

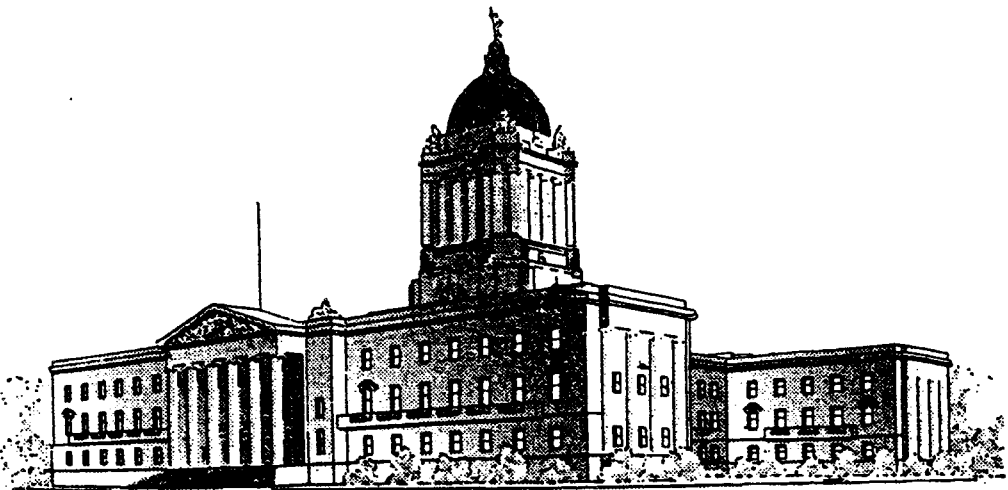


MANAGED A68461

Sixth Session - Thirty-Fifth Legislature  
of the  
**Legislative Assembly of Manitoba**

**Standing Committee  
on  
Public Utilities and  
Natural Resources**

*Chairperson  
Mr. Marcel Laurendeau  
Constituency of St. Norbert*



**Vol. XLIV No. 1 - 10 a.m., Thursday, January 5, 1995**

ISSN 0542-5492

ISSN 0713-9454

**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Fifth Legislature**

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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES  
AND NATURAL RESOURCES

Thursday, January 5, 1995

TIME -- 10 a.m.

\* \* \*

LOCATION -- Winnipeg, Manitoba

CHAIRPERSON -- Mr. Marcel Laurendeau  
(St. Norbert)

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

ATTENDANCE - 11 -- QUORUM - 6

*Members of the Committee present:*

Hon. Mr. Orchard  
Messrs. Ashton, Edwards, Helwer, Hickes,  
Lamoureux, Laurendeau, Pallister, Mrs.  
Render, Messrs. Reimer, Rose

Before we proceed with the business of the committee, I have before me certain resignations of the committee members. They are as follows: Mr. Ashton and Mr. Pallister. Are there any nominations to replace Mr. Ashton?

Substitutions:

Mr. Robinson for Mr. Ashton  
Mrs. Dacquay for Mr. Pallister  
Mr. Martindale for Mr. Hickes at 1:15 p.m.  
Mr. Schellenberg for Mr. Robinson at 2:05  
p.m.

Mr. George Hickes (Point Douglas): I move to replace Mr. Ashton with Mr. Robinson.

Mr. Chairperson: It has been moved by Mr. Hickes to replace Mr. Ashton with Mr. Robinson. Is it agreed? [agreed]

APPEARING:

John McCallum, Chairman, Manitoba  
Hydro-Electric Board  
Robert Brennan, President and Chief  
Executive Officer, Manitoba Hydro-Electric  
Board  
Ralph Lambert, Executive Vice-President,  
Engineering and Environment, Manitoba  
Hydro-Electric Board  
Glenn Schneider, Department Manager of  
Public Affairs, Manitoba Hydro-Electric  
Board  
Jim Ernst, MLA for Charleswood

Are there any nominations to replace Mr. Pallister?

Mr. Edward Helwer (Gimli): Mr. Chairperson, I would like to replace Mr. Pallister with Mrs. Dacquay, the member for Seine River.

Mr. Chairperson: It has been moved by Mr. Helwer that we replace Mr. Pallister with Mrs. Dacquay. Is it the will of the committee? [agreed]

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Hydro-  
Electric Board for the fiscal year ended March  
31, 1994.

We have before us the following report to be considered: The Annual Report for the Manitoba Hydro-Electric Board for the year ended March 31, 1994. Copies of this report are on the committee table for any members who did not receive one. I do believe you have all got one at this time.

I would invite the honourable minister responsible to make his opening statement and to introduce the staff present this morning from Manitoba Hydro.

**Hon. Donald Orchard (Minister charged with the administration of The Manitoba Hydro Act):** Mr. Chairperson, first of all, let me offer to all of the bright faces around the table the very best for 1995, not having had the opportunity to wish everyone well in the new year.

I would like to introduce officials from Manitoba Hydro with me today. Immediately in front of me is Mr. John McCallum, Chairman of the Manitoba Hydro-Electric Board. Next to Mr. McCallum is Mr. Bob Brennan, President and Chief Executive Officer of Manitoba Hydro. Next to Mr. Brennan, Mr. Ralph Lambert, Executive Vice-President Engineering and Environment; and at the back of the room, Glen Schneider, Manager of Public Affairs with Manitoba Hydro.

Mr. Chairperson, the annual report of the Manitoba Hydro-Electric Board being reviewed by this committee today is for the fiscal year ending March 31, 1994. As indicated in the report, 1993-94 was a successful year for the corporation, with record profits being achieved. The net profit on operations represents a significant turnaround from the net loss that was incurred during the previous year. A \$24 million net loss the previous year to a \$69.5 net profit, '93-94—net loss, pardon me, in '92-93 of \$24 million, it is significant that Manitoba Hydro achieved this improvement in its financial results in a year where there were no electricity rate increases in Manitoba.

As Mr. McCallum and Mr. Brennan will discuss later, Manitoba Hydro is progressing towards becoming a stronger and financially healthier organization. This is being accomplished with a rate structure that is very favourable to the residents and businesses of Manitoba. To further help improve the competitiveness of industry in our province, electricity rates for the large industrial customers will not be increased over each of the next two years.

As was announced in the Honourable Eric Stefanson's Budget Address of April 20, 1994, there was a further boost to the mining and manufacturing sectors within the Manitoba economy by the announcement of the phased

removal of the provincial sales tax on electricity used for production. Effective June 1, 1994, this electricity tax on mining and manufacturing was reduced by one-half to 3.5 percent; and on April 1, 1995, the mining and manufacturing industries of Manitoba will see the complete removal of the last 3.5 percent of the provincial sales tax from their production electricity requirements.

Mr. Chairperson, these positive steps represent an opportunity for industry and commerce in Manitoba to grow and expand into new markets, especially in this era of global competitiveness. Not only will these measures help existing businesses, but they also provide a tremendous incentive to attract new industry to Manitoba for the benefit of all Manitobans.

With respect to residential and small-business users of electricity, the average rates will increase by a modest 1.2 percent over each of the years 1994 and 1995. Combined with no rate increase in 1993, these rate increases are amongst the lowest of all major electric utilities in Canada.

It is noteworthy that the men and women who provide electrical services in Manitoba often do so under hazardous and frequent inclement conditions. I would like to extend my thanks and appreciation to them for the high quality of service that we enjoy in our province.

I would like at this time to invite Mr. John McCallum, as Chair of the Manitoba Hydro-Electric Board, to present remarks, following which Mr. Brennan has a presentation of slides on the operations of the corporation.

Mr. Chairperson, with those brief remarks, I recommend passage of the Manitoba Hydro-Electric Board report for the year ending March 31, 1994. I would ask Mr. McCallum to make some remarks.

**Mr. Chairperson:** Thank you, Mr. Minister, at this time we will hear from the honourable critics and then we will come back to the staff—

**Mr. Orchard:** Oh, yes.

**Mr. Chairperson:** Does the critic from the opposition party, the honourable member Mr. Hickee have an opening statement? Mr. Hickee.

\* (1010)

**Mr. Hickee:** First of all, I would like to also wish everyone the best in 1995, and I have a few brief comments that I would like to put on the record.

When we look at Manitoba Hydro, the profit that was made in '93, I think it was \$69 million, I would just like to congratulate Hydro for their long-range planning. When you look at the resources coming from the North, you only have to look at the people involved, the people living in northern Manitoba and also to look at the high cost of living, that is, the effects on people living in these isolated communities.

When you look at the high cost of living and then you look at the cost of hydro compared from the North to the South—for example, when you look at costs, all you have to do is compare some of the prices that we pay here for goods compared to some of the goods that people in northern Manitoba have to pay. For an example, you look at flour—a bag of flour which a lot of the northerners use in their daily lives—in Winnipeg we pay \$6.99. In Shamattawa, we pay \$12.29 and Tadoule Lake is \$16.50. So it is more than double. Then another product that is used in northern Manitoba is sugar. In Winnipeg it is \$4.19. In Shamattawa it is \$6.55. Ground beef, we pay \$3.28 and in Shamattawa it is \$8.24. I could go on and on and on.

The reason I raise this is because when you have household budgets compared to our budgets that we utilize in the city of Winnipeg and compared to what the individuals in northern Manitoba have to pay, we only have to look at the cost of hydro for users in the city of Winnipeg and other communities and compare it to what a lot of the individuals in northern Manitoba are paying for their own hydro rates. When I was looking through the 43rd annual report, I came across a section that said, and I will quote: Manitoba Hydro rate structure is such that customers in the

North pay the same rates as their counterparts in the South.

When I look at some of the bills of people who use hydro in southern Manitoba and compare them to some of the bills that were shown to us by residents in northern Manitoba, I was really surprised to see the differences. In some cases, it was two to three times higher than what people pay in the South and yet—[interjection] the bill, yes.

**An Honourable Member:** The consumption.

**Mr. Hickee:** I will get to that.

When I see the amount of money that it is costing individuals in the North to pay for the hydro that is produced in the North and compare it to the cost we pay in the South, I would just like to question Manitoba Hydro if they have ever thought of looking at trying to assist northerners to bring their bills down to a more livable rate.

When I say that, we have energy conservation programs, retrofit programs and if some of that could be looked at to try and assist northerners that are exposed to much more extreme cold weather than we are—and also a lot of the houses in northern Manitoba are poorly insulated and they are not really energy efficient and if there is some way that Manitoba Hydro could look at that—because in the end the people in the North would benefit from lower hydro costs, but also Manitoba Hydro could save a lot of kilowatt hours that could be exported elsewhere. It is just a thought, something to think about. It might be a way to assist northerners.

Some of the other issues that hopefully we will be looking at, I read in this article that there were going to be 500 positions that will be either laid off or people retiring and also that there was a committee in place to assist individuals in finding other employment elsewhere. We would be raising questions on that to see how many people actually were laid off or retired and how

many of them actually got employment elsewhere and how many of them were assisted by Hydro to get these employment opportunities.

Another great concern I had reading through this report, when I looked at the number of employees who were working for Manitoba Hydro, there were 4,044 employees and out of that there were 245 aboriginals, 111 people with disabilities and 92 visible minorities. I only have to say again that the resources are from the North and most of those northern communities in the North are made up mostly of aboriginal people. When I see there are only 245 aboriginal employees with Manitoba Hydro, it is no secret that a lot of work has to be done to try and bring that number up because there is such high unemployment in northern Manitoba. In some communities it is anywhere from 90 to 95 percent and if training opportunities leading into jobs with Manitoba Hydro were aggressively pursued, I think it would benefit everyone including the corporation.

I was very pleased to see that there were negotiations of the comprehensive settlements taking place. Some of the communities have agreed to settle, like Split Lake, and others are in the process, like York Landing, Cross Lake and Nelson House. Norway House is still there, but I am sure progress will be made. Also, when I look at that I question: Where is the weir that was promised to the community of Churchill? I know they have been negotiating with Manitoba Hydro. It is in the works; it is processing, but some of the questions my colleague will be raising are what stage is it at, because I grew up in Churchill and I remember as a kid growing up there we used to go up and down the Churchill River and go up to Fishing Creek and Herriot Creek and we used to do all our fishing there. We could get in and out with a boat and motor and now the only way you can get up there is with one of those jet boats.

There is a lot of work to be done there, and I know that the community has been asking for a weir and to try and get the fish stocked back into the community, because a lot of the people have relied on fishing for their food. My colleague will be asking questions to see how far that has

progressed and if it is a possibility that it would be settled and built.

I was talking to some friends in Cross Lake. I know that Hydro and the community had built a weir there and restocked the community there and they were very, very happy with that. It was a joint effort with Manitoba Hydro, the community, the band, everybody was involved. In fact, the contractor for that building of the weir was the band. They participated in building it. It created local people with local jobs and the community was very happy with that co-operation. So, hopefully, the same could happen in Churchill, but my colleague will raise questions on that.

\* (1020)

When you look at the Fox Lake Band, I had received calls from them pertaining to their settlements. They were hoping that something could be negotiated with Manitoba Hydro because they have been affected by various dams along the way. One of the options they looked at--I do not know how Hydro has viewed it, but when the last project in the immediate area is Conawapa--whether that goes ahead or not or if it does--what happens to the whole community of Sundance? There are beautiful houses there. There is an indoor skating rink, curling rink, bowling alley. There is even a little nursing station there, a huge shopping centre and very nice housing. What happens to that whole area? They were wondering if that may be part of the whole settlement package or if there is a possibility that they could take some responsibility for that area and for the buildings.

There is a lot of potential there and a lot of positive things that happened. I think a lot of credit has to be given to the management and staff of Hydro and the minister who has taken the responsibility and the former minister who has brought forward positive events.

One of the events that my colleague will be raising questions on is the whole Conawapa project. That project was a possibility of creation of job opportunities for northerners and Manitobans. There had been a lot of work done

with the environmental assessment and also with the building of a road into Conawapa, and also the building of a cofferdam. I just heard lately that the cofferdam was removed, so I have not had a chance to go up there and see it if it has or not.

That kind of concerns us, where the building of a cofferdam I am sure costs a lot of money and to remove it would cost more money. Then, whenever the day the government ever goes with building of Conawapa or whatever, you have to rebuild the whole cofferdam again. I just do not understand the reasoning behind that.

When we look at the power sales, the one area that has created a huge profit for Manitoba Hydro is the sales generated from Limestone, but since then, I have not heard or seen of any power sales to anywhere since that agreement. I mentioned at that time, when Manitoba Hydro was dismantling Manitoba Energy Authority, which was the marketing arm of Manitoba Hydro, I totally disagreed with it because now who is going out to find the markets for Manitoba Hydro for export purposes? Obviously, there is not much advice, because nothing has happened. Manitoba Energy Authority had the expertise, had the people who had the experience, and they were the marketing arm. Since then, I have not heard of one power sale that has taken place.

The other area that troubles me to a degree is in the April budget last year, Manitoba Hydro and Manitoba Telephone services were forced to pay corporate capital tax for the first time. According to the budget papers, this would cost the two corporations in excess of \$15 million, so we will be asking for an accounting of how this tax is affecting Manitoba Hydro and Manitoba consumers. Once again, like the property tax increases and the sales tax increases of the 1993 budget, this government is pretending that their tax increases are not tax increases but merely adjustments. To people living on low incomes in my riding of Point Douglas and also in the North, a tax increase is a tax increase.

