI:** No, because the drought, you might say, descended upon us at the beginning of April 1980, and it was at this time that we felt that there was a potential problem area in front of us.

**MR. WALDING:** So it didn't effect Hydro's financial position for the 1979-80 year, and the figure that was given to us of approximately 4 million in losses is an amount that has occurred in this fiscal year, and I suppose could be more if the drop were to continue.

**MR. TISHINSKI:** That is correct.

**MR. WALDING:** I see. Are you able to characterize the flow generally in terms of the average for this time of the year? You mentioned a couple of specifics that are taken overall in the average, perhaps in terms of power production . . .

**MR. TISHINSKI:** Yes. I suppose a meaningful number might be that if we would have had average flows with the generation presently installed, we would be capable of generating 22 billion kilowatt-hours of energy.

**MR. WALDING:** 22 billion?

**MR. TISHINSKI:** Yes. If the present drought conditions persist throughout this fiscal year, that production would drop to 17 billion.

**MR. WALDING:** A drop of about 25 percent or so?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Can you tell me what the present level of Lake Winnipeg is?

**MR. TISHINSKI:** The present level is at 713.9.

**MR. WALDING:** 713 . . .

**MR. TISHINSKI:** 713.9.

**MR. WALDING:** Point 9. What would you normally expect it to be in an average year as of the middle of June?

**MR. TISHINSKI:** The goal, of course, would be to bring it out to 715 by the middle of July, so I would expect that at the middle of June it should be around 714.5.

**MR. WALDING:** So it is a little lower than average, again presumably because of the dry conditions this spring.

**MR. TISHINSKI:** Oh yes.

**MR. WALDING:** If Lake Winnipeg regulation had not been in place, would it still be at 713.9, or some other level?

**MR. TISHINSKI:** It would likely have been at some other level.

**MR. WALDING:** Higher or lower than that?

**MR. TISHINSKI:** Very likely lower.

**MR. WALDING:** In other words, what Lake Winnipeg regulation has done is to conserve water within that system. Would this be correct?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Is it possible for you to put a value, as of this year, on the amount of water that has been retained in the Lake Winnipeg system?

**MR. TISHINSKI:** We don't have a number whereby we could translate the quantity of water to pure dollars and cents. The calculation that we have carried out to date is to place a value on the increased value of the energy by having it available in the wintertime rather than in the summertime, and this turns out to be approximately one-half of a cent per kilowatt-hour, that is to be able to keep the water in the summertime and release it in the wintertime when the power is worth more. But we don't have a number regarding — that is the rate now that I have quoted you — we don't have a number which would give us the total quantity of water that can be stored over a period of a year.

**MR. WALDING:** You don't know how much water you can hold in Lake Winnipeg?

**MR. TISHINSKI:** We know how much water we can hold, but we have not made an estimate of the water that could be stored during the course of the entire fiscal year because we, at this moment, have no knowledge of what the flows will be for the remaining part of the year.

**MR. WALDING:** No, but in this calendar year so far, if you know how much is in Lake Winnipeg, then you presumably know the flow out of Lake Winnipeg, then what difference did the regulation make in holding that water in?

**MR. TISHINSKI:** I don't have that number in front of me.

**MR. WALDING:** Could it be ascertained?

**MR. TISHINSKI:** Yes, it could.

**MR. WALDING:** I wonder if you could undertake to get that information for us.

**MR. TISHINSKI:** We will do that.

**MR. WALDING:** I wonder if you explain the other figure that you gave of a half-a-cent per kilowatt-hour for winter energy.

**MR. TISHINSKI:** This is the difference in the price of power that we would receive if we sold it off extraprovincially today, compared to replacing that power in the wintertime with thermal generation.

**MR. WALDING:** When you say wintertime, what period of time do you mean?

**MR. TISHINSKI:** I would say from December straight through to February, perhaps March, if it is a cold March.

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**MR. WALDING:** And there you are referring to power sold rather than the cost of producing it, are you?

**MR. TISHINSKI:** During the summertime the power which would have been produced with Lake Winnipeg water would unquestionably have to be sold, because Manitoba's demand is considerably lower in the summertime than in the wintertime. Now if this water is released, it is not available during the wintertime for production, say, to meet Manitoba's needs. In that event we would use thermal facilities to supply Manitoba's needs and that price would then be higher.

**MR. WALDING:** You have told us, or have you told us, that all of the present generating stations, other than those closed down for repairs or whatever, are they operating at full capacity and being used entirely? In other words, no water being spilled?

**MR. TISHINSKI:** Yes, they are all being used, there is no water being spilled, but there are certain units that are not being used because there is not sufficient water to rotate the turbines.

**MR. WALDING:** Okay, then to the extent that you have enough water, all of those units would be producing, and is the power produced being used entirely in Manitoba, or are you exporting some of that power?

**MR. TISHINSKI:** We are currently not exporting any hydro power extraprovincially, but the exports are based on thermal power prices. In other words, if we are using a thermal plant, it is for export.

**MR. WALDING:** When was the time then that you stopped exporting hydro power?

**MR. TISHINSKI:** When we stopped exporting hydro power, is that the question?

**MR. WALDING:** If you are not exporting it now and last year there was 80 million worth or something.

**MR. TISHINSKI:** Approximately, I would say a month ago.

**MR. WALDING:** So Manitoba is using all of the hydro power that you can produce?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** So as to today and the present drought conditions, we have no over-supply of hydro?

**MR. TISHINSKI:** Not hydro.

**MR. WALDING:** Just to follow up what you said about us exporting thermal power, this presumably is coal produced power at Selkirk and Brandon.

**MR. TISHINSKI:** Yes and I might also add that we will import power during the night from the Americans and from Saskatchewan at a period of time when prices are low, because prices do fluctuate from night time to day time and then in the

daytime we will resell that power back to the Americans at a higher rate.

**MR. WALDING:** When you say you will sell it back to them, are you still talking about thermal power or . . .

**MR. TISHINSKI:** That's in addition to our own thermal power.

**MR. WALDING:** The thermal power that you will sell them during the day at a higher rate, is that thermal produced power?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Produced at Brandon and Selkirk?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** What would we charge them for that power?