The tax increases of over \$400 per family in the 1993 provincial budget had a major impact on

residents in the inner city and in other parts of this province, so we want to know how this new tax increase will affect residents of this province. Virtually everyone in the province uses Manitoba Hydro, so we all are going to end up paying this new tax. [interjection]

No, that is how I see it.

**Mr. Orchard:** Can you document this \$400 for your residents? Can you document it? Can you table it today?

**Mr. Hickes:** Well, the tax came just after the year end. The corporation must know now, nine months later, how it is being affected. Interestingly, when the tax was brought in last year, the government said that this meant that Manitoba Hydro and Manitoba Telephone were being put on a more level playing field with their competitors, a rather curious statement since none of their competitors forced their employees to take Fridays off without pay.

Their competitors operate in Manitoba to make a profit, not to provide services anywhere in the province that they are needed. This simple basic truth is often forgotten or ignored by the current government who does not understand that the mandate of Manitoba Hydro is to see hydro service affordable everywhere in this province and not just in Winnipeg or nearby communities like the gas companies are operating under now.

At the same time, I would like to commend the people of Herb Lake and the co-operation that led to their getting hydro service over a year ago. We want to see the same use of Manitoba Hydro occur in other isolated communities instead of having to rely on diesel generators. When we talk about that new corporate tax increase, someone will have to pay that, and obviously it will have to be the consumer—through what means I do not know. It will have to be worked out by the government, but when Manitoba Hydro loses that profit, they will have to get it from somewhere else. So that corporate tax, we would like to know more.

We will be raising those kinds of questions, and my colleague, who is the representative for Rupertsland which covers most of the northern communities, will show you some examples of some of the hydro bills that have been brought to his attention where some of the bills were, for one month, \$700, \$800. Here in Winnipeg, if anyone got a bill for \$700 or \$800 on their hydro bill, I do not know how they would react. But it seems extremely high and he has documents that he will be tabling to show you the actual bills that are, to me, extremely high—because a lot of people are living on social assistance or meagre means that they try to get by on trapping or seasonal work.

When you look at these high, high bills in a lot of these isolated communities, it has a direct impact on band finances and band funding because the bands that are allocated X number of dollars per person that are on social assistance, when a person is on social assistance, it is the band that has to pay these high cost of hydro bills. So it affects the whole community and it affects the operations of the bands. So my colleague will be raising some of those and tabling examples.

Those are just some of the concerns that we have, and I would be glad to get some information for the honourable minister on the \$400. I will get it to him as soon as I can. So with that, I just thank you for letting me put a few things on record, and when we go into questioning, my colleague has a lot of questions that he will be raising with you, and hopefully we will get some answers for the constituents and the people that are affected by Manitoba Hydro. Thank you very much.

**Mr. Chairperson:** I would like to thank the honourable member. Does the critic from the second opposition party, Mr. Edwards, have an opening statement?

#### Point of Order

**Mr. Paul Edwards (Leader of the Second Opposition):** Mr. Chairperson, I want to start—not by making my statement, although I do want to make a statement—by raising a point of order,

which is simply to ask, through you perhaps the minister, why it is that we are proceeding to the report for the year ending March 31, '94, when in fact this committee has not passed the report for the year ending March 31, 1993.

**Mr. Chairperson:** For the member's information, the government House leader has called, by order of the day, the annual report for the Manitoba Hydro-Electric Board ending March 31, 1994. It is his prerogative to do so. The committee cannot determine what we are to hear. The government House leader makes that decision.

\* (1030)

**Mr. Edwards:** Just on that point, and I do not want to unduly delay the work of this committee, but I do want to say that it is, in my view, at least in my experience I might say, unprecedented, that a committee would move on to a subsequent year's annual report without having first fully considered and in fact passed the prior year's report. In my experience—and that is what I am saying, Mr. Minister, and I think that it is ill advised. I do not understand the logic for going on to a future year without having first dealt with the prior year.

In fact, the minister and you, Mr. Chairperson, will recognize that it has been the practice oftentimes that discussion on an annual report is pretty free flowing and oftentimes the committees agree to meld the two together and discuss issues generally and, at the end of the day, pass the two. I would be prepared to do that.

I do ask, Mr. Chair, and I do not know if, in fact, you have the prerogative, that we fold into our discussions here today both of the annual reports and just deal with them cumulatively, and at the end of the day we may consecutively pass the '92-93, and then the '93-94.

**Mr. Chairperson:** Again, for information, Mr. Edwards, you did not have a point of order. But for information clarification, if the committee so decided, we could discuss the '93-94, but we could not pass the '93 report because it is not before this committee. We could pass the '94, but not the '93.



If it was the will of the committee, we could discuss it and pass it at the next meeting when it is brought forward.

**Mr. Edwards:** Mr. Chairperson, might I ask then, on a point of clarification, for your interpretation of Section 46(2) of The Manitoba Hydro Act, which specifically states that "Upon being laid before the Legislative Assembly, the report of the board stands permanently referred to the Standing Committee on Public Utilities and Natural Resources of the Legislative Assembly." My reading of that is that that report has been referred and is now permanently referred to this committee, therefore is properly under our purview and consideration at any time that this committee is in fact called and constituted as it is right now.

**Mr. Chairperson:** On the point raised by the honourable member, again, it is not on the order of the day and the committee cannot change the order of the day order. Until the government House leader makes the request to change that order of the day, we cannot deal with the past reports unless they are brought forward.

**Mr. Orchard:** Mr. Chairperson, perhaps I can help my honourable friend. Should my honourable friend have specific issues that he wishes to bring up regarding the annual report for year ended March 31, 1993, I am quite sure that if my honourable friend had specifics, we can deal with them. If he has a list of them that he might wish to make available to us, we can certainly entertain this discussion.

My honourable friend makes reference to the fact that in his experience, and acknowledges that it is limited, it is unprecedented that we do not pass annual reports. My honourable friend's experience is limited because oftentimes reports are referred to this committee as was the case last year with the 1993 annual report, dealt with a fair degree of substance and not passed by this committee. That is neither unusual nor unprecedented, as my honourable friend would indicate in his limited experience.

Now the committee is also very free ranging

and wide open, and I am sure my honourable friend with his considerable political skill can raise any issue he wishes under the auspices of dealing with this current year's fiscal report. So I think my honourable friend, should he have issues that he wishes to raise, let us know what they are and we will provide my honourable friend with answers if they are available today by Hydro staff or myself as my honourable friend requests those issues as emanating from the March 31, 1993, report that he seems to have some concerns with.

**Mr. Edwards:** I think the minister had a limited understanding of the point that I made, Mr. Chair. The point was not that this committee does not meet and deal with annual reports and then break without passing them on a regular basis, no doubt. That is in fact a very common occurrence. The issue rather is that we would embark on the consideration of a further subsequent annual report without first dealing with the prior year's annual report. That is bad practice in any definition of how a business should run, how a government should run, and how a government should attempt to run and review the affairs of its Crown corporations. There is not any logic in my view in moving on to a subsequent year's annual report in a substantive way without first having voted and passed or not passed the annual report from a prior year.

Mr. Chair, I repeat my request to you for a specific interpretation of the section of The Manitoba Hydro Act which does take precedence, I believe, over the particular referral of the minister to this committee of the 1994 report which specifically states that upon being laid before the Legislative Assembly, which has in fact occurred with both of these annual reports, those reports are permanently referred to the standing committee. This is the standing committee. My interpretation would be that we have within our power here to deal substantively with both of those reports as referred to this committee.

My suggestion to committee members is that we would deal substantively and vote consecutively on those reports, first dealing with the '92-93 and following that, move to the '93-94.

**Mr. Chairperson:** Thank you, Mr. Edwards. I will review the section of the legislation that you were talking about, 46(2), and I will get back to you later on. But I do want to let the committee know, we as a committee do not have any power over the orders of the day to change it or make any changes to it.

Mr. Edwards, were you going to carry on with your opening statement?

\* \* \*

**Mr. Edwards:** Yes. Well, the minister certainly has some input, one would think, into that and to the reports that are called by his House leader. I have not heard yet from the minister any rational, reasonable explanation that we would not have continued on the debate of the prior year's annual report before moving on. I am sure that he will, in his very extensive experience, be prepared to give the committee members some guidance on that. It is unprecedented, I think, and I do say, in my experience, that we would move on to a subsequent report seems awfully silly and just a bad practice and with his extensive experience I am quite surprised that he would seek to pursue this route.

Having said that, Mr. Chairperson, let me say with respect to this annual report, as with prior years I greatly look forward to the presentation which will come forward from the chair of the board and the chief executive officer of Manitoba Hydro and other officers of the corporation. I might say that I have often found those very informative. It represents an ideal in terms of the way other Crown corporations I would like to see come to this committee and lay out fully the plans and the financial status of the Crown corporations involved. I appreciate their coming here today, again, to speak with us on this committee.

I want to say that of key importance to me in these discussions, obviously, is the continuing discussion of the role of Manitoba Hydro in the broadest sense. I think that a lot of the details in the financial reports we may get into, but frankly I see one of the primary roles of this committee is

to discuss the principles and the mandate upon which Manitoba Hydro functions. That is why in the last sitting of this committee I spent some time and received some responses in detail about efforts of Manitoba Hydro to move beyond the strict selling of power to other purchasers and move into, in many respects, selling our expertise that we have developed in this province in terms of hydro development and training know-how, in which I think we are at the forefront.

We all see very well and know from the Conawapa experience that the expansion of the past few decades now, while not off the books, has to be proceeded with very cautiously. Nevertheless, we very much want to retain the expertise that we have built up in Manitoba Hydro in this province. That is our challenge, as I see it: to maintain and even enhance the expertise that we have built up in this province, which I think is second to none.

\* (1040)

We see the other difficulties that Crown corporations—like Ontario Hydro, like Quebec Hydro, are having enormous difficulties. I think, thankfully, we have avoided some of those and I congratulate those involved in making the decisions to avoid some of the pitfalls that those other corporations have had. Our corporation has not been without some serious pitfalls and difficulties. We will get into discussing in further detail in particular I think the ongoing discussions about the Northern Flood Agreement and remaining settlements that we all want to see made to settle some of those issues which have been around for 25 years.

But, nevertheless, I think the Crown corporation has in fact in the last number of years that I have been sitting on this committee reviewing these reports been on a long-range plan that is going to move to a better, more sustainable financial position for the long term. I know that there has been a lot of concern about the debt equity ratio moving towards the .82. I think we

are still at about .93, or whatever the current status is, but that is obviously a goal that we simply must achieve to put this on a firm financial footing.

What I would like to discuss in some detail is the role that Manitoba Hydro sees for itself in working with the provincial government and other institutions in this community, like the university and like AECL and like all of the other institutions with some science and technology background to really promote the expertise that we have developed in this province in getting to remote areas, in the engineering capability that we have developed, the energy conservation experience that we have had which has been highly successful. How do we promote and enhance that in terms of exporting our know-how and our potential? I am excited about that. I think we have to take an aggressive stance, never forgetting that our primary role is to serve local consumers and indeed to serve the local business and industrial community and attract those from outside of this province to come here with our abundance of power in a relatively stable way and very cost-effectively.

I want to talk about how this corporation continues to interpret Section 2 of The Hydro Act, which talks about the mandate of Manitoba Hydro and what they see as their future planning. I believe that they continue to do five-year plans as other Crown corporations do, and I want to talk a bit about that.

I also would like to spend some time discussing some of the specifics of the settlement with Ontario Hydro and what has happened with that Conawapa deal. I know last time we met there were some remaining settlement discussions that were going on.

I would also like to talk about the current rate structure for Manitoba corporations. I know they are competitive. I know there are others that are hotly competing for corporations, industries that are big users of power.

I recently had a discussion with the manager at the Canadian Oxy plant. He was talking about

the aggressive moves that Alberta is making in these areas. So I want to have some discussions about that and about how competitive we are. I am sure that will be brought up in some way in Mr. Brennan's opening comments. I do want to speak about that and how we can better make sure that we attract businesses to Manitoba with our power source, use it as the economic incentive and the economic ace that we have always understood we had.

I know some of the tax moves that the minister has made, that this government has made have been very well received in the community. I want to talk about some of those and the implications of those as we move towards the complete removal of the sales tax on electricity by I believe April 1, 1995.

I also want to talk about the financial statements in a little bit of detail. There are some interesting notes to those financial statements from this year, so I will hope to get into those in some detail.

I might also say that flowing from the 1992-93 report discussions, flowing from the responses which were received following our last meeting which was—if I am not mistaken this committee last met on June 21, and there were some responses received, a number of which I have further follow-up questions on. I do look forward in this session, hopefully when the Chair has the chance to review what I consider to be the section referring that report on a permanent basis to this committee, to getting back to those specific discussions about the '92-93 report.

Mr. Chair, having said that, let me just conclude my opening comments by saying that I think the member for Point Douglas (Mr. Hickey) reminds us, and I acknowledge, that the people in this province who reside in northern Manitoba have indeed a special relationship to Manitoba Hydro, one that I think we all need to acknowledge and respect and ensure that the benefit of Manitoba Hydro, its development, its power which

it provides to this province is not at the expense of one portion, one sector of this province.

Most particularly of course I am speaking of those residing in northern Manitoba and in particular those in the First Nations community residing in northern Manitoba who have paid an inordinate price for our development over the years of Manitoba Hydro at what we have all reaped the benefit of. We always must be cognizant of that.

I have been encouraged in prior discussions with these gentlemen who are here today that we have turned the page in Manitoba Hydro on how we deal with development, how we deal with our own citizens in northern and remote regions of this province. I have been encouraged by what I perceive to be a recognition of some of the mistakes of the past and a moving forward in a different way and a more positive way.

The Northern Flood Agreement will indeed be a chapter that we will all be happy to see end in terms of reaching settlement, equity and fairness with the communities in the North that paid such an inordinately high price and continue to, and whose lives have, in a very real way, been destroyed.

I have had the opportunity to hear the passionate and the very emotional and very persuasive pleas of those who have lived in some of those communities. We need obviously to move forward never forgetting some of those mistakes but learning from them and doing our best to reconcile some of the injustices of the past. So I recognize what the member for Point Douglas (Mr. Hickes) and indeed I am sure that the member for Rupertsland (Mr. Robinson) will also speak of in terms of these discussions. I look forward to those discussions. I look forward to them on a continuing basis. They are always a part of our discussions of Manitoba Hydro reports, and they always should be.

We sit here in the city of Winnipeg knowing full well that in fact the price that has been paid for the power that we have has indeed come from the far reaches of our province, and in particular in

the last number of decades in northern Manitoba, and it has not been without cost to those communities.

With those comments, Mr. Chair, I look forward to moving forward on this report and look forward to your advice to the committee on the process of moving to discuss and in fact complete the discussion on the 1992-93 annual report. Thank you.

### Points of Order

**Mr. Chairperson:** The Honourable Mr. Hickes, on a point of order?

**Mr. Hickes:** Yes, on a point of order. I would just like to also agree with the member, the Leader of the Liberal Party (Mr. Edwards), that we should have been discussing '92-93 before we discussed '93-94, but he has gone to great length to explain all that so we are willing to continue on with '93-94.

On a point of order, the honourable minister has asked me to table some information when I referred to an equivalent of \$400 tax increases so I would just like to table a copy of the Winnipeg Free Press dated Wednesday, April 7 of 1993. There are copies for the minister and whoever would like to see the figures.

Also the headlines of the Winnipeg Sun--

**Mr. Chairperson:** Order, please. The honourable member does not have a point of order.

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**Mr. Chairperson:** I will take the tabling as such.