**MR. TISHINSKI:** We would charge the cost plus 10 percent.

**MR. WALDING:** When you say the cost . . .

**MR. TISHINSKI:** Our production costs.

**MR. WALDING:** So in the range of how much per kilowatt-hour?

**MR. TISHINSKI:** Brandon has a lower production cost than Selkirk, so I'll have to quote you two numbers, but the production cost at Brandon would be approximately 1.5 cents, and at Selkirk it would be approximately 2 cents per kilowatt hour.

**MR. WALDING:** Is that the selling price?

**MR. TISHINSKI:** We would mark it up 10 percent over that.

**MR. WALDING:** I've been told that the cost of power at Brandon is 9 cents a kilowatt hour and at Selkirk 16 cents a kilowatt hour. Can you confirm that?

**MR. TISHINSKI:** That sounds low but I think the cost quoted to you might be that. We have a coal contract on a take or pay basis and so the true incremental cost in that event would be the freight rate only, and I suspect the numbers that you have in front of you there reflects the freight rate, whereas if you have to pay for the coal in any event that becomes an affixed cost and so the true production cost is the number that you have. But in our dealings with the Americans we attempt, as much as possible, to bring in the price of the transportation and the cost of the coal and treat the combined number as our production costs.

**MR. WALDING:** So you would believe that 9 cents a kilowatt hour for Brandon power and 16 cents a kilowatt hour from Selkirk power is not out of line.

**MR. TISHINSKI:** No.

**MR. WALDING:** But you will be selling those for somewhere around 2 cents a kilowatt hour.

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**MR. TISHINSKI:** Yes.

**MR. WALDING:** That doesn't make very much sense to me. Can you explain why Hydro is doing that?

**MR. TISHINSKI:** To maximize the revenues.

**MR. WALDING:** If I were running a business I would not like to pay 9 cents for something that I would sell for 2 cents.

**MR. TISHINSKI:** I'm not sure, you said 9 cents? .9 cents.

**MR. WALDING:** No, 9 cents.

**MR. TISHINSKI:** Oh no, I'm sorry, I was getting mixed up; I was thinking of 9 mills in cents. No not 9 cents. I'm sorry I was on another.

**MR. CHAIRMAN:** Perhaps, Mr. Tishinski, you'd like to correct yourself.

**MR. WALDING:** Mr. Chairman, I was not referring to the increment of 9 cents when I gave that.

**MR. TISHINSKI:** I'm sorry.

**MR. WALDING:** My understanding is that that includes all of the cost of building the plant, the cost of the money, the depreciation, the fuel, the maintenance, and everything that goes into the cost, and that this is one reason why the thermal plants are always the last ones that Hydro puts into production because the cost of power from every other plant is down in the region of 2 mills to 2 cents, and it obviously makes sense for Hydro to use those rather than go to a 9 cent or a 16 cent power.

**MR. TISHINSKI:** I'm sorry, I was so locked in here in looking at the numbers that I had gotten the mills and the cents mixed up. A mill is a tenth of a cent. So when I mentioned that we were selling at 2 cents, that's 20 mills, and your figures of 9 and 16 would have been relatively accurate if they would have been mills rather than cents, which means a tenth of the value as quoted.

**MR. WALDING:** Mr. Tishinski, I got these figures from Manitoba Hydro, along with some figures for other generating stations.

**MR. TISHINSKI:** That would have been not only the production costs but would have also included the fixed costs, and in that case it is correct. It was 9 cents per kilowatt hour.

**MR. WALDING:** That's for Brandon, and 16 cents at Selkirk.

**MR. TISHINSKI:** Yes. That sounds about right. At the moment I couldn't completely verify that that is the case but that sounds to be in the right ballpark.

**MR. WALDING:** Then I still cannot see how it's economically viable for Hydro to produce power at 9 cents or 16 cents and sell it for 2 cents.

**MR. TISHINSKI:** The difference is that it's the production — those are the fixed costs and the production costs — but the production costs, and this is separating the fixed costs, is approximately, including coal, 1.5 cents at Brandon and roughly 2 cents at Selkirk, and so we will take the production costs and mark the production costs up because we are stuck with the fixed costs whether we use the plant or not, and so in our transactions we look at the production costs only.

**MR. CHAIRMAN:** Perhaps, Mr. Walding, there are other members of the committee that have indicated they would like to ask questions. I don't want to get you off the particular topic you are on but would you yield to other members when you are finished your specific point.

**MR. WALDING:** Mr. Chairman, I realize that and I know my colleague wants to ask questions on the drought situation too. I intended to pass to him before we left this topic. Just a couple more questions to Mr. Tishinski, as far as the thermal plants are concerned. He mentioned, I believe, that Hydro pays for the coal anyway or there is some basis that they pay for it whether they take it or not.

**MR. TISHINSKI:** There is a certain minimum quantity that we have paid for as insurance to be able to operate our thermal plants, such as we have the situation today in the event of the drought, and this was agreed upon with the coal companies to assure ourselves of a certain block of energy.

**MR. WALDING:** Can you give me any assurance that this contract to pay for coal, whether we use it or not, is necessary for the provision of electric energy for Manitobans?

**MR. TISHINSKI:** At the time that the contract was formed it was deemed necessary at that time.

**MR. WALDING:** And when was that?

**MR. TISHINSKI:** Approximately five years ago.

**MR. WALDING:** So at that time we needed an assured supply of coal to insure Manitobans that they would get power in the winter.

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Was five years ago the last time that was needed?

**MR. TISHINSKI:** Only in one year did we not take the full quantity of coal contracted for. But for the first four years the quantity of coal for which he had contracted had been utilized for the production of power.

**MR. WALDING:** And did you take that full contract in order to provide power for Manitobans or to provide export power?

**MR. TISHINSKI:** The contract was prepared in 1975 on a, I think it was at least a ten year basis. So we are in that contract now and it would mean changing the contract so we are living with it.

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**MR. WALDING:** I can understand entering into such a contract and buying coal if there is an undercapacity by Hydro to provide power to Manitobans. I cannot understand it if there is an oversupply of Hydro capacity. If we're overbuilt and we have a large surplus that we have to export, it doesn't make much sense to buy coal to produce 9 cent and 16 cent power merely for the benefit of someone outside of Manitoba.

**MR. TISHINSKI:** I think we have to look at the production costs now because coal forms part of the production cost and the 9 cent and the 16 cent include the production costs and the fixed costs. If we did not utilize these plants to derive us some revenue on a per kilowatt hour basis, these would be dramatically higher and in extreme sense if we didn't use the plant at all, and to generate even one kilowatt hour the cost then, on the per kilowatt hour basis would become infinity, including fixed costs. I would suggest that it is prudent that when we have a facility in our system that we utilize it to derive some revenue if we can do this in a profitable sense.

**MR. WALDING:** Can you give me a rough figure as to the fixed costs of Brandon and Selkirk over a year? Mr. Chairman, if Mr. Tishinski wants to take a little time to get the information, I'll pass to another member.

**MR. TISHINSKI:** I think I've got it here. The total cost for Brandon was 9.15 cents and the fuel costs for the fiscal year 1978-79 was 1.18 cents, and so the difference is the fixed cost, which — what does that turn out to be — roughly 8 cents.

**MR. WALDING:** Mr. Tishinski that wasn't the question I asked. I wanted to know in total how much are the fixed costs over one year for those two plants? In other words if you closed them down today, didn't buy any coal and merely maintained them in proper working order and didn't produce any power, how much would that cost you for those two plants in one year?

**MR. TISHINSKI:** I think my best understanding of the numbers here is that for Brandon the annual charges would be approximately 8.9 million, and for Selkirk 5.4 million.

**MR. WALDING:** Some 15 million-16 million.

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Mr. Chairman, I'll pass the floor to the next member.

**MR. CHAIRMAN:** Mr. Filmon is the next person that has indicated the desire to ask a question.

**MR. FILMON:** Thank you, Mr. Chairman. I'll just follow up on the questioning that the Member for St. Vital was pursuing. If the annual costs to Brandon is 8.9 million and the annual costs for Selkirk are 5.4 million, could Mr. Tishinski explain how it is that he said the cost of production of power from Selkirk was higher than that of Brandon. Is there a lower fixed cost in terms of the asset cost or is it a less efficient plant?

**MR. TISHINSKI:** It's strictly in the freight rates. To give you some rule of thumb figures, the production costs at Brandon are roughly 50 percent for the coal and 50 percent for the transportation. Because Selkirk is further from the coal fields, two-thirds of the cost is transportation and a third is the price of coal.

**MR. FILMON:** Also, the Member for St. Vital asked you a question, which he asked you to confirm, that there was no oversupply of hydro at the present time in the system. I assumed that he wasn't referring to the installed capacity in the system when he said that. Can you confirm, Mr. Tishinski, that the peak demand for the system was 2,519 megawatts this past year, and is that the largest peak demand we've had in the history of the system?

**MR. TISHINSKI:** Yes, I was speaking of energy and not capacity when I answered the question.

**MR. FILMON:** Yes, and energy is a function of the amount of water that flows through the turbines?

**MR. TISHINSKI:** Yes.

**MR. FILMON:** What is the installed capacity of the system at the present time?

**MR. TISHINSKI:** It is approximately 4,000 megawatts.

**MR. FILMON:** And our peak demand was 2,519.

**MR. TISHINSKI:** Yes.

**MR. FILMON:** Is it possible, Mr. Tishinski, that with Lake Winnipeg regulation, the level of Lake Winnipeg could be lower today than it would have been without Lake Winnipeg regulation?

**MR. TISHINSKI:** Yes, under the proper series of combinations, or under a certain combination, that is possible.

**MR. FILMON:** Do you have any way of telling us how much water was being spilled and for how long the system was spilling water down the Nelson River at the outlet of Lake Winnipeg? Was it all through last summer and fall that you were spilling, the spring, summer and fall of last year?

**MR. TISHINSKI:** Yes, we had the Red River flood last year and early in the spring, and I think that was in the late of winter, when we anticipated the floodwaters, we opened the gates at Jenpeg to their maximum capacity and were passing maximum water out of Lake Winnipeg until, I would think it was about the middle of July when the elevation receded back to 715.

**MR. FILMON:** So all last spring and part of last summer you were spilling water?

**MR. TISHINSKI:** Yes.

**MR. FILMON:** What's the capacity, the outflow of Lake Winnipeg with the regulatory works in place; how many thousand cubic feet per second?

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**MR. TISHINSKI:** The flow, of course, is a function of the elevation; the higher the lake, the greater the outflow.

**MR. FILMON:** Let's say at about elevation 715.

**MR. TISHINSKI:** At 715, the outflow will be approximately 140,000 cubic feet per second.

**MR. FILMON:** What would it have been without the installation of the regulatory works, under natural conditions, in other words?

**MR. TISHINSKI:** Excuse me, can I just consult with my department manager. We are still monitoring the performance of the different diversion channels, but based on the information that we have to date, it would appear the flow would be approximately 20 percent less.

**MR. FILMON:** It's 20 percent greater now with regulation, the flow at 715, than it was, or 20 percent less?

**MR. TISHINSKI:** If we had a condition whereby we would have the gates wide open and at elevation 715, at which time we would experience outflow of 140,000, had the channels not been in place, the flow would have been 20 percent less under that circumstance and specifically that elevation.

**MR. FILMON:** So in other words that explains why it is possible that the level of Lake Winnipeg might have been higher today without regulation than with regulation. I'm not saying it is; I'm saying it is possible, given the set of circumstances . . .

**MR. TISHINSKI:** Yes, it is possible.

**MR. FILMON:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Walding. Or would Mr. Walding like to pass the report? Would you like to pass the report page-by-page or in its entirety?

**MR. WALDING:** You're a little optimistic there, Mr. Chairman.

It wasn't clear from Mr. Tishinski's reply to a previous question about the levels of Lake Winnipeg, when he said it could be higher today without Lake Winnipeg regulation, or even with regulation. He mentioned specifically today, and I would like to get clear from you what conditions Hydro would let Lake Winnipeg run down in today's circumstances.

**MR. TISHINSKI:** You see, it all depends on the previous period for the lake when we embark upon a drought or any other succeeding period. For instance, if last winter we were not able to have, you might say, drained the lake to get the water out because of the channels, the lake would have been at a higher elevation going into the summer. Okay? The channels allow us to get more water out during the wintertime, which is when we would normally want to use the water, and under normal circumstances we would like to do this, which means going into the spring period the lake would normally be lower today than it would have been had the works not been in place. That can happen.

So when the spring freshet occurs, the runoff, the lake is lower and of course at that stage in the spring, we would reduce the flow to capture the water to retain it for the following winter.