**Mr. Hickes:** Okay, I will table this.

**Mr. Chairperson:** Thank you, Mr. Hickes.

**Mr. Hickes:** I would like to also table the Federal-Provincial Relations and Research division where it says, the total annual impact of

the tax-related changes on individuals are as follows: Tax credit \$53 million; sales tax \$48 million; gasoline and gasohol \$13 million, which is a total \$114 million. To achieve this in any other way would require raising Manitoba's income tax rate from 52 percent to 57.7 percent or increasing the Manitoba sales tax rate from 7 percent to 8.4 percent.

I would like to table these just to verify my comments that I made earlier. Thank you.

**Mr. Chairperson:** Thank you, Mr. Hickes.

I would like to thank all honourable members for their statements. At this time I believe we are going to have a presentation by the staff, and were you going to be doing a slide presentation?

**Mr. John McCallum (Chairman, Manitoba Hydro-Electric Board):** The plan is I would have a few comments and then Bob has a presentation on the overhead.

**Mr. Chairperson:** Okay, so we will proceed with the opening statements, and then we will get authority from the committee after.

\* (1050)

**Mr. McCallum:** Mr. Chairperson, members of the committee, on behalf of my colleagues here, Bob Brennan, Ralph Lambert and Glenn Schneider, let me wish everybody all the best in the new year as well.

I am pleased to have the opportunity to present the Forty-Third Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, '94. Mr. Chairperson, my opening remarks will focus on some of the major policy issues dealt with by the board over the past year. Following my comments, Manitoba Hydro's President Bob Brennan will provide you with a slide presentation on the operations of the corporation, as well as a summary of current issues that are impacting us.

First of all, the Ontario Hydro Sale Termination. The status of the terminated Ontario Hydro 1,000 megawatt sale agreement is an ongoing issue that is being closely monitored by the Board of Manitoba Hydro. Ontario Hydro has filed a Statement of Claim in the Court of Queen's Bench of Manitoba contesting the amount of the certificate of costs issued by Manitoba Hydro. The corporation has filed a Statement of Defence which refutes statements made Ontario Hydro. Examinations for Discovery have been arranged to take place the weeks of March 13 and March 20, 1995.

Secondly, Aboriginal Settlements. A very high priority of the Board of Manitoba Hydro continues to be the settlement of the corporation's outstanding obligations associated with the Northern Flood Agreement of 1977. Substantial progress has been made over the past year, as will be further discussed in Mr. Brennan's presentation.

3. Financial results. Net income of \$69.5 million for the fiscal year 1993-94 was the highest in the corporation's history. The significant improvement over the net loss of \$24 million experienced in the previous year was attributable to a substantial increase in revenues and to a reduction in the operating, administrative and finance expenses of the corporation. Operating and administrative expense reductions have been achieved for three successive years, primarily through cost control and corporate restructuring measures. It is especially noteworthy that the record net income of 1993-94 was achieved in a year in which there were no electricity rate increases to the power consumers of Manitoba.

4. Electricity rate increases. Following a two-week hearing by the Public Utilities Board in early 1994, approval was granted to increase rates by an average of 1.2 percent effective April 1, 1994, and a further average increase of 1.2 percent to be implemented on April 1, 1995. Mr. Brennan's slide presentation will show that Manitoba Hydro has the lowest rate structure of all major electrical utilities in Canada. With no rate increase in 1993 and the modest rate increases in 1994 and 1995, Manitoba Hydro will maintain

and further enhance its position as one of the lowest-cost providers of electricity in North America.

5. Retained earnings and equity. The record earnings of 1993-94 allowed the corporation to remain on course towards achieving financial targets and substantially improving the equity position. The corporation's short-term retained earnings target of \$370 million is expected to be attained by 1996-97. However, both the short term and the longer-term financial target of a debt equity ratio of 85-15 are currently under review, as will be discussed later in Mr. Brennan's presentation.

Mr. Chairperson, I would like to take this opportunity to recognize the dedicated efforts of Manitoba Hydro staff and employees over the past year in providing an excellent quality of electrical service to Manitobans. Manitoba Hydro employees often work under extraordinarily adverse conditions and they continue to provide one of the highest standards in the country for reliability of service and safety of operations. The corporation is very proud of this achievement and will strive to further enhance our service to customers at every opportunity.

Mr. Chairperson, that concludes my remarks. Mr. Brennan will now take the committee through the slide presentation which will provide specific information on the significant issues that face the corporation. Thank you.

**Mr. Chairperson:** Is there leave of the committee for Mr. Brennan and his staff from Manitoba Hydro to make a slide presentation at this time?

**An Honourable Member:** Leave.

**Mr. Chairperson:** Leave has been granted.

**Mr. Robert Brennan (President and Chief Executive Officer, Manitoba Hydro-Electric Board):** The presentation we will review today will focus on a small and short corporate profile of

Manitoba Hydro, an update on our financial affairs, where we are and where we are going, some slides on our performance measurements as compared to other utilities across the country, how our rates compare with other utilities for the various classes of service we have and some of the issues facing the corporation as we see it today.

This is the corporate mandate of the corporation. This has been approved by both management and the board of Manitoba Hydro. The mandate itself is taken right out of the act and we are interpreting that mandate within the context of the act and within the legislated mandate, which is the act itself of course, and within the context of values of society as we see them today.

Manitoba Hydro is the fourth largest electric utility in Canada. We presently have fixed assets of \$6.2 billion, with revenues of \$950 million. We have approximately 4,000 employees and we have a gross payroll that is used for both operating purposes—you know, operating our system—as well as all our capital construction. That totals \$184 million and we have 385,000 customers. In addition to Manitoba Hydro's service area, there is a service area which is in the inner city that is served by Winnipeg Hydro.

This is the total installed generating capability of Manitoba Hydro as well as Winnipeg Hydro. We have installed at 12 sites approximately 4,800 megawatts. Winnipeg Hydro, through their two plants on the Winnipeg River, have 140 megawatts to supply the entire Manitoba system and then we have two thermal plants—one at Brandon, one at Selkirk—and they total 369 megawatts and then we have some isolated diesel sites that provide 17 megawatts. Our total installed capability is 5,360 megawatts.

This is the undeveloped hydraulic potential of the province. It is in no particular order, but it does show that the total is more than that which we have already installed. Some of these sites have very limited environmental impacts where others have more extensive environmental impacts. Some are bigger and some are smaller. Some are more expensive and some are relatively

inexpensive as it relates to some of the more expensive ones.

\* (1100)

The financial update: This shows our actual results for 1993-94, the report that is before the committee now, whereby we had a net income of \$69.5 million. We are projecting with the rate increase of 1.2 percent on April 1 of 1994, that we will achieve a forecasted net income of \$58.7 million. This will increase our total equity in the company to \$287 million which as we talk about later is pretty well the lowest in the country.

Our debt ratio is 92 percent debt and 8 percent equity in the company, in the assets the company has, and interest coverage which is the amount of net income we have to pay interest has gone from 1.16 to 1.13. We would like to see that in the range of about 1.15 to 1.25.

This is our actual operating results for the last four years. You can see that our revenue has gone up relatively dramatically as has our expenses. The expenses have gone up mainly as a result of a new plant coming into service and that is reflected in the interest and depreciation expense whereby it goes from \$256 million to \$410 in the case of interest and depreciation from \$93 million to \$149 million.

Our total net income is varied significantly depending on the year. The loss in '92-93 primarily represents the last units of Limestone coming into service for which there is not an awful lot of additional energy coming about. [interjection] We also had it here. We do have it on the next one as well. We have the next three years here and then we show you what happens in the longer term. You can see that now our revenue is staying relatively constant and the challenge will be to make sure that our expenses stay in line with the revenue increases we have.

We would like to keep our net income up relatively well so that we have the opportunity to increase our equity within the company. The two increases we have of 1.2 and 1.2 have already

been—and that is for implementation April 1 of '95 as well as the one that was implemented April 1 of '94. Those are approved by the Public Utilities Board. The future projection, which is only a projection, indicates that we require virtually no rate increases to achieve our debt equity targets of 85 percent debt and 15 percent equity. I will talk about that as we get to it, too.

This is a summary of our capital expenditures over the next five years starting with the current year, and they fluctuate dramatically. We are in the process of improving our reliability of our system through the expenditures associated with our transmission system. It also includes our mitigation payments associated with Northern Flood settlements. I will get into the Northern Flood settlements.

Mr. Edwards: Could we just leave that slide for a minute?

Mr. Brennan: Yes.

You will tell me when it is okay to go on, Mr. Edwards?

Mr. Edwards: Yes. Fine.

Mr. Brennan: These are our two financial targets as it relates to equity. We would like to have, in the short term, an equity component of \$370 million to withstand the impacts of drought conditions. We have had that target for some time now. We believe that our forecasts do provide for us achieving it by '96-97. Our long-term financial target is to achieve equity of 15 percent within the company and have 85 percent debt. Our forecasts can achieve these with virtually no rate increase.

These are some corporate performance measurements we have. The first one is the average outage per customer measured in average minutes per customer. Manitoba Hydro is the blue line, and the composite is all the other utilities across the country. So it is a composite of all utilities. We have marked who the best is in each case. We cannot identify individual utilities without their authority to do so. It does give us an

indication of how we are doing, where we are going and how we generally compare. Marking the best shows how far away we are from the very best. As you can see in terms of this particular ratio, we are pretty well the best. We are the best.

This is the average duration in minutes of each particular outage. The red line is the composite again and the blue line is Manitoba Hydro. As you can see, we changed approximately 1990, whereby the composite got a little better than Manitoba Hydro. I guess there are a couple of reasons for that. Manitoba Hydro is faced with an awful lot more ice storms and that sort of thing than most other utilities. We also have seen a dramatic improvement with Quebec Hydro in the last few years. They really were influencing the composite quite dramatically, and at the same time they were not doing very well, and they have improved.

This is the employee accident frequency. It measures the number of accidents per million employee hours of work. You can see that Manitoba Hydro is doing very well as compared to the composite and are in fact the best in the country.

This compares the percentage of time the system is available for our customers, and this measures against the system unit cost. Certainly you can put more money into your system and increase that number. I guess the challenge is to make sure you have an appropriate balance. As you can see, Manitoba Hydro pretty well has the highest reliability and the lowest cost. The one that is lower in terms of unit cost there than Manitoba Hydro is a small municipally owned utility in British Columbia.

This is interest coverage, the number of times interest is earned. This is the ratio we like to maintain within the range of 1.15 to 1.25. As you can see, Manitoba Hydro was doing better in the last couple of years, certainly in '94. We are projecting to do reasonably well in the future. In the past it has been all over the place though. That

is something we would like to work on, keeping relatively constant if we could.

This is the interest coverage as taken from Moody's, an investment rating service, and it was something they published in November of '94 that compared one specific year. Manitoba Hydro is, in terms of interest coverage, the fourth best. SaskPower has quite a bit better interest coverage. They have more equity and they achieve that equity as a result of selling both their gas reserves as well as their gas distribution system. B.C. Hydro did a similar type thing. They sold their gas distribution system as well and separated it from the electric utility. In the case of Nova Scotia Power, they went private.

This is the debt equity ratio. As you can see, the composite of all other utilities across the country is around the 80 percent neighbourhood. Our target is to get to 85, which is still not as good as the composite and that is why there is some question of whether our target is a reasonable target. In discussions with various interested parties including the Public Utilities Board, we are looking at that and are going to review it. You can see that where we are is not acceptable and we have to improve.

\* (1110)

This is an index that compares the projected rate of inflation that we have in our forecast over time. It is an accumulative type chart starting with '94 and going to the end of our forecast period of 2004 and compares what happens with our projected rate increases that we have in the forecast including the 1.2 at the front end for the two years as well as the longer term to get to 85-15. You can see that we can achieve the 85-15 with virtually no rate increases. Our customers will see as a result of that a real decline in the price of electricity in real terms.

This is our total cost per kilowatt hour. This was also provided by Moody's and we just copied the chart. It is not a Manitoba Hydro developed chart. You can see that in terms of total cost, Manitoba Hydro has the lowest total cost per



kilowatt hour of any utility in the country that was provided by Moody's. The Alberta utilities are not on the chart and I think it is because in most cases they are investor-owned utilities. I do see Nova Scotia on there so I am not sure what all the rationale was that Moody's considered them separately.

This is how our rates compare. This is a residential customer at 1,000 kilowatt hours per month. It is somewhat of an average for a nonelectric heat type customer. As you can see, Manitoba Hydro has the lowest average bill in the country. It also includes some U.S. cities which are at the extreme right-hand side. It does show that across Canada, we have the lowest residential rates.

This shows 2,000 kilowatt hours which is sort of an average electric heat type. It is spread out during the year. Certainly we know that in the month of January electric heat customers would have probably more than 2,000 and in the summertime and spring and fall they would have less, but on average 2,000 is probably not a bad number. You can see once again that we are the lowest, followed by Quebec and B.C.

This is a general service small customer. This would be a customer like a small Tom Boy or IGA type store, that type of store, and it shows that in Winnipeg the bill would be \$1,500 a month, and \$1,579 in Vancouver which is relatively close. Then there is a pretty large jump to the next closest customer in Quebec.

This is something like an elementary school with 300 kilowatts and 120,000 kilowatt hours a month. Here the bill is \$5,129 a month in Manitoba. It goes up to \$5,779 in B.C., followed by Alberta. You can see that Quebec is fourth on this particular one. The Maritime provinces are always on the right-hand side.

This is a manufacturing customer of Manitoba Hydro. It is a relatively large load at 20 megawatts and 12,000 kilowatt hours a month. Here the bill was relatively large, \$352,000 a month followed by B.C. at \$411,000. These

customers clearly have an advantage.

This is the second largest customer in the Manitoba Hydro system, or approximating it in any event. This is in thousands of dollars a month. The bill is \$1.8 million a month. It is a very large bill. We are followed by Alberta in this case. Alberta for large high load factor customers is the province that is chasing Manitoba Hydro or challenging us. We are then followed by B.C. and Hydro-Quebec.

These are the rate increases for '92, '93, '94 and '95 of other utilities across the country. Clearly there is a desire of all utilities to minimize future rate increases. That is the challenge right across the country now. Certainly you can see that Ontario Hydro had two large rate increases in this particular year, but they also had pretty large rate increases before '92 and are now committed to no rate increases in the next two years. In actual fact for '95 they have a modest decrease for industrial customers. Nova Scotia Power is doing reasonably well as well.

These are the rate increases that the large industrial power customers of Manitoba have actually experienced. In '92 they had an average rate increase of 2.4 percent. In '93 we did not have a rate increase. The rate increase that was approved by the Public Utilities Board did not provide for any increase for large industrial customers. In addition to that of course, large mining and manufacturing customers also saw the reduction in their power bill as a result of that tax being phased out, the tax on production facilities for mining and manufacturing companies.

This we took out of the Globe and Mail. It was made up by another source, an economic consulting company. It does show that Manitoba Hydro is relatively competitive in almost all areas. Lethbridge in Alberta is relatively competitive as well. You do see that in terms of electric power costs Manitoba Hydro is definitely the lowest.

Some current issues of Manitoba Hydro. Our objective in terms of customer service is to be the best electric utility in North America in terms of

rates, reliability and the type of customer satisfaction that our customers feel.

Our financial strategy is to aggressively pursue the attainment of our financial targets while maintaining electricity rate increases below the rate of inflation. As you saw, the forecast we reviewed with you shows we can achieve that with rate increases significantly below the rate of inflation.