**MR. WALDING:** And you are doing that this year?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** I'm trying to get an indication from you as to the value to Hydro, or the worth to Hydro, of that impounded water under these particular conditions. Would it be true to say that as of today, Hydro is holding back water in Lake Winnipeg to the greatest extent?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** In other words, they are storing energy for the winter, or for later this summer, or both?

**MR. TISHINSKI:** For the winter primarily, yes.

**MR. WALDING:** Further to the questions that Mr. Filmon asked you about natural flows and the effect, can you quantify that amount of water, that energy that is being stored?

**MR. TISHINSKI:** I have that question marked down here, which I was to provide you with later. I don't have that answer at the moment.

**MR. WALDING:** But you would expect that water and that accrued value to occur in next wintertime, rather than this spring.

**MR. TISHINSKI:** In the fall and in the winter, yes.

**MR. CHAIRMAN:** Mr. Cowan.

**MR. JAY COWAN (Churchill):** Thank you, Mr. Chairperson. I would like to ask what effects are being anticipated in regard to levels of water at South Indian Lake and at Cross Lake and at any other lakes on which there are communities present, in regard to the drought situation for the summer months?

**MR. TISHINSKI:** At South Indian Lake, there is no problem. We are able to maintain the water level at what we would deem an acceptable elevation. The licence spells out that the level shall be kept between 847 and 844 and currently it is at approximately 846.8. So there are no water level problems at South Indian Lake.

At Cross Lake we do have a problem by virtue of the fact that we are storing water on Lake Winnipeg. Cross Lake, which is downstream of the control works, is experiencing low water levels.

**MR. COWAN:** I would ask the gentleman then, if I could, if he anticipates that there will be any problems in regard to other communities that may be affected by drought conditions and the storage of water in the Lake Winnipeg Reservoir?

**MR. TISHINSKI:** No, I don't think so. There might be some problems on Sipiwesek Lake, but it's not a community.

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**MR. COWAN:** So then we can suppose that Cross Lake will be the only community that will be adversely affected in this regard within the next few months. Is that a correct assumption?

**MR. TISHINSKI:** Yes.

**MR. COWAN:** Perhaps the Minister or someone else might like to answer this question. I'm not certain who it would be that would, so I'll throw it out and ask the appropriate person to answer. That would be, what action is being taken now in regard to the situation at Cross Lake which is, according to my information, a very serious situation. It has affected transportation in and out of the community. It has also affected the water supply somewhat within the community, and appears as if it will have further effects if the condition persists for some time.

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** Mr. Chairman, at the present time there is a committee, a group involved in reviewing the problems that relate to Cross Lake. Included in this group are representatives from Manitoba Hydro, Northern Affairs, and the Department of Highways, the government departments. This particular group is looking at the various problems that are apparent as a result of the low water levels, including the provision of drinking water, the effects on commercial fishing, the problems relating to transportation as a result of the closing of the ferry, the effect on the sawmill operations, on recreational area facilities and any other problems that may appear as a result of the low water level.

**MR. COWAN:** I would ask Mr. Curtis, then, exactly what the mandate of this committee is? Is it a committee that is going to try to determine action that will be taken to forestall further problems, or is it a committee that is going to be trying to determine what sorts of compensation should be paid for the loss of commercial fishing opportunities; for the reduction in the quality of drinking water; for the increased costs of moving goods in and out of the community because of the lack of the ferry, and in regard to the loss of employment opportunities, of which the saw mill is the major provider in that community.

**MR. CURTIS:** Mr. Chairman, the committee is looking at both aspects, both remedial action that can be taken and the potential for compensation.

**MR. COWAN:** Perhaps Mr. Curtis could outline some of the possibilities for remedial action in regard to the situation as it exists today?

**MR. CURTIS:** Mr. Chairman, the type of action, for example, the closing of the ferry service because of low water, access is being provided by way of all-weather roads in that area. Consideration is being given to providing improved access. With respect to sawmill operations, the group is looking at ways of salvaging logs that are presently stranded. With respect to the compensation, the area of fish, reduced fish potential, is being considered for compensation.

**MR. COWAN:** The provision of better all-weather roads, while it is extremely necessary, not only in that community but in any community, it is certainly a commendable action. It seems to be a rather long-term action and one that was planned, in fact, without regard as to the drought, that there were plans to increase access to that community via an all-weather road. So I would ask the Minister if there are any other shorter-term actions that are being taken in regard to the problems with transportation, and by that, perhaps providing aircraft to bring materials in at what would be a typical freight rate, rather than having to pay the standard air freight rate. This would obviously involve either the use of government planes or a subsidy to the private carriers, so I would ask the Minister if that suggestion has been given any thought by the committee, and if so, what their recommendations were in regard to that?

**MR. CHAIRMAN:** Are you directing your question to Mr. Craik?

**MR. COWAN:** If the Minister wishes to answer, or Mr. Curtis, it's up to the head table as to who would wish to answer that.

**MR. CURTIS:** Mr. Chairman, I'm not aware of that aspect of the work being undertaken by the committee, whether or not there is, in fact, special plane service contemplated.

**MR. CHAIRMAN:** Mr. Tishinski, are you in a position to answer the question more fully?

**MR. TISHINSKI:** I guess we've been in communication with the community in that very regard. We appreciate that when the barge was grounded there was some airfreighting of food materials, and Manitoba Hydro intends to compensate the community for the additional expense of airfreighting rather than barging in the foodstuffs.

**MR. COWAN:** And that procedure will be carried on as long as it is necessary due to the grounding of the barge, is that a commitment that Hydro is going to make at this point?

**MR. TISHINSKI:** Yes.

**MR. COWAN:** I would just, for clarification on that point, ask, to whom the subsidy is being paid? Is it going into the band councils' coffers or is it being paid to individuals or to the stores so that they can keep their prices down? What flow pattern is that money being injected into the community by?

**MR. TISHINSKI:** The problem is being tackled in two parts. One is, before the arrangement was finalized, that is, to cope with the problem as it has existed in the past couple of weeks; and the second part of the problem is to resolve it from here on in. It is impossible, of course, to compensate the natives who have been confronted with the higher cost due to the airfreighting of the foodstuffs, and so one of the considerations that we're looking at is to turn over the amount of money that would be equivalent to the compensation necessary to the band and let

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them decide how to best compensate the community. From here on in we would deal directly with the different shopkeepers, be it the Hudson Bay store, or whatever stores are there, and compensate them for the difference between barging the material, or the foodstuffs, and airfreighting it, and so then the citizens can expect normal pricing.

**MR. COWAN:** It's been mentioned that in the future it will be an arrangement between the suppliers of the goods in the community and the Manitoba Hydro. I would ask what safeguards are in place to ensure that those subsidy payments are in fact being passed on to the consumers in the community who are buying the goods?

**MR. TISHINSKI:** Manitoba Hydro would certainly expect that the goodwill of the shopkeepers would prevail and that there are sufficient monitoring means to, in fact, determine whether these compensations are, in fact, based on to the purchasers.

**MR. COWAN:** I would ask the gentleman what would be those monitoring procedures that would be put in place, because while one can expect the goodwill of the shopkeepers, and one should expect the goodwill of the shopkeepers, one should always be aware that in any program there is room for a certain amount of abuse and be aware that could, at any time happen, and therefore have in place monitoring procedures to ensure that the costs that are being subsidized are actually being passed on to the consumer. That would necessitate a monitoring system of some sort and I would ask if a system has been developed, and if it is in place?

**MR. TISHINSKI:** To date, the problem was brought to our attention by the natives, and I am sure that they wouldn't hesitate at all in bringing it to our attention again if there wasn't some noticeable improvement in the prices made.

**MR. COWAN:** So you would then hope that the band council, as well as the Metis council, as well as individuals in the community would bring it to your attention, if in fact they believed that those subsidies were not being passed on to them. Is that correct?

**MR. TISHINSKI:** Yes.

**MR. COWAN:** I would ask, what action would be taken at that point in regard to such complaints?

**MR. TISHINSKI:** I think we would sit down again with the merchants and we would review the problem with them and attempt to reconcile the differences and opinions and views among the various people.

**MR. COWAN:** I look forward to watching the developments in this regard, because they can also be used as an example for other sorts of subsidy programs for consumer goods in the north which have been mentioned from time to time and are long overdue. So I would hope that this particular project, although an ad hoc project on an emergency basis, will be successful and can be used as an example in the future.

I would ask then what is being done in regard to the drinking water problems that are being experienced in the community? Is the drinking water being monitored? Are there provisions made for ensuring that if the water does reach unacceptable levels of either particulate matter, or unacceptable levels of chlorination, that action will be taken in regard to providing clean drinking water to the community?

**MR. CURTIS:** The Department of Northern Affairs has undertaken this responsibility and has installed a more effective water supply system. It's monitoring the quality of the water daily, and if any problems do arise, they will be considered to be an emergency and will be treated accordingly.

**MR. COWAN:** In regard to the commercial fishing operations in the community, is there any analysis now of the impact that low water levels have had on commercial fishing operations?

**MR. CURTIS:** Not any firm understanding, I think at this stage. We have had many complaints with respect to fouling of nets and low water levels, of course, but no real indication as to the final effect of the water level on the actual fishing operation.

**MR. COWAN:** But Hydro is committed to providing suitable compensation for damages and reduced catches that will or may result as a result of the drought situation and the lowering of the water level. Is that correct?

**MR. CURTIS:** My understanding is that Hydro will provide compensation for losses which are as a result of the low water levels.

**MR. COWAN:** I would then ask Mr. Curtis how those losses will be determined? Will there in fact be representation by fishermen on the committee that will determine those costs so that they can add, not only input in providing information, but also input into making decisions as to how the compensation should be paid and what levels that compensation should be at?

**MR. CURTIS:** Hydro, along with Northern Affairs, will be working with the native bands and viewing their submissions relative to what their compensation claims are.

**MR. COWAN:** Would Mr. Curtis describe the situation today as worse, the same, or improved as it was a week and a half or two weeks ago?

**MR. CURTIS:** I would ask staff if they have a view.

**MR. TISHINSKI:** In what respect? Are you still on the fishing part?

**MR. COWAN:** No. Overall generally, for the community. Perhaps, if I can be of some assistance, that might better be a two part question. Are the water levels worse, the same, or higher than they were a week and a half or two weeks ago?

**MR. TISHINSKI:** One of the points that hadn't come up in discussion thus far was that the Hydro



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released additional water from Lake Winnipeg into Cross Lake approximately two weeks ago in order to dislodge the barge and move it to the townsite and, in order to do this, we increased the flow of Lake Winnipeg from 25,000 to 45,000 cubic feet per second, and as a result, the elevation of Cross Lake increased probably a foot and a half. But now that the barge is in the townsite connecting the new road we will be reducing flow out of Lake Winnipeg back to 25,000 again, so we can expect the elevation of the waters at Cross Lake to decrease by the same foot and a half, to what they were, say, three weeks ago. And this will take place in approximately two or three weeks.

**MR. COWAN:** So if I understand the situation correctly, the levels today are approximately a foot and a half higher, but that is a temporary increase and one can expect that increase will subside to the levels that were three weeks ago within a number of weeks, one or two, as have been indicated. Is that a correct assumption?

**MR. TISHINSKI:** Yes.

**MR. COWAN:** The second part of the question would be then, is the effect of that low water level on the residents of the community worse, the same, or have conditions improved in respect to the effect on those individuals from three weeks ago, as compared to today?

**MR. TISHINSKI:** Well, I guess there are a number of factors we would look at. The fishing would be no different than what it was three weeks ago. Probably the number of items that Mr. Curtis reviewed there, we would have to take each one in turn, I suppose. The saw mill operation would be no different there either. The increased cost of food materials, we have discussed. Really, I guess in general, I can say that the impact would be the same as it was three weeks ago.

**MR. COWAN:** The reason I ask that question is I was in the community of Garden Hill approximately a week ago now, last Wednesday, for a meeting, and at that meeting was the new Regional Director of Indian Affairs, who had come out of Cross Lake the week before and he used some rather startling terms in regard to the situation at Cross Lake and had indicated that the federal government had felt it necessary to, on the spot, inject a fairly substantial sum of money into the community in order to deal with some of the problems that the community was facing.