The restructuring program was mentioned. We are in the process and almost completed the reduction of approximately 500 positions within the company. We are continuing to review our operations and processes to achieve efficiency and improvements. Our objective in that area is to have some more decentralized decision making. We believe that will improve our customer service. We will want to continuously improve the efficiency of our operations and at the same time improve our customer service.

Mitigation settlements. That has been talked about. We are quite proud of the achievements we have made in terms of the Northern Flood Agreement. We now have complete settled agreement with Split Lake. We have either a Memorandum of Understanding or an agreement in principle. It depends on the community as to what name the agreement has or the understanding we have, but we now have an understanding with all four other communities, including Norway House. So we are hopeful that within the next six months or so, two of those will result in final agreements, probably three, and we are hopeful of having all of them done by the end of the calendar year. We have a relatively ambitious schedule, and we are hopeful of achieving them all.

Environmental protection. Manitoba Hydro is committed to protecting and enhancing the environment in all our corporation activities, and we deem that to have an extremely high priority.

Our Power Smart. We continually review our Power Smart initiative to ensure that we are achieving the targets we would like to at the lowest possible cost, and our current target is to

save 264 megawatts of capacity and 902 million kilowatt hours of energy by the year 2001. Our objective, of course, is to capture all cost-effective conservation in Manitoba that is in fact cost-effective and that changes year by year.

Our marketing strategy. I will review it very quickly. It is to provide reliable service and, in fact we have a problem of any sort, to restore the service as quickly as possible. We want to promote the efficient use of electricity, both directly and through leadership with industry. We want to maintain and improve our customer satisfaction, both in terms of the product we supply as well as our policy and services. We want to assist industry to become more productive and competitive by providing various services to industry as well as through our rates, and we want to keep our rate increases below inflation and be the lowest-cost provider of electricity in North America.

\* (1120)

Electrical industry development within the province. We would like to pursue opportunities for industry advancement by emphasizing our comparative rate advantage with other provinces, and with various industry allies, and work with them to develop competitive rates. We have been working with our industrial customers now, and we have come up with some opportunities and we are going to continue to do that in the future.

We have talked about some of our employees at Manitoba Hydro. Although it may seem a little self-serving, I am extremely proud of the employees of Manitoba Hydro and my job as president is certainly served well by the people we have working within the company at all levels. They are extremely committed employees. They work under extremely difficult conditions at times. They do provide the highest system reliability across the country, and we do have a good safety record, which is the best in the country, and we are the lowest-cost provider of electricity.

With those comments, Mr. Chairperson, that ends my presentation. Thank you very much.

**Mr. Chairperson:** Thank you very much, Mr. Brennan.

**Mr. McCallum:** I should say we have copies of this available to the committee.

**Mr. Chairperson:** There will be copies of the slide presentation given to the committee members.

### Chairperson's Ruling

**Mr. Chairperson:** On Mr. Edwards's point of order on Section 46(2) of the act, it was not a point of order. All the act refers to is that the report shall stand before the Public Utilities and Natural Resources committee, and it is standing at the committee level, but not on the order of today, and the committee cannot change the order of the day. It is the government House leader (Mr. Ernst) that does it.

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**Mr. Edwards:** Mr. Chair, I do not intend to get into some large argument. I did raise it as a point. I appreciate you getting back quickly. I respectfully take issue with the interpretation simply referring to the particular words, which are that it is "permanently referred." My interpretation of that is that it is indeed permanently on the order of this committee and within the ability of this committee to at any given time consider what is permanently referred to the committee.

So that is my point, Mr. Chairperson. I leave it on the record and I again repeat that I believe it is poor practice to move on to a subsequent year's annual report without fully and finally dealing with a prior year's report.

**Mr. Orchard:** Mr. Chairperson, my honourable friend raises an interesting legal technicality I guess we might call it. I will develop a scenario for you. We complied with the act that my honourable friend quoted from in referring the 1993 annual report to this committee. My honourable friend may or may not be aware, but

there is no obligation and it is incumbent upon the committee to pass the report, but there is no requirement that reports be passed.

Now I will develop a scenario in the absence of substance and substantive criticisms of this Crown corporation that had we referred the 1993 report so that we could achieve presumably my honourable friend's desire of having it passed, the criticism would have been that I violated the act in not having referred the 1994 report. So, Mr. Chairperson, we complied with the act for the 1993 report. We are complying with the act for the 1994 report. As a gesture of—how do you word that? What is that word? You know what I mean.

**An Honourable Member:** A gesture of good faith.

**Mr. Orchard:** That is easier. It is less technical and less legalese—a gesture of peace and good will in the new year. We would entertain a motion from my honourable friend that we pass the 1993 report right now if he so desires. If he does not so desire, we would certainly attempt to answer any question of burning issue that he has regarding the 1993 report and deal with that and pass both reports at the end of today.

**Mr. Chairperson:** I have to advise the minister that I have already ruled that we cannot pass the report today. It is not before the committee.

Mr. Edwards, you wanted to comment.

**Mr. Edwards:** Sure. I am, admittedly, given that was your advice and now the minister appears to be saying that in fact we can bring this report back into the purview of the committee, I would love to take him up on his offer and move that we consider in these discussions—and they may or may not end today in terms of voting on these annual reports—but that we include the '92-93 and that when we do come to the end of these discussions we would then consecutively vote on the annual reports, first the '92-93 report, secondly the '93-94 report. Presumably, he did not check with the chairperson

before extending that invitation to me given the chairperson's comments.

Might I ask, Mr. Chairperson, whether or not I might move that motion and I think deal properly and I think effectively. I do not want to show disrespect for the Chair, Mr. Minister.

**Mr. Orchard:** Mr. Chairperson, might I help you out on that? There is an old saying that when you are a lawyer and you are in court, in an absence of substance of your argument, you debate technicalities. Now I would not make that inference today, of course, but I have already indicated to my honourable friend that there is enough flexibility in any committee that anybody with any experience whatsoever in parliamentary procedure could pose questions today which may well deal with last year's report, previous years' reports. My staff and myself are quite willing to answer those burning issues.

You will note that this is the third time I have tried to give my honourable friend an opportunity to identify what it was that was so vexatious to him about last year's annual report that was unresolved, because my honourable friend, as Leader of the second opposition party, posed no questions on Manitoba Hydro. I do not know whether he has ever posed a question on Manitoba Hydro or included it in any of his debates. I am really curious as to what the burning issue is that we are to resolve today which seems to be troubling my honourable friend. Could we, perchance, maybe get on with the discussions of the Crown corporation and how it is performing and the real issues around Manitoba Hydro?

**Mr. Chairperson:** If I could just offer a little recommendation. Is it the will of the committee that we have a broad discussion on the '93 report as well as the '94 report that is before us today, understanding that we will not vote on the '93 report because the committee does not have the authority?

**Mr. Edwards:** Mr. Chair, I move

THAT this committee, at the conclusion of its

deliberations, whether that be today or at a future date, at a reconvening of this committee, consider and indeed vote on consecutively both the 1992-93 annual report of the Manitoba Hydro utility as well as the 1993-94 annual report. I so move.

\* (1130)

**Mr. Orchard:** Might I make a suggestion. While Mr. Edwards is writing out his motion, maybe the members of the official opposition might have issues they want to discuss about Manitoba Hydro.

**Mr. Eric Robinson (Rupertsland):** I would like to proceed if I may, Mr. Chairperson, on addressing some issues relative to northern Manitoba and perhaps aboriginal people.

Before I commence with my questions, I would like to, of course, wish my colleagues all the very best and God's blessings in the forthcoming new year. I think we are all aware that we are indeed in for a challenge in the coming year in every respect.

Also I would like to welcome the staff of Manitoba Hydro to this committee. It is my first opportunity to address some specific issues that have been brought to my attention in my work as the MLA for Rupertsland. I would like to begin by asking my question. I would like to, as well, thank the honourable minister and also the member for Point Douglas (Mr. Hickes) and the honourable Leader of the Second Opposition (Mr. Edwards) for their comments, their opening comments, particularly as it pertains to First Nations people.

My initial question I guess is regarding the substation that is being built in Snow Lake. We have had reports that this substation is going to cause a path, if I can call it that, that is going to start from Snow Lake to The Pas. As far as I understand it, it is 55 feet wide and 100 miles long. The method of clearing the area that I describe is by burning. I am just wondering if I could get clarification on that, if that indeed is the case and the reports that we have received, whether

or not why labour was not utilized to carry that work out.

**Mr. Brennan:** As a matter of fact, this particular line is going to be hand cleared or cleared using human resources as well as equipment. We met with the Swampy Cree Tribal Council on this particular project, and in fact they have been awarded a contract to clear it. I think that took place within the last two months.

**Mr. Robinson:** Mr. Chairperson, in his preamble the honourable member for Point Douglas (Mr. Hickes) mentioned the feeling of First Nations people and other aboriginal people in northern Manitoba about the feeling that exists out there, and rightly so I think in a lot of cases, about the rates of hydro and the apparent inequality that does exist between northern Manitoba and southern Manitoba.

We have spoken to First Nations communities throughout northern Manitoba, Sagkeeng being one of them, and we were shown bills that had \$800, \$900 per month. Also, we have met with communities such as Fox Lake, Cross Lake. In my discussions with Chief Garrioch the other day, he informed me that the hydro rates were quite high in the community of Cross Lake.

I would like to table some copies of some hydro bills which average about \$200 to \$300 a month in some northern communities that are governed by the Southeast Resource Development corporation, otherwise known as the Southeast Tribal Council. I would like to table that for the information of members of this committee.

With respect to Southeast, we have had an opportunity to review some of the bills. On December 23, 1994, for the community of Little Grand Rapids, the total bills were \$8,586.81. On the same month in 1993, November, the bills from that community—now these were provided to us by the social assistance people at the Southeast Resource Development corporation—the total cost of hydro paid out by the social assistance people was \$2,732.92. I think the question that has been

posed to us, if indeed the rates are equal, as is indicated in the report of Hydro, and I would like to quote again, Manitoba Hydro's rate structure is such that customers in the North pay the same rates as their counterparts in the South.

It would appear to me, Mr. Chairperson, when the average hydro rate in the city of Winnipeg, for example, is \$105.21 and compared to the figures that I have tabled, it would appear to me that the rates in northern Manitoba are much greater than they are in southern Manitoba. Now, perhaps there is an explanation, and I certainly would like to hear that explanation as to why these rates are drastically different.

**Mr. Brennan:** Manitoba Hydro has three rate zones. We have the city of Winnipeg with one rate zone and after the first 175 kilowatt hours, all energy is the same price in Manitoba, everywhere, no matter where you are. There are differences in the basic rate and the first block, which is the first 175 kilowatt hours. Any communities of the same size anywhere in Manitoba, with the exception of the city of Winnipeg, will pay the same rate. In the case of the city of Winnipeg, the basic charge is \$5.67 and the first 175 kilowatt hours are 5.798 cents. After that, all power is billed at 4.746. In the case of a medium density, which is any community which has a hundred metered services, and I believe it is 15 customers per kilometre of line, if they meet that test they can meet that medium-density rate and there they would have a basic charge of \$7.02 and pay 6.615 cents for the first 175 kilowatt hours. After that, all power is at the same rate, again, of 4.746 cents.

In the low-density rate—and that is people who did not make the criteria I previously mentioned and these are primarily farm-type communities, that sort of thing—the majority of them are in southern Manitoba—have a basic charge of \$13.10 and pay 7.4 cents for the first 175 kilowatt hours and after that, all power is once again at 4.746 cents.

\* (1140)

**Mr. Robinson:** Mr. Chairperson, to put it in

layman's terms, I wonder if Mr. Brennan would again repeat some of the finer details of what he just said. I believe I understood him to say that in some areas of northern Manitoba we have a different density level. Is that correct?

**Mr. Brennan:** There are different density levels anywhere in the province. So we have the three rate zones that are composed of—the first rate zone being the city of Winnipeg. The second density level, if you will, is any community that has at least a hundred metered services and 15 customers per kilometre of line so that would be most of the communities like Cross Lake, Norway House, Nelson House, would all meet that criteria. The city of Brandon, Portage la Prairie, Thompson, would all meet that criteria.

Then there is the low-density and the diesel areas whereby people pay a basic charge of \$13.10 and 7.4 cents a kilowatt hour for the first 175 kilowatt hours and the balance at 4.746. At a break of any sort, I will tell you what the differences are by just calculating from one zone to the other. Maybe I can even get somebody to do it.

**Mr. Orchard:** Mr. Chairperson, might I offer a suggestion to the help of the committee and all those so interested. If Mr. Brennan could table for all members of the committee the rate schedule because it does indicate that there are no differential rates in northern Manitoba versus southern Manitoba depending on the community size. Farms in rural Manitoba pay a higher rate than most of the individuals in communities in northern Manitoba. So I think it would be helpful if we tabled this because it would have all the numbers at my honourable friend's disposal.

**Mr. Robinson:** Mr. Chairperson, I am still not convinced and perhaps I will require some more education on this whole issue. I do believe that Mr. Hickes, the honourable member for Point Douglas, pointed out the high cost of living. Added to the high cost of living of course are the communities that have been affected by hydro development over the years having to pay higher hydro rates than the remainder of the province

seems unfair to me. Now I want to leave that for now and perhaps come back to it at another time.

I wanted to ask questions relative to power outages, Mr. Chairperson. We have had power outages and the minister will recall that I wrote him a letter back in September of 1994 regarding this issue. Most recently, a power outage occurred at Little Grand Rapids and that affected not only the elders in the community, but also the children. The outage occurred from 5:30 in the morning till 3:30 in the afternoon, and I am sure that all committee members here can appreciate the hardship that did occur at that time for the residents of Little Grand Rapids.

My question is not only for the people of Little Grand Rapids but for Pauingassi, Berens River and people that use the land line from Winnipeg. What measures are in the plans to correct such outages occurring in the future? Also, there have been outages in the past that have lasted for up to two days which have hampered the lights at the airstrip at Little Grand Rapids, for example, therefore not allowing medivacs to occur. In case there was an accident we would have been in a situation where perhaps we would have had a loss of life. Mr. Chairperson, I would like to ask either the minister or the staff as to what measures are in place to deal with such issues as power outages.

**Mr. Brennan:** The specific line you are talking about, Mr. Robinson, is on the east side of Lake Winnipeg going up from the area of Pine Falls, Lac du Bonnet, up the east side of the lake.

We are extremely concerned about servicing these communities. We have had a couple of outages that took us quite a while to restore the service. We have all kinds of difficulty. In some cases we need to send people in from other locations to those communities, and we are a victim of the weather. If the weather is not good, we cannot get in, that sort of problem.

Having said that, we are looking at options of how we can reinforce the supply of power there. It is a problem and will probably be an ongoing problem in terms of how best to service these

remote areas, in terms of getting people in to take a look at them. We are going to see what we can do in terms of locating some of the problems faster, that sort of thing, so we know exactly where they are.

During one of the outages we had an individual, in trying to restore power, going to about three different communities and not knowing exactly where the outage was. That caused a fair amount of difficulty as well.

We do appreciate the concern. We are trying to do what we can to minimize any outages. Having said that, this is a pretty remote area and we are going to have to probably spend some money to try to locate outages and the cause of outages faster. There will be some problems in the longer term, I am sure.

**Mr. Robinson:** Mr. Chairperson, I am trying to speed up with my questions. I know that other members of the committee also have equally important questions that they would like to ask the minister and also the staff.

On page 9 of the '93-94 annual report, I would like to quote from that. "Service Enhancements, Tadoule Lake was upgraded with enhanced diesel service during the fiscal year. These customers, previously restricted to 15 ampere service, now have access to 60 ampere service through the addition of more diesel generators in the community."

I received a letter earlier this week that brings to my attention and ultimately to the attention of this committee--in a letter from Chief Ernie Bussidor of the Sayisi Dene First Nation, otherwise known as Tadoule Lake. I am quoting from his letter, Mr. Chairperson.

Although we now have enhanced diesel service in Tadoule Lake, about 98 percent of the residences are still using the old system of 15 amps. It will cost on average \$1,800 per home to hook up to the enhanced service with 80 homes needing this conversion.

The question I guess they are asking--and perhaps this is not the place to do it--but is Hydro in a position to assist the Sayisi Dene First Nation in upgrading what they have to upgrade in order to fully utilize the service there?

**Mr. Brennan:** That is not Manitoba Hydro's responsibility. We bring the power up to the house and then after that the customer pays for service extension within the house, in other words, the wiring within the house. It sounds to me like some of these houses have not been properly wired when they were built. They were only wired for 15 amp service and consequently there was not outlets. This is probably something that Indian Affairs, the Province of Manitoba and I guess primarily the federal government should be involved in.

**Mr. Robinson:** Mr. Chairperson, would Manitoba Hydro then be a partner with the Sayisi Dene First Nation in lobbying the federal government to upgrade what they need there?

**Mr. Brennan:** It is not Manitoba Hydro's role to get involved in that sort of a situation. Any meetings you would like Manitoba Hydro to be at to help in any way Manitoba Hydro can in a limited way--certainly we are restricted by our mandate--but any help we can be other than that we would be more than willing to do.

\* (1150)

**Mr. Robinson:** Mr. Chairperson, I am sure that the comments made by Mr. Brennan will be received by the chief and council of the Sayisi Dene First Nation as far as being of technical help perhaps in their lobbying efforts with the federal government in upgrading their community to bring it up to standard for their requirements.

Another question I have is that there is speculation that if and when hydro personnel come into the community to repair anything in a community, the cost of their travel is reflected to the resident's bill. So I am just wondering if this is something true or if this is something false.

**Mr. Brennan:** All customers in diesel-related areas pay the same rate as the low-density customers do in Manitoba. So regardless of the rate, those people with restricted service, regardless of the cost of providing that service, they pay the same rate as people anywhere in the province with that form of density.

**Mr. Robinson:** Mr. Chairperson, I would like to ask about employment equity at Hydro. I would like to know what the total number of staff, the total numbers in Hydro is, and the number of identified aboriginal people, First Nations, Metis, Inuit, et cetera, are currently employed by Hydro.

**Mr. Brennan:** I think we can probably use the numbers that are in the annual report that Mr. Hickes referred to. I am not sure what page they were on. Do you remember Mr. Hickes? There are approximately 4,000 people, in any event, and I think about 265 people who have declared themselves as aboriginal. I think we do have a few more aboriginal people who have not declared themselves.

We know that in some work locations, I think one of the more noticeable ones is Jenpeg, where we believe there are more aboriginal people who have declared themselves as being aboriginal, but the number declared is about 264. In addition to that, we are encouraging aboriginal people to work with Manitoba Hydro in some of the work opportunities that are available to us.

Some of the examples we have had are the construction of the weir at Cross Lake where in excess of 90 percent of the people working on the job were aboriginal. The line into Split Lake was done by a joint work contract with another contractor and there we had an extensive use of aboriginal people, some of the clearing contracts we have on the transmission lines and that sort of thing, and we are encouraging people not only to work for Manitoba Hydro and taking whatever action we can to have them work with us, but in addition to that to work on some of the opportunities we have in terms of contracts with

Manitoba Hydro.

**Mr. Robinson:** Roughly, with the figures that have been put on the table by Mr. Brennan, quick figuring would give us an aboriginal employment number of about 4 percent overall.

I would like to ask the minister or his staff whether or not there is in place any training initiatives, training programs for aboriginal people, to bring the level up a little greater and to place aboriginal people in permanent employment situations.

**Mr. Brennan:** Manitoba Hydro has various programs to assist people to get the right training. We offer bursaries and that sort of opportunities to staff. We have some summer employment opportunities whereby we encourage aboriginal people to work for us, especially in the North, both in Thompson and Gillam—or out of Thompson and Gillam, to have some summer work experience that will allow Manitoba Hydro to employ them in the future. We are working with the various educational associations as well.

In addition to that, we are associated with Brandon University and Swampy Cree in the foundation of the Northern Business Institute, and a very large supporter there.

**Mr. Robinson:** Mr. Chairperson, in Fox Lake a concern expressed to us by the First Nation of Fox Lake—during the summer of 1994, there were 14 jobs open for students in the Gillam area, and only two of the 14 students were members of the Fox Lake First Nation and the others were students who had parents working for Manitoba Hydro according to the Fox Lake First Nation.

I am wondering if there are efforts being made. I know we talked about employment equity in general, but as far as summer student programs are concerned whether or not there is a concerted effort to employ more aboriginal youth in the summertime.

**Mr. Brennan:** I will have to check, Mr. Robinson, but I was under the impression we had



a special program in the case of Gillam that was directly related to aboriginal people, so I will have to check that. I was quite confident though that we had a program whereby a certain number of positions were identified as being only available for aboriginal people, but I will check that out and get back to you.

**Mr. Robinson:** Mr. Chairperson, another expressed concern by the Fox Lake First Nation is a need for a cross-cultural awareness program for all Manitoba Hydro employees. Incidents, such as racism, apparently have occurred in the community and also within Hydro that affected aboriginal people. I am wondering if there are any efforts being made to develop cross-cultural awareness programs.

**Mr. Brennan:** Yes, there is.

**Mr. Chairperson:** Mr. Brennan.

**Mr. Brennan:** I will have this right by the end of the session, Mr. Chairperson. I am a little too anxious.

We are concerned about the issue that you raised as well, and we are looking at that now. I think there is an opportunity that we can take advantage of those services that would be in the betterment of everybody involved, so we are trying to take care of that.

Just before you go on, can I give you the other information that we are looking at, the differences in the zones. Zone 2 over Zone 1 in terms of actual cost worked out to \$2.77; Zone 3 over Zone 2 worked out to \$7.45; and Zone 3 over Zone 1 worked out to \$10.22. Those are the increments, assuming somebody went through 175 kilowatt hours per month and all energy above that would be at the same price.

**Mr. Robinson:** Mr. Chairperson, I will review that information that was given by Mr. Brennan.

I would like to table for the information of the committee a presentation by the Fox Lake First

Nation on some issues that they have in mind and they would like to see addressed in the next little while by Hydro. I would like to ask a few questions relative to Sagkeeng and the discussions that have been ongoing in that First Nations community with respect to land erosion on the north shore. I would like to ask the minister or his staff as to what stage the discussions are at now at the Sagkeeng First Nation.

**Mr. Brennan:** Manitoba Hydro has taken the position over the years over an extended period of time that the operating activities of Manitoba Hydro have not caused any problems associated with erosion. After going to the community, seeing their problem—both Mr. Lambert and I actually went to the community and visited both sides of the river—we have determined that there is a need to at least talk to the community to see just what can be done to help them with their specific problem. We have been talking to them on an ongoing basis for at least the last year and a half. It is my understanding, although the discussions are not complete, they are still talking about what options are available to them.

\* (1200)

**Mr. Robinson:** Mr. Chairperson, we have had periodic reports by the Sagkeeng First Nation on the discussions they have had with staff of the Hydro corporation.

I am wanting to ask the minister or his staff as to when they anticipate any satisfactory resolution or at least a first step in a satisfactory resolution on the outstanding issues that do exist in Sagkeeng.

**Mr. Brennan:** We were hopeful that we would have achieved them by now, Mr. Robinson. Having said that, I guess both sides to the issue have to be satisfied that they can live with the problem and the potential solutions to the problems. I would hope that we could resolve it fairly soon, but I guess that will depend on just how both sides react to the issue. It is my understanding that both sides are working reasonably hard to see if that can be achieved.

**Mr. Robinson:** Mr. Chairperson, there are other outstanding issues relating to the Fox Lake First Nation that we touched upon very briefly earlier. I am wondering as to what state the discussions are with respect to the Fox Lake First Nation with respect to the treaty land selection that is to be made by the band and other related matters.

**Mr. Brennan:** I cannot talk to the treaty land selections. That is not a Manitoba Hydro responsibility. I can talk to the other issues that have been discussed with Manitoba Hydro.

Some time ago, I met with the former chief and I met with him a few times regarding their concerns about the project and how best to resolve the issue. We had staff working with the community to see what could be done to address in some way some of the concerns they had with Manitoba Hydro's operations. One of the issues they did want, as you brought up earlier or as Mr. Hickes brought up, was the issue of some of the facilities at Sundance. We are prepared to talk to the community about those facilities. Having said that, there are some ongoing operating costs that are a problem that other parties such as Indian Affairs have to be party to, and it is my understanding those discussions are going relatively slow.

Certainly from Manitoba Hydro's perspective we are prepared to talk about just how best the community can use some of those facilities in a way that they can have some ongoing benefits.

**Mr. Robinson:** Mr. Chairperson, there are many issues that I would like to get into with relation to the Fox Lake First Nation, but time does not permit me to do so. As I said, I want to be respectful to other members of this committee. I know there are other concerns that they have.

The most recent issue in Gillam is the employees' retroactive—the tax increase and the expectation for the ruling of the federal Finance minister with respect to the subsidized housing that Hydro employees were receiving and of course the pending Revenue Canada move to back tax the

workers of Hydro at Gillam, which I understand will affect some 450 people.

I would like to know what the position of Manitoba Hydro is in regard to this. I have written to the minister and I have written to the federal Minister of National Revenue with respect to the concerns by the residents of Gillam on this matter. I am wondering what the position of Hydro is. Is it to take the side of the citizens? I know that Mr. Brennan made a public statement, Mr. Chairperson, with respect to that, coming to the side of the employees. I would like to know the latest developments on that.

**Mr. Brennan:** We are extremely concerned about this particular issue. We do not think it is right nor proper that the federal government reverse a position that they gave Manitoba Hydro employees as to taxing as a taxable benefit some of the deductions that they previously had for remote housing.

We are doing everything possible to help our employees get out of this particular predicament. We had our vice-president of Finance go to Ottawa, along with a lawyer. We have subsequently met with the Department of National Revenue, with the federal government, as late as this week to see what can be done, and we are hopeful that some changes will be made to that particular ruling.

We are very, very concerned about it though. We think it is very unfair to our employees, and we are trying to do everything we can to help our employees resolve that issue.

**Mr. Robinson:** Mr. Chairperson, I would just like to add to that comment. I would like to thank Mr. Brennan for that answer.

I would like to just maybe end that particular subject by asking the honourable minister and his staff to keep me updated and also the residents of Gillam in this very critical area. If they would do that, I would be most satisfied.

I would like to ask a question now relative to the northeast power transmission line. I would like to know the current status of the northeast power line.

**Mr. Brennan:** We are awaiting the federal government to approve their commitment to the project. It was a stage approval they had. They had approval until such time as we obtained the environmental licence and had the authority to acquire all the land from the various communities.

We now have band resolutions from all the communities, and the communities have had referendums where they have approved the acquiring of all land. So, as far as we are concerned, it is an issue that the federal government has to approve. They appear to be wanting to renegotiate parts of the agreement, and we are saying we want to get on with the building of the line as soon as possible and we do not want to renegotiate anything. We want to build that line, and we would like to get on with it as soon as possible. If any work is going to be done this winter, there has to be a commitment from Canada very, very soon.

**Mr. Robinson:** Mr. Chairperson, I have a number of other questions that I wanted to ask the minister and his staff. Because of time restrictions I am unable to do that at this time, but I do want to thank the minister and his staff for answering the questions that I have put forward on behalf of my constituents and other northern Manitobans. Thank you.

\* (1210)

**Mr. Orchard:** Mr. Chairperson, before we move on in the questioning, I just want to clear up the first issue raised by my honourable friend, and that being the perception that there is a differential rate and that northerners, in particular, pay a higher rate for their electric service. There was reference to bills as high as \$800.00.

I have done a quick perusal of the bills that my honourable friend the member for Rupertsland (Mr. Robinson) tabled. I find only one bill that

approaches the \$800 and that was one in which the monthly energy consumption was some \$57.75, but there was, regrettably for that particular customer of Manitoba Hydro, arrears in the tune of \$759. I think maybe that is where the confusion comes.

I went through other bills. There were some bills in which the consumption was as high as almost—well, a little over 5,000 kilowatt hours. In reviewing those bills, it is consistent with the information provided by Mr. Brennan that their charges for electricity are consistent with the charges which would be levied for a resident of a community of a similar size no matter where they were in Manitoba. In other words, if they are a medium-density customer, their monthly basic charge is \$7.02. The first 175 kilowatt hours of electricity was charged out at .6, or zero-six-six dollars per kilowatt hour, or in other words 6.6 cents per kilowatt hour and the run-off rate for the balance of the electricity used of 4,915 kilowatt hours was at the run-off rate of 4.7 cents a kilowatt hour.

Those rates are the same at the high end of consumption as are paid by consumers in Winnipeg or indeed on farms. The difference in that particular bill is that the basic charge is less than Manitobans pay in low-density service and the first 175 kilowatts hours is of less cost than those similar customers elsewhere in rural Manitoba and northern Manitoba who are low-density customers.

So I just want to make the case with my honourable friend that any of the bills that he has presented to me, there is no differential in terms of the rate structure that those Manitoba Hydro customers are paying because of their location. It is consistent with low-density and medium-density customers in the balance of Manitoba, whether it be northern or rural. They are rates that are slightly higher by the amount of, I believe, \$2.70 per month than a customer of Manitoba Hydro or Winnipeg Hydro would pay in the city of Winnipeg.

Those rates—I want to refresh honourable

members of the committee, I want to refresh their memory—were established under the three rate zones by the Manitoba Hydro corporation in 1985, and those rates have been consistent since 1985 for all of Manitoba. It is an issue that has been in place now through two or three separate administrations who have governed while Manitoba Hydro has been the Crown corporation providing services and were introduced by the previous Pawley administration in 1985.

I would like also to point out to my honourable friend that in the case where there is diesel electric service, in other words, service not provided by the thermal end or hydro generating system where there is no land line connection to some of the remote reserve communities, and they are served by diesel electricity, their costs are consistent with the rate groupings—low or medium as the case may apply—even though the cost of diesel service generation is a multiple higher than the system rate.

Those additional costs are absorbed, I believe, in part by the system and are subsidized in part by the federal government so that the cost of services in those remote diesel installation communities is consistent with the rates charged to customers in other parts of Manitoba and are significantly below the cost of service provision. I think my honourable friend would agree that is a reasonable digression from the 1985 policy of establishing three zones.

To give you the background on the establishment of the three rate zones, the current three rate zones were introduced in Manitoba in 1985 with the objective of recovering costs from customers based on cost causation relationships. If that policy of three rate zones had not been broken in the case of diesel generated communities, the bills would be significantly higher, but that is not the case. That is the only exception to the general rule of three rate zones and consistent application of charges regardless of location of residents in Manitoba.