I can't recall the exact words that this gentleman used at the time, but I do recall that his tone and tenor of his remarks was one that the situation was extremely serious and that the situation demanded attention. And I don't believe that one can attribute his remarks to politics when he said that he was quite disturbed at the attitude that Manitoba Hydro and the province of Manitoba were taking in regard to the problems there. I don't know the gentleman well enough to make that statement categorically because he is new to the area, but I did not interpret his remarks as being political, I interpreted his remarks as being a concern for the situation. He

suggested that the attitude that Manitoba Hydro was taking, as well as the attitude that the province was taking, was well, send us your complaints, send us your bills and we will provide compensation. He saw the problem as more immediate than that. And having not been at the meeting, and thereby not being able to either validate or discredit his remarks, I would ask both Mr. Curtis and the Minister to remark as to the information that I have just provided, to give us some analysis of whether or not the assessment by the new regional director was in fact a correct assessment, or whether or not the province is taking a more enlightened attitude than seemed to be indicated at that conference in Garden Hill.

**MR. CHAIRMAN:** Mr. Craik.

**MR. CRAIK:** Mr. Chairman, I don't think that I'm in a position to be able to comment on the meeting that took place in Garden Hill. Perhaps the Minister of Northern Affairs may be able to but he's not a part of the committee here today, so I think it would probably be better directed to the Minister of Northern Affairs.

**MR. CHAIRMAN:** Mr. Cowan.

**MR. COWAN:** I would ask Mr. Curtis then, in regard to the condemnation of Manitoba Hydro's attitude, is that a correct assessment? Is in fact Manitoba Hydro waiting to see what costs are incurred and then going to provide compensation, and I'm not indicating or suggesting that that compensation won't be adequate or sufficient, but I am just trying to determine the method by which Manitoba Hydro is going to deal with what seems to be a very serious and immediate concern.

I was pleased to hear that the water levels were increased so that the ferry could be brought into the community where it can make the connections that are necessary. But other than that, it seems as if a number of people will be unemployed in the community and that is going to have all sorts of social and economic impacts on that community, as high rates of unemployment always do, and it seems as if the saw mill is not going to be operating and commercial fishing is not going to be worth the time and effort that would have to be invested because of the low water levels. What is Manitoba Hydro doing in regard to the socioeconomic impact of the low water levels at Cross Lake, outside of waiting for the billing to come in and compensation being paid out?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. CURTIS:** Mr. Chairman, I was under the impression and I feel that Hydro is trying to work with the other parties to the Northern Flood Agreement and work very closely with the Indian bands on Cross Lake to make certain that the problems that are developing are in fact looked after, and that the property claims, the compensation, and so on, are attended to as quickly as possible.

**MR. COWAN:** Mr. Curtis indicated earlier, Mr. Chairperson, that there was a committee involved in reviewing the different aspects of the problems. I'd

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ask Mr. Curtis if the Band is represented on that committee and if the Metis community is represented on that committee?

**MR. CURTIS:** My understanding is that the community is certainly with the Indian band and it's involved in the discussions.

**MR. COWAN:** There is a difference between working with the Indian band and the Metis community and having representatives of the Indian band and the Metis community sitting on that committee at the decision-making level. I'd ask Mr. Curtis what the situation is. Are they advising and consulting, or are they actually bringing in those representatives of the Indian and Metis community to be a part of the decision making process where they have not only voice but vote?

**MR. CURTIS:** Mr. Chairman, I'm not entirely certain the extent to which the representatives of the Bands have been involved. I know they have certainly met with the representatives of this committee to discuss the problems, and I understood they were working in a co-operative vein to accommodate whatever problems occurred.

**MR. COWAN:** I think there is an important distinction that can be made in regards to whether they are working with or work as a part of the committee and I would hope that Mr. Curtis could find that information out and report back as to the exact structure of mandate and process by which that committee is making its deliberations. If in fact they are not being a part of the committee at the decision-making level, I would suggest that that committee is operating in a less than efficient and effective manner and would recommend strongly that the representatives of the community, both the Indian and Metis community in that area, be involved in the decision-making process.

I would ask Mr. Curtis if the arbitrator for the Northern Flood Agreement has been called in in regard to this particular problem that is existing at Cross Lake, or in fact if that would be a part of the responsibilities of the arbitrator?

**MR. CURTIS:** I'll have to find that out, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Tishinski, please.

**MR. TISHINSKI:** The arbitrator hasn't been called in in this problem and we are hoping that we wouldn't be any need for it. We are hoping that we can resolve all these matters in an amicable manner. I guess the next point is that if they aren't, then probably he would get involved.

**MR. CHAIRMAN:** Mr. Cowan.

**MR. COWAN:** That would be the process as I would understand it. So the arbitrator would be a final resort, a last resort in this regard if the situation cannot be worked out on an amicable level between Manitoba Hydro and the community involved. Is that a correct assessment of the situation?

**MR. TISHINSKI:** Yes.

**MR. COWAN:** I'd then ask what involvement the committee, the Northern Flood Agreement Committee, has in regard to the problem. Are they meeting with Manitoba Hydro and discussing this specific problem as well as other problems that may be created by the flooding, both previous and past?

**MR. TISHINSKI:** The northern flood committee represented five Indian communities as well as the federal government, provincial government and Manitoba Hydro. In this particular instance most of the representatives are the same and from the other three parties, that is the federal government, the provincial and Manitoba Hydro representatives are the same, and they would meet almost exclusively with the Cross Lake residents, since the other four communities are not involved.

**MR. COWAN:** In summing up briefly, I'd just like to point out that I am concerned because of phone calls I've had from persons in the community as well as phone calls I've had from persons involved with the problem at Cross Lake who may not live in the community, as well as the comments that I heard from the regional director of Indian Affairs. I am not certain yet that the problems are being adequately dealt with by Manitoba Hydro. I am not certain that the proper emphasis is being given to the socioeconomic problems that are going to result as the commercial fishing does not proceed and as the saw mill operation stays closed down because of the drought conditions, and I would hope that these concerns having been relayed will be acted upon and that there will be some comprehensive assessment of not only what the effects of closing the fishing season, or not being able to proceed with commercial fishing in the area is a better way to phrase that, and what the effects of the continued shutdown of the saw mill will have in the community. And perhaps there is a place for other employment programs, that would have to be subsidized to a certain extent to be put in place on a temporary basis in that community to ensure that we do not see extreme socioeconomic dislocations as a result of a lack of employment which persons have been counting on for some time now.