The only divergence from that policy established in 1985 is in the case of the remote

diesel generated communities where application of that policy of charging rates in order to recover costs according to the cost of service provision would result in significantly higher rates for those diesel communities. Manitoba Hydro and the provincial government rightfully has said that would be inappropriate and have only charged the low-density or medium-density rate even if it is diesel generated.

**Mr. Robinson:** I would like to thank the minister for his comments. Obviously, we are going to disagree on this issue, and I will be in communication with the honourable minister on this issue. I believe that northern Manitobans do have a concern. I believe it to be legitimate. I thank him for his response, and I guess it is a matter of us agreeing to disagree on a certain issue. Thank you.

**Mr. Edwards:** I want to take your offer up and that of the minister to deal with both of the annual reports. I do note that you have had some discussions with, I believe, the Clerk's Office about the motion that I have proposed. I wonder, Mr. Chairperson, I will seek your advice, would you like me to move it at this point or at the conclusion of today?

**Mr. Chairperson:** You have already moved it. I just have to read it on the record.

**Mr. Edwards:** Well, Mr. Chairperson, there has been one amendment as you will note in it, and if you will read it in as amended I would be pleased to deal with it now.

**Mr. Chairperson:** It has been moved by Mr. Edwards

THAT this committee recommend that at the conclusion of these hearings it vote consecutively on both the 1992-93 Annual Report of the Manitoba Hydro-Electric Board and the '93-94 Annual Report of the Manitoba Hydro-Electric Report, voting first on the '92-93 report.

Agreed? All those in favour.

**Mr. Orchard:** Absolutely. Great idea.

**Mr. Chairperson:** Carried.

**Mr. Edwards:** I would like to start by taking the members who are here from Manitoba Hydro back briefly to that '92-93 report. In the president's message in that report, Mr. Brennan indicated that obviously the supply of electricity, a new supply would be required by the year 2009. That was subsequently amended in his comments to 2010. He goes on to say, unless another favourable export agreement is arranged.

Is Manitoba Hydro currently looking for a further export arrangement? If so, with whom?

**Mr. Brennan:** Manitoba Hydro has ongoing dialogue with all utilities that we currently sell power to and interface with, as well as those that are a little more remote from Manitoba Hydro.

We have ongoing agreements with a good number of utilities right now. Some are just operating agreements whereby they buy interruptible power. Other agreements are in place whereby they buy short-term firm power, and there are a good number of those in place.

One of the problems that Manitoba Hydro is experiencing today is the fact that other areas are not experiencing the type of load growth that we all previously experienced, and most other areas also have low load growth projections.

(Mr. Jack Reimer, Acting Chairperson, in the Chair)

There is also a concern about low cost gas being available and people using that as an option, especially in the case of people requiring capacity only and not having to burn much fuel. People generally appear to be not wanting to take much risk. Generally people are looking at their options and trying to leave an actual decision as long as possible.

There is nothing we have that looks like it is

going to mature very, very quickly. We do know that some utilities are going to need power, and we are having ongoing discussions with them.

I think people are keeping their cards pretty close to the breast though at this point.

**Mr. Edwards:** Mr. Acting Chair, clearly there is, on this continent and indeed worldwide, the startings, the makings of some economic recovery. In the industrial manufacturing sector in the United States, although there have been some concerns about whether or not that is being sustained, in particular south of the border, however, I wonder, Mr. Brennan, if you can indicate, the northern States, does it continue to be our primary market target in terms of future export sales?

\* (1220)

**Mr. Brennan:** It is certainly the largest customer we presently sell to. It is also a customer that has interchanges with other customers as well that we would probably like the opportunity to deal with directly.

There have been some legislative changes in the States whereby generation is being deregulated. Transmission is still regulated, but there is an opportunity for other people, other power utilities to use their transmission facilities. What this is causing is some unrest in the United States in terms of people trying to make any sort of commitments because they are not sure where that is going to lead.

At this point it is pretty preliminary, but we are talking to them. We are talking about being part of any arrangements as it relates to transmission. We are hopeful that if there are some good opportunities for Manitoba Hydro we will take advantage of them.

**Mr. Edwards:** Mr. Acting Chair, the statement in the responses to the questions that were forwarded to members of this committee flowing from the June 21 committee hearing, at page 3 of those materials there was—and it was a response to questioning that I had posed to Mr. Brennan about

the projected capital expenditures of the corporation. At that time there was a projection that for the '94-95 year there would be \$330.2 million spent. I note from the current projection that has gone down. At least I am reading from the current projection that came forward in the materials that were the subject of the slide presentation and I believe it has gone down under \$300 million for '94-95. Does the projection continue to be \$330.2 million for this current year, or has it been further revised?

**Mr. Brennan:** The current projection is \$262 million. What we do annually--and it is an ongoing process. It is not just annually, but certainly we finalize it in a document annually. We continually monitor our capital expenditures to see if they are still required. We look at what can be deferred, what do we not have to do, what is happening in terms of load growth in certain areas, can we push something back, is there a need to put something new in as a result of reliability considerations. It is an ongoing process, and our capital expenditures can change dramatically. But we can give you a summary of the changes if you would like, Mr. Edwards.

**Mr. Edwards:** Well, to a certain extent we have them and based on the statements back from a number of months ago, the '94-95 was 330.2. That has obviously come down. I would be interested in knowing the reasons for that or what was the cause of that fairly substantial reduction in what appears to be the current projection for '94-95. If you notice, going on, the projection last time for '95-96 was 341.3. That appears to be up now to 402.5. The projection had been 253.9 million for '96-97. That also is up.

Has there been some consistent reason that those projections have changed from the last time that we met?

**Mr. Brennan:** I guess I probably should summarize it to give you a real exact answer, but I do know that our demand-side management costs have come down in the short term. They have come down in the longer term as well. Demand-

side management is the biggest reduction, I believe, but I will confirm that for you.

In addition to that, we had a deferral by one year of the North Central agreement and that has pushed money back out. So it has pushed it from one year to the other so it will increase future years and decrease the short end, the front end. In addition to that, there are some new transmission expenditures. They are mainly in the area of the transmission and substations and that sort of thing. That is for reliability concerns.

**Mr. Orchard:** Mr. Acting Chairperson, I think Mr. Brennan has in part acknowledged one of the major reasons for the differential year over year and that is, of course, the North Central Project. The province and Manitoba Hydro are ready to move. We have made our commitments, but right now the issue is whether the federal government is going to maintain their commitment. We have had some delay so that this year's projected capital expenditure is significantly lower.

Unless we achieve agreement in very quick order with the federal government, that project will be at this committee next year and see the '95-96 capital projections down significantly because you will note that the next year's capital is increased because we have had to move dollars that we expected to flow on that line into subsequent years. So that is why I think it is important that we as soon as possible get agreement to proceed.

**Mr. Edwards:** Thank you for that clarification.

The other statement in the notes forwarded to members, page 2, obviously deals with the current projection of 2010 for domestic requirements. Is that still the projection?

**Mr. Brennan:** Yes. The latest projection is 2010-2011 fiscal year.

**Mr. Edwards:** What is the current plan? We got into this a bit last time, but has there been any revision in sort of the current plan to deal with that? What is Manitoba Hydro looking to do? Is Conawapa still the first choice? Let us assume for

a second that Manitoba Hydro does not come across another export arrangement that would substantiate the construction of Conawapa. What is the plan to deal with the 2010 projection?

**Mr. Brennan:** Right now, it would probably be a smaller plant, like a smaller plant on the Nelson than Conawapa or a plant on the Burntwood, or other thermal options even. We are looking at all options, and we will delay making a decision as late as possible so we have the best information available.

Conawapa is the most economic plant. It has the least environmental impact. From our perspective, it does in any event. The problem with it is it provides such a large quantity of power on to our system that although it is economic in terms of our unit costs, it is very, very hard to cover by ratepayers and that is a real problem for us. So unless there is an increase in load growth, Conawapa is going to have some difficulty, or unless we can get some kind of firm sale.

(Mr. Chairperson in the Chair)

**Mr. Edwards:** The other factor obviously is the number of years back you have to go depending on which option you are choosing. Obviously, we got into that discussion when we were discussing Conawapa a number of years back, the certain lead time that is required. I presume that if the thermal option is used, there is less lead time required to actually put that into place. Are those options set out in any understandable way in terms of if we get to 2005, do not have a major export agreement that would justify Conawapa, is that too late?

Let us assume for a second that the 2010 remains relatively firm. Is there a timetable at which point a decision has to be made on each of the options?

**Mr. Brennan:** Yes, there is, Mr. Edwards. The item requiring the longest lead time is hydraulic generation and it is in the neighbourhood of probably in excess of 10 years, so we would have to make a decision at that point as to whether we want to commit ourselves to that option or not.

Some of the other options require a shorter period of time.

That is the problem people in the States are experiencing. They are not wanting to make that commitment so far ahead. Therefore, they are looking at gas options as being the least risky even though they might not know the price of natural gas over the long term.

**Mr. Edwards:** Is it possible that as other jurisdictions face the same set of circumstances that in fact in the short to medium term the prospect for export sales will be enhanced? Is that the feeling of the board of Manitoba Hydro, that in fact the opportunity for export sales to justify or essentially allow Manitoba Hydro to prepare for the 2010 deadline here, are those prospects going to be increasing? Is that the projection of Manitoba Hydro currently?

**Mr. Brennan:** We believe that in the short term people are very, very concerned. In a longer term, we do know that people are going to have to make some sort of investment decisions as it relates to new generation. We think with the economy turning around—it is doing extremely well in the United States at this point in time—that we will see some impact that will be positive to Manitoba Hydro. We are anxiously waiting to see how that comes about.

\* (1230)

**Mr. Chairperson:** The hour being 12:30 p.m., I am seeking what the will of the committee might be.

**Mr. Orchard:** Mr. Chairperson, can I make a suggestion that we break for a quick lunch and reconvene at 1:15 p.m., and run the committee till 3:30 p.m. There are some commitments that senior officials at Manitoba Hydro have that require their presence approximately four in the afternoon, so if we ran from 1:15 p.m. till 3:30, we could get considerable more discussion. Would that be agreed?

**An Honourable Member:** Agreed.

**Mr. Chairperson:** Is it agreed that the committee will recess and return at 1:15 p.m.? [agreed]

*The committee recessed at 12:30 p.m.*

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**After Recess**

*The committee resumed at 1:20 p.m.*

**Mr. Chairperson:** Committee, come to order.

I have received the resignation of Mr. Hickes effective January 5, 1:15. Are there any nominations to replace Mr. Hickes?

**Mr. Robinson:** Mr. Chairperson, I move to replace Mr. Hickes with Mr. Martindale.

**Mr. Chairperson:** It has been moved by Mr. Robinson that Mr. Martindale replace Mr. Hickes. Agreed? [agreed]

**Mr. Edwards:** Mr. Chair, I would just like to continue from where we left off before lunch. Going back to some of the other comments that came out in the response from the corporation to members of this committee flowing from the June 21 meeting, one of the statements at page 1 of that from Mr. Brennan has to do with the projected load growth and what the factors are that impact that. Mr. Brennan stated at that time that industrial customers are not using as much power as we forecasted they would. The second reason for the load growth decline, he says, is that the average use for a residential customer is less than we thought it would be.

I want to just ask, firstly, is that trend predicted to continue, and if so, for what period of time?

**Mr. Brennan:** We do not have the decrease continuing. It is my understanding that the trend of more efficient appliances coming in and that sort of thing will continue. The decreased trend is not as significant as it was in terms of residential use per customer.

The softening of the industrial use is forecasted to return to more normal levels, certainly not what they have been in the past but they are forecasted to increase.

**Mr. Edwards:** With respect to the projections of last year and of this year that the financial picture for Manitoba Hydro is going to improve—that has been talked about for the last number of years—and as well the commitment that rates will not increase in any event beyond the rate of inflation but obviously hopefully substantially below the rate of inflation—and that appears to be a common trend in the industry—how is the financial picture going to improve if rates are below inflation, if not zero, and the industrial customers have flattened out their demands, residential customers are continuing to have declining demand, and there are not export agreements that the corporation can point to coming up that would enhance the revenue?

Maybe I am missing something. What is the most significant factor in allowing the financial picture to improve given those circumstances?

**Mr. Brennan:** The biggest item we have in terms of forecasting cost increases to the customer is new generation transmission impacts. If we can manage our net debt that is on our projected balance sheets so that it does not increase, interest and depreciation do not increase, we have pretty well fixed interest and escalation rates. The majority of our debt, 80 some odd percent, has fixed interest rates. Now some of that comes due at varying times, but they are fixed and certainly depreciation is fixed. So as long as we do not increase our cash requirements to increase interest expense, then we should be able to manage it. I think that is the biggest thing. The fact that we just had Limestone come on our system and we have quite a surplus until 2011 including the return of the NSP sale of power from the end of that sale in 2005 that we are in good shape.

**Mr. Edwards:** Is built into those assumptions this continuing static level of industrial



requirement for power and a stabilization of the residential demand? What is the projection of demand? How does that factor into the revenue projections of Manitoba Hydro at this point?

**Mr. Brennan:** Maybe I did not explain myself very well there. We are projecting increases in load growth, and they are in the neighbourhood of about, on average, 1.7 percent a year or 1.6, in that neighbourhood. That is an annual increase and that is what is causing us at the end of that period of time to require some form of new generation. But we are projecting increases in revenue. We are also projecting increases in our export sales as well through interruptible rates going up and that sort of thing as well.

**Mr. Edwards:** So the increase in revenue generated from exports sales is not due to new sales but due to increasing prices of existing arrangements.

**Mr. Brennan:** That is correct. The forecast only provides for any firm sales that we have today. Any new short-term or longer-term firm sales would improve our financial picture.

**Mr. Edwards:** The interest rates that you spoke of earlier, Mr. Brennan, obviously--although I see that they came down slightly; the Bank of Canada rate came down slightly yesterday or recently--have been on a trend of moving up. What is the susceptibility of Manitoba Hydro? You have an overall debt in the many billions of dollars. What does the financial picture look like in terms of the projection? I heard one economic analyst suggesting that basically painting a picture of a couple of years of maintaining high, if not higher interest rates, which is indeed scary I think for all of us, but what is the impact of that on Manitoba Hydro?

\* (1330)

**Mr. Brennan:** Our average rate of embedded debt is in the neighbourhood of 9.4 or 9.5 percent. Four years ago, that was 10.5 percent so we have brought it down in the last four or five years. We

are probably gaining by the fact we are refinancing debt even at today's prices, our interest rates.

**Mr. Edwards:** What impact, given our arrangements with in particular obviously the U.S. markets, does the fluctuating dollar have? Can you explain, Mr. Brennan, what impact that has on the arrangements that we have?

**Mr. Brennan:** They are noted in our financial statements, but we have an exposure management program whereby our cash flows over a fixed period of time are matched to ensure that the outflow of cash for foreign debt in terms of both interest and principal payments roughly equal our incoming foreign revenue. So we try to keep those within a range. Now, they do not match year for year, but over the long term we try to keep them within 20 percent of each other so then we make sure that when the cash comes in, we are able to pay off the debt, either interest or actual maturities, with that money, so in actual fact we have a natural hedge.

**Mr. Edwards:** Generally speaking, does the low dollar assist or hurt Manitoba Hydro in terms of managing your financial affairs as you have just indicated?

**Mr. Brennan:** It has no impact.

**Mr. Edwards:** With respect to the scenario that the interest-to-revenue ratio, which I believe currently in the '93-94 year is at 1.16, is predicted for '94-95 to go to 1.13, I believe I heard you say, Mr. Brennan, in your discussion in the slide presentation that you are looking to take that to 1.15 to 1.25. I believe I have quoted you correctly that that is the range you would like to be in. Is that accurate?

**Mr. Brennan:** That is correct. We would like our interest coverage to be in that range, and that is the number of times interest is earned before interest expense. We are already projecting, even at the lower rates of course, relatively significant net incomes. If we are going to achieve that, we are going to have to have significantly higher net income amounts, and there will be a decision by

the board of Manitoba Hydro, as well as the Public Utilities Board, whether that is the reasonable thing to do in view of the net incomes.

**Mr. Edwards:** Currently then, it appears that moving from 1.1 to 1.16, to 1 to 1.13, that is moving in the wrong direction. Is that accurate?

**Mr. Brennan:** It would be in that particular year, yes. I think you will find that depending on the year, it goes up or down.

**Mr. Edwards:** So the projection for '95-96, what is that projected to be? If we have gone in the prior year down to 1.13, when will we get to the 1.15 to 1.25 range that you have talked about?

**Mr. Brennan:** Will you just give me one minute? In '96, it is 1.13; in '97, 1.11; then it drops down to 1.06 from 1.09; then it starts coming up and this is with virtually—oh, wait a minute. That is the wrong one. Sorry. It will just take one minute.

Okay, let me repeat those. Now '96, I said, was 1.13, then 1.09, two years at 1.04, 1.09, 1.08, 1.09, 1.09, and then 1.12 and 1.10. So in all cases, it is below what we think is a reasonable level.

Having said that, we achieve the 85-15; 85 percent debt and 15 percent equity by the years 2004, 2005.

**Mr. Edwards:** So there is a plan to achieve the debt equity ratio, but not a plan that Manitoba Hydro is satisfied with to achieve the ratio of interest payments to net revenue?

**Mr. Brennan:** I think that is fair to say. We do not have any approved target to get in the 1.15 to 1.25. Like, it is just a preferred range we would like to be in, but that is right, we are not achieving it with this forecast.

**Mr. McCallum:** With the Public Utilities Board, which is where the most exhaustive discussion of this is, they have thought in terms of, and have us thinking in terms of minimum dollar value of reserves which we are headed for and the debt

equity ratio. There has never been any kind of a specific times interest-earned ratio that PUB has approved for us, for example.

**Mr. Orchard:** Well, Mr. Chairperson, I think that we may be on a crash course with confusion here. I would like to try and avoid that if I could.

The main objective that Hydro is trying to achieve is this 85-15 on debt equity ratio which they see achievable with very marginal rate increases. They would like, at the same time, to have their interest return ratio to be in that 1.15 to 1.25.

I guess to have a full understanding of achieving that it might be interesting to have a guesstimate. I realize this would be a pure guesstimate from Mr. Brennan as to how much more quickly we would achieve our debt equity ratio and how much the rates would have to increase to do what I think my honourable friend is asking Hydro to do.

We have chosen not to take that route. We think we can achieve the debt equity at 85 under almost the current rate structure. Significant increases I think would be in the order of the day to achieve the 1.15 to 1.25.

If my honourable friend is advocating that, I think he should have some sense of what the impact on ratepayers in Manitoba might be.

**Mr. Edwards:** Before Mr. McCallum responds, the minister takes a really unfortunate partisan approach to most things. What I was doing, Mr. Chair and Mr. Minister, was questioning Hydro on their own assessment of where they would like to be.

This is not a discussion about what particular ratio I might be suggesting or indeed the minister. This is about a ratio that the board itself has set as a target has articulated here today. I am asking and very much look forward to and have enjoyed the responses so far of the corporation about the significance of the ratio that they have set for themselves, what it really means, and whether or

not they believe it is a key concern.

We are here to question them, Mr. Minister, rather than play partisan politics, which I appreciate you do enjoy and do not have a lot of opportunity to continue to pursue. Nevertheless, I do look forward to the responses.

Mr. Brennan, following on our discussion, I would be interested to know—as I understand it the interest return ratio is one which factors in the actual cost of carrying the debt and compares it to the actual revenues of the corporation. The earlier debt equity ratio is one which compares gross amounts of debt to gross amounts of equity in the corporation. Is, in fact, the interest return ratio of less concern to the corporation in terms of meeting your financial targets than the debt equity ratio?

Mr. Chairperson: At this time I would just like to advise the committee members, if they could just direct their questions through the Chair, it would be much more appropriate.

Mr. Brennan: Without trying to get a masters degree in a confusion course.

I think first of all Manitoba Hydro has no approved targets for interest coverage. It is just something that we think is a reasonable range. We do know that with our forecasts we have we can get to our targeted equity provision with virtually no rate increases.

If we want more in terms of interest coverage, there is lots of room in the forecast to get there. That is all it says. If we take some rate increases up front, you know, right after the 1.2 is approved, we could probably achieve them relatively easily. The question then comes, do you want to do that in terms of, you know that the future looks very good, so do you want to spread it out or do you want to take it early. That is a judgment that the Board of Manitoba Hydro will make at the time.

\* (1340)

Mr. Edwards: Would it be safe to say, Mr. Chair, through you to Mr. Brennan, that the

interest rates and how they are affected does have a significant impact on that interest return ratio that the corporation is going to face? I understand the projections that were put on the record earlier today, but interest rates over the next number of years indeed may well change those significantly.

Mr. Brennan: As new debt matures, because we are not expecting—or as debt matures because we are not expecting very much in the way of new debt—as debt matures, depending on what the interest rate is when that debt matures, it will have an impact on our costs that we want to recover.

In some cases though, based on the existing and forecasted rates, some of our long-term debt will have lower interest costs than higher, but it will be both ways.

Mr. Edwards: Mr. Chair, again through you, of Manitoba Hydro's current debt load, how much is held domestically in Canada, how much is held within Manitoba and how much is held internationally?

Mr. Brennan: Manitoba Hydro has no off-shore debt at any point at this time, nothing at all. Any American debt of course is hedged, so we have no foreign exchange loss there. I will have to check, but my estimate is 40 percent. I will have to check that.

Mr. Edwards: The rough estimate is that 40 percent of the debt is held by U.S. interest. Is that accurate?

Mr. Brennan: If you give me a couple of minutes I will try to check. Maybe Mr. McCallum will check while we keep on going.

Mr. Edwards: I would just be interested in knowing, I recognize that because of the earlier program that Mr. Brennan has talked about, there is not the risk on the foreign currency market. However, I would be interested to know what the interest payments were to the U.S. lenders for the '92-93 year and for the '93-94 year.

**Mr. Brennan:** We would have to provide that.

**Mr. Edwards:** The 40 percent overall debt that we are talking about is I believe in the neighbourhood of approximately \$6 billion. Do I have that right, so that we would be talking about roughly \$2.5 billion in debt held in the U.S.?

**Mr. Brennan:** If you go to the balance sheet of Manitoba Hydro, net long-term debt is \$4.6 billion. Right at the top there.

**An Honourable Member:** What page are you on?

**Mr. Brennan:** Page 49. It would be \$4.371 billion in last year's.

**Mr. Edwards:** The U.S. held debt would be 40 percent of that figure. That is what we are talking about, approximately.

**Mr. Brennan:** That is a guess on my part. We will have to check and make sure that number is right. It is not broken out in the financial statements. Do not hold me to the 40 percent until I know for sure.

**Mr. Edwards:** I recognize that you are going to be—

**Mr. Brennan:** We do have it broken down. This is before we take off sinking fund dollars, so it is the gross amount.

Maybe we should go to Note 7 first. To get to the \$4.6 billion on the balance sheet on page 57, half way through the page, you see that the gross is \$5.4 billion less money we have in the sinking deposit and in the current portion of \$318 million to get a net number of \$4.6 billion. The \$5.4 billion is broken down between \$2.1 billion in Canadian dollars and U.S. dollars bringing \$3.3 billion. In actual fact there is more U.S. than Canadian.

**Mr. Edwards:** Is there any way in this report of identifying what the interest payments for the '92-93 and for the '93-94 years were on the United States' portion of the debt?

**Mr. Brennan:** You cannot get it out of this, but we can provide it.

**Mr. Edwards:** That would be appreciated.

Given that you earlier indicated the average interest payment is approximately I believe 9.5 percent, that would be a rough estimate, 9.5 percent to the outstanding debt, that \$3.3 billion.

**Mr. Brennan:** I do not think I would want to make that judgment. I think I would like to look at it.

**Mr. Edwards:** On the differentiation, that is looking again at Note 7, approximately \$2.1 billion Canadian, \$3.3 billion U.S., is there any distinction in general terms between interest paid in Canadian dollars or U.S. dollars, or is it all pooled and relatively equal in terms of the overall interest rates paid on that debt?

**Mr. Brennan:** Some would be, depending on the year it was issued, higher, lower, the same as with Canadian. If you take a look at the bottom of page 57 you see when some debt matures and you can see the various weighted average coupon rates that are related to those that mature in those particular years.

**Mr. Edwards:** Thank you, and I look forward to the breakdown. I guess if you are prepared, Mr. Brennan, which I appreciate, to provide that information, it would be interesting to have the breakdown of interest payments paid over those two years, '92-93 and '93-94, as between the U.S. dollars and the Canadian dollars for those given years. Those would be interesting numbers I think for committee members to see, and I would appreciate it if you could come up with those.

**Mr. Brennan:** That would not be a problem I do not think. I am committing staff to time, but I do not think it is a big problem.

**Mr. McCallum:** Even though we do not have the numbers, it might be worthwhile if Mr. Brennan went through how we are hedged in terms of these foreign obligations, because that is a really

important issue for a corporation like this. We are obligated to make very large U.S. dollar payments for a long time into the future and if we did not have offsetting revenues, that is a real problem for us and for the province. So, Bob, maybe just go through how we are sort of hedged on this.

**Mr. Brennan:** Our objective is to try to keep our inflow of cash through our export revenue equal to our cash outflow in foreign dollars both in terms of interest and principal payments. Over time, the two should be very, very close. That is what our objective is. We are restricted by the amount of revenue we get. So what happens is we do not go into the American market as much as we would probably like to, because we are restricted by our total revenue stream more than the interest stream, like we are limited to that. What happens in those particular instances, the province, if it is a good market in the States, would go in if we do not want to—

**An Honourable Member:** To sell.

**Mr. Brennan:** To sell bonds, yes.

**Mr. Edwards:** I appreciate that clarification.

With respect to the province's recently proposed balanced budget legislation which was set out in the Speech from the Throne a number of weeks ago, was Manitoba Hydro consulted at all about that legislation and what impact, if any, it may have on Crown corporations generally and, in particular, Manitoba Hydro?

**Mr. Brennan:** Not me, I was not consulted.

\* (1350)

**Mr. Edwards:** I wonder if I might ask Mr. McCallum perhaps as a representative of the board of directors whether or not there was any discussion as to whether or not Crown corporations—and, of course, Manitoba Hydro represents a major debt liability which is guaranteed by the Province of Manitoba—was the Crown corporation consulted at all about any

impact or at least was this issue ever discussed at the board level?

**Mr. McCallum:** No.

**Mr. Edwards:** With respect to the 520 positions which are set out as ones that have been deleted or at least made redundant by changes, where are we with respect to those positions? Have they been in fact completed? How many had to be laid off or were the positions able to be simply eliminated without substantial layoff? What is the breakdown?

**Mr. Brennan:** The last numbers I have, I believe the number was 18. This was the middle of November or something in that neighbourhood. We had 18 people that terminated and just left the employ and that is because people were either leaving on their own accord or whatever, but they were ones that we had identified as people who would be influenced in some way by this activity and 18 of them terminated on their own because they, I think, moved away or whatever reason, got another job somewhere else or whatever. We laid off 44 people at that point, and all the rest are either in temporary jobs or got other jobs or have retired through early retirement programs or whatever.

**Mr. Edwards:** Well, roughly 62 then are dealt with in terms of voluntarily terminating. That is what I assume you were talking about, Mr. Brennan, with respect to those 18. That was a voluntary termination of those 18?

**Mr. Brennan:** Yes.

**Mr. Edwards:** And there was another 44 that have already been laid off, so we are looking at roughly 460 others who are in, as you say, temporary positions or early retirement or whatever. Do you have breakdowns for that?

**Mr. Brennan:** I have some breakdowns. Approximately 250 people have left the corporation through early retirement plans; another 70 positions that we did not allow the position to

be refilled, so the jobs are empty and we just would not allow them to be filled. Some jobs were completed at the end, and you know the people knew that when they were hired, and they had to either find other jobs, but they are usually reflected in one of the other ones. I think that takes care of the majority of them.

**Mr. Edwards:** So can I take it that there are no further layoffs anticipated as necessary to reach the 520-position reduction target?

**Mr. Brennan:** There are some people in temporary jobs that may in fact get other temporary jobs or permanent jobs, but those people at the end of their temporary assignment will have to find other work. Now what happens to them will depend on events in the future.

**Mr. Edwards:** What, if any, process will be in place, or has been in place, with respect to both the 44 that were laid off and these remaining temporary positions who will need to find other work, perhaps with Manitoba Hydro, perhaps not with Manitoba Hydro? What is the labour adjustment plan that is in place from Manitoba Hydro's perspective?

**Mr. Brennan:** We have collective agreements with three bargaining groups, as well as we have policies as it relates to employees that are not covered by labour rules. There are bumping provisions in those agreements. Should somebody have a job who has got a fair amount of seniority be displaced, he has the opportunity to go to other jobs through a bumping process which is included in both the agreements, the main agreements or, for that matter, all the agreements.

In addition to that, we established internal committees with our union to deal with individual displacements to see if we could work together to find them. In addition to that, we had a corporate one that was a corporate human resource adjustment committee that included all the various bargaining groups as well as management.

**Mr. Edwards:** Was the Labour Adjustment

branch of the Department of Labour provincially involved?

**Mr. Brennan:** They provided advice and that sort of thing. Yes, they were involved.

**Mr. Edwards:** What was the ratio in the 520 positions of management to nonmanagement positions?

**Mr. Brennan:** I will have to provide that for you, but there are a good number of supervisory and management positions that we are taking care of—or that were part of the 500. We made a deliberate attempt to ensure that people that were directly working on the system in terms of hands-on work were not impacted by the staff reduction program.

**Mr. McCallum:** When we got into this downsizing or right-sizing exercise, the board felt very strongly that the organization needed to be looked at from the top down, and I think at the time we had eight vice-presidents, did we not, Bob?

**Mr. Brennan:** That is right.

**Mr. McCallum:** We reorganized and over a fairly short period of time we have gone from eight vice-presidents to four, so the restructuring, re-engineering, downsizing, whatever you want to call the exercise, very much started at the top and went down from there.

**Mr. Brennan:** Can I just add one other thing? The 260 or 250 retirements for the most part included people with—well, they are obviously long service—but they were people who had worked their way up into more senior jobs. So most of those people were either management or supervisory jobs by far.

**Mr. Edwards:** What was the overall payroll reduction as a result of the 520 positions? What will it be once that is completed?

**Mr. Brennan:** We will have to provide that for you. In terms of gross payroll, I am not quite sure what it is, appreciating the fact that not all of it

will be reflected in the operating statement because some of these people were in capital projects. We can provide that Mr. Edwards.