I look forward to hearing that Manitoba Hydro is in fact involved in that sort of a process in dealing with that very significant problem in the near future because it is an immediate problem and one that is as serious, although of a more subtle nature, than the problem of drinking water and the problem of high food costs and transportation. It is very easy to subsidize airfreight into the community. It is very easy to provide updated and more efficient filtering equipment for the drinking water. It is less easy or more difficult to ensure that some of the more subtle dislocations are dealt with as adequately and as quickly as those two have been.

I strongly recommend that that problem be looked at. I strongly recommend that it be looked at not only in consultation with the representatives of the Indian and Metis community, but that they be made an integral part of the decision-making committee so that they have a vote as well as voice in these matters which affect them and in which they have a great deal of experience and expertise and a great interest in seeing that they are sufficiently dealt with.

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**MR. CURTIS:** Mr. Chairman, certainly it's the intention of Manitoba Hydro, co-operating with Northern Affairs and the other parties involved, to provide the best support that we can to assist the Cross Lake residents in this very difficult period.

**MR. CHAIRMAN:** Mr. Walding.

**MR. WALDING:** Mr. Chairman, a couple of follow-up questions to Mr. Tishinski, if I may. He's already undertaken to obtain some figures for the committee as to what their holdback of water on Lake Winnipeg would be. I would like to ask him whether it is true that that water that is held back on Lake Winnipeg flows through the Jenpeg Generating Station, or will do so in the wintertime, and that when he has a figure for the amount of water, Hydro should be able to calculate how much power would be produced at Jenpeg for that amount of water. Would that be correct?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** And knowing how much power was produced, if we knew what the cost per kilowatt-hour was we could then put a dollar figure on the value of that impounded water passing through Jenpeg.

**MR. TISHINSKI:** Yes.

**MR. WALDING:** That's the sort of information, I would be interested in if someone could do that arithmetic for me as far as Jenpeg is concerned. Is it also true that the same water would then flow through Kelsey Generating Station?

**MR. TISHINSKI:** Yes, but we have to recognize here that Kelsey has limited capacity and can only harness something like 58,000 cubic feet per second of water. If flows are in excess of this amount then water must be spilled.

**MR. WALDING:** Is it the practice to spill water at Kelsey during the winter months?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** I see, so to the extent of Kelsey's limited capacity, would it be possible, doing those arithmetic steps, to put a value on that power at Kelsey?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Does the same water pass through Kettle Generating Station?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** So the same arithmetic procedure would give us a dollar figure for Kettle. Does the same water flow through Long Spruce Generating Station?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** And presumably the same calculation could be done for that, which would give

us a total of four different values for the value of that impounded water. I'd be interested in receiving that information, if I can perhaps at our next meeting.

We were discussing a little while ago the cost of power at Brandon and at Selkirk. I wonder if Mr. Tishinski can give me the cost of power produced at Jenpeg? Let me go a little bit further and tell him that I've been given a figure of 2.1 cents per kilowatt-hour for an incomplete year, and a year when not all of the units were in position. Can Mr. Tishinski confirm that figure, or does he have an updated figure now that the station is in full production, I understand?

**MR. TISHINSKI:** I think the final figure on an average base would remain relatively the same.

**MR. WALDING:** Can we take that as being about 2.1 cents per kilowatt-hour?

**MR. TISHINSKI:** Yes, I think that's quite close to being . . .

**MR. WALDING:** I wonder if you could give me the equivalent figures for other generating stations that Hydro runs, specifically Kelsey, Kettle and Long Spruce?

**MR. TISHINSKI:** The average cost for the fiscal year 1978-79 at Kelsey was 5.04 mills, I'll convert that to cents, that will be .504 cents per kilowatt hour; and at Kettle, it was .63 cents and Long Spruce was .82 cents.

**MR. WALDING:** Can you indicate the similar costs for the generating stations on the Winnipeg River?

**MR. TISHINSKI:** Yes, at Great Falls, .22 cents; and Seven Sisters, .23; Pine Falls .35; McArthur Falls is .46.

**MR. WALDING:** I would presume that the first two that you gave me there of one-fifth of a cent would indicate that most of the construction costs, if not all of them, have been paid off and that these are fuel and maintenance costs. Would that be true?

**MR. TISHINSKI:** Of course, these plants were built a number of years ago and depreciation and interests are quite low. I don't believe that they have been paid off completely, there is still some depreciation and interest costs in those figures as well as water rentals, and maintenance costs.

**MR. WALDING:** Is the present fuel costs for Hydro 2 mills?

**MR. TISHINSKI:** It's .2 mills.

**MR. WALDING:** .2 mills. .2 cents?

**MR. TISHINSKI:** No, .02 cents.

**MR. WALDING:** You are probably aware that there is to be an increase in that amount from the last budget. Can you tell me what that will be in cents, or in mills?

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**MR. TISHINSKI:** I haven't seen the exact numbers, but as I understand it, it's approximately double what it is today. This is our understanding. So it would make it .04.

**MR. WALDING:** Okay. I'd like to get some indication of the annual power production and hence value of Jenpeg. Can you do a bit of quick arithmetic for me and figure out the average energy in a year at 2.1 cents a kilowatt hour? What would that total?

**MR. TISHINSKI:** Assuming that we could generate 700,000 megawatt hours priced at 2.1 cents, the value of that electricity would be 14.7 million per year.

**MR. WALDING:** Do you know of any factors that would increase that? Or are there any factors that would decrease it? In other words, in 20 years time, would it still cost 2.1 cents a kilowatt hour for Jenpeg power?

**MR. TISHINSKI:** I think it would stay relatively constant because the interest rates, the main costs are the interest depreciation, and some contingency reserve. I wouldn't expect that it would change dramatically from that number. It probably would drop, but not dramatically, I wouldn't think.

**MR. WALDING:** But if half of the original cost was repaid in 15 or 20 years, would that not decrease the cost of power from Jenpeg?

**MR. TISHINSKI:** It would decrease it somewhat. We're getting into a financial area here, I think I'd have to bow out to somebody a little more familiar with the financial matters.

**MR. WALDING:** And if it was all paid off in 30 years, or 40 years, what are we then looking at? Maintenance and water rentals?

**MR. TISHINSKI:** Yes.

**MR. WALDING:** So perhaps down to figures similar to Seven Sisters or Great Falls.

**MR. TISHINSKI:** In a period of time, I suppose it could, yes.

**MR. WALDING:** Would you expect the price that we could sell that power for to be any less in 20 years or 40 years?

**MR. TISHINSKI:** I suppose if inflation continues. You mean the cost of power at the station?

**MR. WALDING:** Yes.

**MR. TISHINSKI:** It would be mere speculation, I suppose what I would say, but on the one hand, I suppose inflation is pushing up the cost of maintenance and labour and things of this type; and on the other hand, we have depreciation decreasing, so we've got two forces working in opposite directions. I wouldn't want to hazard a guess.

**MR. CRAIK:** If you don't mind, on that subject, could I just ask you — I perhaps wasn't paying close

attention — you're using 2.1 cents, 21 mill power, as the cost?

**MR. TISHINSKI:** Yes.

**MR. CRAIK:** And how did you use the cost to arrive at your 14 million figure?

**MR. TISHINSKI:** We would assume that the plant can generate in a given year .7 billion kilowatt hours, so I take the energy, total energy, produced by the plant in a year and multiply it by the rate, which is 21 mills.

**MR. CRAIK:** That's not a selling price, that's a cost.

**MR. TISHINSKI:** That's right. That is the cost charged for that plant.

**MR. CRAIK:** So you say you could come up with 14.7 million if you could sell it. Are you talking about a hypothetical case, have you ever had cause yet to be able to sell all the power you can produce in the system until you put on the curbs for the lower water condition?

**MR. TISHINSKI:** Most times we were able to sell all of the power that we had available, but unfortunately, until the big line came into Minneapolis, some of these prices were at rather depressed rates.

**MR. CRAIK:** Which is about a month ago.

**MR. TISHINSKI:** Yes.

**MR. CRAIK:** So up until a month ago, there hasn't really been a sale for any full production that you could have produced out of the system, so it's somewhat hypothetical as to whether or not you could sell the production off Jenpeg or if you sold it off one of the other plants, if you couldn't get it out of the province. Until a month ago, you couldn't sell it, but if you get back to water conditions where you have the production, at that point in time you're saying that this could happen.

**MR. TISHINSKI:** There would be no relation. In selling our power from hydro sources we would not base it on the cost of the hydro resources, we would sell this power for the maximum revenue that we could achieve, as opposed to thermo prices where we would mark up 10 percent. It's a little different formula here. I'm not sure whether I'm answering your question, but with the lot transmission capabilities we have now, we certainly would not expect to be spilling any water. We could certainly sell all the power that could be generated within the province under average flows.

**MR. CRAIK:** If the total Jenpeg structure cost 300 and some million, how much are you attributing to power? Half of the cost?

**MR. TISHINSKI:** The Jenpeg? The whole thing.

**MR. CRAIK:** In arriving at a production cost of 2.1 cents, 21 mills, you're taking some figure for the capital cost of the plant and dividing through by the

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umber of kilowatt hours it can produce, or the lowatt capacity of it.

The annual report indicates that your average sale rice is 13.5 cents.

**R. TISHINSKI:** That's the sale price of our ergy.

**R. CRAIK:** Or 13.5 mills.

**R. TISHINSKI:** Mills, yes.

**R. CRAIK:** So if you were able to sell the power u would be selling it at an average price of 13.5, here it had cost you 21, and that's assuming that u now have the water, and with the lines in osition which you had a month ago, but what you're lking about is a pretty hypothetical picture until it ually happens. I just want to get it straight how u derive the cost of 21 mills.

**R. TISHINSKI:** All right, it's based on the capital ost attributed to the power plant, and taking terest, depreciation and, I guess there's some other rameter there that we take, of the capital cost; it's percentage of the capital cost. So that establishes e certain figure, and that would have been 14.7 illion, of course. Then from that we would divide by , which is the energy that is being produced, and me out with the rate. What I have just done in ithmetic here, I worked it back again.

**R. CRAIK:** But if you took the total cost of that ant, regardless of whether you attribute it to ntrol or whether you attribute it to generation at e site, the total cost was some 330 million, the all-cost. At a carrying charge rate of, say, 10 percent, at gives you 33 million a year in interest charges most to cover it. You're taking about half of that id using it. The 14.7 doesn't really gibe with what I ow are roughly 30 million to 40 million in carrying sts for that.

**R. TISHINSKI:** I believe the 300 million you entioned includes the power plant and all of the ntrol works.

**R. CRAIK:** The whole works, yes.

**R. TISHINSKI:** The numbers that I have been orking with here, I believe, embodies only the enerating plant. —(Interjection)— Okay, I've just en given some information here. The split within e corporation, between the regulation works and e generation works is as follows: 126 million is signed to the regulation works, and 184 million to e generation, to the power plant. So if we wanted use some simple numbers, I guess we should take percent of 184 million.

**R. CRAIK:** When you figure out the 21 mills ice, is that at the site, does that include any nmission charges to get it from there south?

**R. TISHINSKI:** That is at site.

**R. CRAIK:** At site.

**R. TISHINSKI:** Yes.

**MR. CHAIRMAN:** Mr. Walding.

**MR. WALDING:** I was interested to hear Mr. Tishinski's last answer, that it doesn't include transmission charges. I would like to ask him about the other figures that he gave me for the other stations too. Do they also not include transmission charges?

**MR. TISHINSKI:** No, they did not.

**MR. WALDING:** Can you advise the Committee of the estimate of the price per kilowatt-hour for the next generating station that Hydro will build? I heard it suggested that it will be Limestone. Let's assume it is Limestone, and with the estimates that Hydro has done, what would the cost of that power be on site?

**MR. TISHINSKI:** Excuse me for a minute, I would like to just confer here. If Limestone were brought into service in 1989, we expect the cost of the energy under average flow to be 30 mills per kilowatt-hour.

**MR. WALDING:** Three cents a kilowatt-hour.

**MR. TISHINSKI:** Three cents a kilowatt-hour without transmission.

**MR. WALDING:** Transmission extra.

**MR. TISHINSKI:** We would have to still build transmission to get the power down south.

**MR. WALDING:** That increase would be due to inflation I presume.

**MR. TISHINSKI:** Yes.

**MR. WALDING:** So we would be looking at cost of power from Limestone at 50 percent more than the cost of power from Jenpeg.

**MR. TISHINSKI:** Yes.

**MR. WALDING:** Thank you. I want to go into the matter of construction of Limestone, perhaps at our next meeting. Mr. Chairman, would this be a convenient time for the Committee to adjourn.

**MR. STEEN:** We will meet again on Thursday morning at 10:00 a.m. Committee rise.