**Mr. Edwards:** With respect to the overall rightsizing or downsizing program, was there a consultant's report solicited by the board to give them advice on the appropriate management structure to pursue? Was there some outside advice that was retained by the board?

**Mr. McCallum:** The answer to that is no. We thought of that. We thought we had an experienced executive at Manitoba Hydro that knew the company and had good judgement and candidly the board's preference was to try and bring this difficult exercise about with people who understood the company and knew what kind of pressures the company could handle. So having thought about that we decided we would attempt to try and get a look at how the corporation should be structured from the management that was there. So the answer is no, we did not use consultants.

**Mr. Edwards:** Is there a document, a report, that came from the executive officers to the board outlining the proposed strategy, which was ultimately adopted, setting out the new management pursuits in the reduction of the 520 positions? Is there an overall report that would be available to members that was adopted by the board as the management strategy of the board?

**Mr. McCallum:** I am trying to think of the process here. With Conawapa not going ahead, with the demand for power not growing like we thought it had, there was a strong feeling on the board over a period of time that we needed to look hard at how we were organized, how we perhaps could be organized or how we could be organized best, and we asked the management to look at that with a view to an organizational structure and a workflow structure and so on that would minimize costs or at least move us towards some kind of cost minimization.

Now I worked very closely with Bob and Ralph on this through the whole piece, and the board was regularly updated. What I am not sure-

-and, Bob, maybe you remember—is whether there was at the end a specific, if you want, recipe or plan area by area and so on. There certainly was. Now exactly what the board saw in terms of that, I do not recall.

\* (1400)

**Mr. Brennan:** The process we went through was we reviewed the entire corporation. Each vice-president went away and looked at his area, came back to an executive group at which time we ended up with a summary by area of how many people we thought we could reduce and that was what we reviewed with the board.

**Mr. Edwards:** Is there a five-year plan that Manitoba Hydro produces on a yearly basis, updates on a yearly basis?

**Mr. Brennan:** We have a long-term financial plan that is longer than five years and that is the document that results in projected financial statements for the entire period.

**Mr. Edwards:** That document is a single document that is regularly updated each year and produced in a single document form.

**Mr. Brennan:** That is correct.

**Mr. Edwards:** Is the current projection available to members of this committee as a document which we might have and review?

**Mr. Brennan:** It is a public document. We have given it to the Public Utilities Board.

**Mr. Edwards:** What is the month in each year that it is updated or what is the target month that that is produced for? Does it work as the same as the fiscal year, or is there a set time in each year at which the board tries to produce that document?

**Mr. Brennan:** We take a revised financial forecast to the board every October.

**Mr. Edwards:** So, as of October each year,

generally speaking, that document, the review is completed and it is updated?

**Mr. Brennan:** That is correct. It is a document that is living and dynamic and we just revise it annually.

**Mr. Edwards:** With respect to briefly the comments about the Northern Flood Agreement and the settlements that are seeking to be pursued, we had some discussion at the last sitting in June about ongoing negotiations. I am very pleased to have learned that there are in fact agreements, at least I think Memorandums of Understanding to pursue agreement now covering all of the communities. Can Mr. Brennan or Mr. McCallum give us a brief update? In particular, I would be interested to know an update on the situation with Norway House which has for some time now been one of the more difficult sets of negotiations. What is the current status in dealing with that community?

**Mr. Brennan:** We have recently concluded an understanding with that community, with Canada and the province, whereby the agreement has been signed. The quantum has been established and we just have to work out a detailed agreement now. As a matter of fact, they have been advanced money even at this point by the province.

**Mr. McCallum:** I think just on behalf of the board I should point out that the board has taken settling these issues very seriously and has made an enormous commitment of time and so on to get these things done. Our impression is that the efforts of the corporation in this regard are actually fairly appreciated in the communities. I think we have come a long way in five or six years. I guess it would not be five years—well, five years.

**Mr. Brennan:** Yes, it would be certainly four.

**Mr. Chairperson:** Before we continue, I have received another resignation. Mr. Robinson has resigned. Is there a nomination to replace Mr. Robinson?

**Mr. Doug Martindale (Burrows):** I move that

we replace Mr. Robinson with Mr. Schellenberg.

**Mr. Chairperson:** Mr. Martindale moves that we replace Mr. Robinson with Mr. Schellenberg. Agreed? [agreed]

**Mr. Edwards:** I want to also say, as I have said in the House when the minister has had the opportunity to announce progress, we all agree that any progress has been very welcome indeed. I recognize that the board has this as a priority. It is a valid one. It has been pursued I think fairly successfully in the short term over the last four or five years, and that is productive.

I want to just focus in for a second on Norway House, going back. As I think we are all aware in this Chamber, there have been some political difficulties within the Norway House community in terms of the chief and the chief-in-council and the council members themselves. It has become a controversial issue within that community. As I understand the current status is that the council members have taken control of the activities of the band and are in fact dealing, negotiating with Manitoba Hydro obviously without the chief who was elected at the last election but nevertheless is not participating in the decision making of the community at this point. Is that accurate? Is Hydro dealing with the council members as opposed to the chief on these issues?

**Mr. Brennan:** You are correct in your statement. The quorum of council, including the chief, is what the Department of Indian Affairs has recognized as being the official body, and we are dealing with them on that basis. At the end of the entire exercise, to have a final agreement, we need a referendum from the community though so at that point, the community has to bless the agreement.

**Mr. Edwards:** There was some discussion, and there is some dispute between the chief and the council members in Norway House, about who has legitimate power. Is Manitoba Hydro, therefore, relying on the department's assessment of who is the legitimate power to substantiate that the proper authority is being dealt with? Is that the way it is worked, or has Manitoba Hydro done its own



independent legal assessment of who it should be dealing with?

**Mr. Brennan:** Yes, our advice has been that we are dealing with a quorum of council which should include the chief if at all possible. Certainly it is my understanding he is invited to all the meetings and that sort of thing, that it is a decision that he makes whether he goes or does not go.

**Mr. Edwards:** I appreciate that it is a difficult situation and think it is wise for the corporation obviously to have sought that legal opinion. It is one that is very unfortunate, I think as everyone will acknowledge. However, the worst-case scenario would be to have all of the work and the negotiation done be somehow undercut by problems with the proper jurisdiction, proper authority, so it is an unfortunate wrinkle on this.

I think we all hope that Norway House, and indeed all of the other communities, can put an end to this history and move forward. I think that is what we look forward to, and certainly am very pleased to see that there is some resolution hopefully coming in Norway House. Leaving aside the issue of what the details of that are, the fact that there is progress is very positive.

I want to ask, there was a recent—and I may be mistaken on this. I do not remember the exact details. There was a brown-out problem in the province—I believe it was a couple of months ago—in the telephone system in this province. Was that at all related to the supply of power or was that strictly the telephone system, not involved in the electrical?

**Mr. Brennan:** Manitoba Hydro had absolutely no involvement at all in that activity.

**Mr. Edwards:** The only reason I asked that, and that was of course my suspicion, but at the time when there were lots of people, particularly in the media, not to cast aspersions at the media looking to throw blame, that was one of the things that came to me and I wanted to clarify that at this point, that it was not a power source problem.

With respect to the power grids, in particular across the western region, Saskatchewan Power, Alberta power and others, are there ongoing discussions with those utilities, in particular in western Canada, to determine whether or not linkages between the grid systems would be beneficial? We had some discussion about this in the last set of hearings. Are those discussions taking place between the Canadian provinces, in particular the western provinces, to determine whether or not higher levels of co-operation and linkages can be beneficial to consumers?

\* (1410)

**Mr. Brennan:** First of all, Manitoba Hydro, as just an operating activity, has ongoing dialogue with all our neighbouring utilities just to ensure that the systems are operated in a fashion that is best for all the respective utilities.

In addition to that, under the auspices of the Premiers of the four western provinces, all the utilities and Department of Energies meet once a year to see if there is anything that can be done to improve operating characteristics and see if there is any benefit that can be achieved by additional interconnections or that sort of arrangement, any sort of arrangements that can be made to make the systems more efficient generally. There are various things that are done periodically.

**Mr. Orchard:** Mr. Chairperson, maybe at this juncture it might be opportune to share with my honourable friend—because I think where possibly he might be interested in information at this juncture is whether there is an opportunity nationally for a national power grid concept. My honourable friend might recall that at one juncture we were very close to an arrangement with Saskatchewan and Alberta in terms of a western power grid. That of course would have been I guess a beginning point for a national power grid.

Recently my colleague the Minister of Industry, Trade and Tourism (Mr. Downey) advanced the concept of a national power grid and discussions towards that. I took the opportunity recently at the national ministers' conference in

Victoria to advance the concept of a national power grid. There are two underpinning reasons for that.

Global economy is going to require the lowest price energy source being utilized by manufacturers if they are going to remain competitive. Secondly, in terms of the next generating station, the next capacity that ought to be added to the Canadian system, we believe in Manitoba that we ought to not think as parochial as we get trapped in doing—and Manitoba is guilty of it too—in that a project in our province ought to go ahead over a project in another province because of obvious economic benefits. I mean elections have been won and lost on major development projects. So every province guards those very jealously. What we end up doing, regrettably, on the national scene is probably having more expensive power generating sources come on line, because we do not consider a national approach to the issue of the next generating system.

The second issue that is becoming more and more important all the time of course is the issue of the greenhouse gases, the climate change, the whole climate change as caused by exhaust gases from various processes. We are, according to the Rio accord, a committed nation to levelling our greenhouse gas emissions.

There is no question that in terms of on-line economics a gas turbine is your least cost additional capacity anywhere in Canada, but you do create greenhouse gas emissions as a result of that. So on the basis of trying to combine least-cost generation and our target as a nation in terms of the greenhouse gas goal emissions we have for the year 2002, I proposed the national power grid in Victoria.

One province very strongly supported the initiative. That was Newfoundland, because if you take a look at Newfoundland's generating system, they have downstreamed from their Labrador Generating Station the opportunity to place run-of-the-river generating stations, the same as we do on the lower Nelson, with very minimal, very

marginal additional environmental impact, because with run-of-the-river the chances are they do not flood very much additional land. I think the additional land in Conawapa is about 160 acres.

We ran into some pretty substantial reticence to go along with this. A couple of the major provinces spoke against the concept at this time. We are at a loss to advance the issue any more, because the suggestion came from one of our neighbours to the East that should be up to individual provinces to craft relationships and interchange agreements. That is appropriate. I do not disagree with that.

If we want to be globally competitive and we want to have the least impact on the environment and we want to have potentially the least cost source of electricity and an increased reliability, I think a national power grid is a very worthwhile cause. That is why we advanced it.

I do not think we are going to see the kind of national leadership necessary—and I am not saying this politically. My honourable friend always accuses me of making political statements, but right now I do not think there is a great deal of will in the Province of Quebec to engage in a national power grid discussion until they resolve their referendum, and I do not think the federal government necessarily wants to jump into that fray right now.

I will make a prediction to my honourable friend that as we turn the century and more economic pressures come to bear, particularly some of the pressures that may well come from U.S. generating facilities as wheeling and their deregulation of their electric industry has an impact on high-cost provinces—Ontario is a classic example. We would love to run a line over to Inco in Sudbury and they would love to have us because they would buy their electricity at about half the cost if they were hooked onto our grid versus the Ontario grid, but those sorts of circumstances are not possible to do right now with provincial autonomy and jurisdiction.

I will make a prediction that as we approach

the year 2000, we are going to see much more national co-operation in this regard because we have a lot to offer as a water-generated province from two standpoints: cost of production of electricity on line, and very minimal environmental impact particularly in regard to greenhouse gas emissions and the whole climate change issue that we as a nation are committed to.

**Mr. Edwards:** Mr. Chairperson, just to follow up on the minister's comments, which I appreciate.

He started by talking about of course the initial push or one of them was to have the western provinces initiate unilaterally some form of co-operative agreements. When he says major provinces that do not want at this point to move towards a national power grid, does that mean that the western power grid idea is off the table as well or is there still opportunity to forge that type of a regional agreement?

**Mr. Orchard:** There is still opportunity to forge that type of agreement. Again, I simply remind my honourable friend that we were very, very close about 10 years ago, 12 years ago, with significant co-operation from Alberta. Of course, their concept at the time was to use their coal primarily for steam generation for heavy oil production. Subsequent to that, their electricity demand diminished significantly and they undertook other development projects when the grid came in.

The advance, even of a western power grid, from a purely prairie province standpoint, is a number of years down the road from the standpoint that, to the best of my knowledge, all of the provinces have adequate capacity for the foreseeable future and the economics are no longer there to replace generation, new constructed generation, in one province by an interconnecting grid and construction in an alternate province. I would venture to say that at some point in time down the road the western provinces will probably have an interconnecting capability before we do this on a national scene, because we have very, very complementary and balancing interest still even though the capacity issue has been resolved probably for the next decade.

\* (1420)

**Mr. Edwards:** That interconnecting capability that the minister speaks of, was there ever any analysis done at the time that this appeared that there was a window of opportunity to have forged a western provinces agreement? Was there a cost-analysis done of what that interconnecting capability would have cost? Was it a significant capital investment to in fact achieve that?

**Mr. Orchard:** My recollection is that the western power grid was costed in terms of—it was HVDC, if I recall, Mr. Brennan—and it had a dropoff in Saskatchewan and a terminal dropoff in Alberta, was costed and as far as I am aware had positive economics at the time. In 1981, as you may recall, there was a rather abrupt change in government and a number of initiatives were revisited and some of these things only happened with a given window of opportunity.

Shortly after the 1981 election in Manitoba, the Alberta oil boom, the blossom came off the Alberta economy very, very quickly. Their demand went down very significantly. So the immediate—well, immediate in terms of several years—demand that they were going to meet with our construction of Limestone and the power grid supplying it evaporated with a significant downturn in their energy economy.

**Mr. Edwards:** The minister mentioned 1981, obviously 14 years ago, that these discussions were last taking place seriously amongst the western provinces. Just so we have a feel for this, at that time does the minister recall, or a representative of Hydro, was the interconnecting capability cost in the hundreds of millions of dollars? Is that what it would be estimated to be today? Is this a very, very expensive capital outlay between the provinces to achieve that? Just in terms of generalities, what type of cost are we looking at?

**Mr. Orchard:** I am going to turn that over to Mr. Brennan, because his recall might be better than mine. The cost-benefit analysis, as I recall, was naturally quite positive for Manitoba, was positive

for Alberta and was almost unity for Saskatchewan. Saskatchewan was not nearly the benefactor of the interconnect that Alberta was. Subsequent to the decision not to proceed, of course, you see Saskatchewan with new coal fire capacity on the U.S.-Saskatchewan border.

Mr. Brennan, you might recall some of the numbers on the line cost.

Mr. Brennan: I do not remember the exact dollars. If we equate them into today's dollars, they would clearly be in the billions.

(Mr. Jack Reimer, Acting Chairperson, in the Chair)

Mr. Edwards: Mr. Acting Chair, one other point. I appreciate the discussion about the interprovincial power grid efforts. The eastern Arctic is one we were led to believe at some point is going to secede or separate and the territory of Nunavut will come into being. Some have predicted that there will be economic spin-offs from that as the eastern Arctic sets up its own territorial jurisdiction and indeed seeks to pursue their own aspirations.

Moving from what the Dene have done in the McKenzie River Delta, there may indeed be some economic prospects. I know those who reside in those communities feel there will be, recognizing that there is a very, very small population base. We always look south for opportunity for where the industry, where the growth is going to be. Is there any opportunity to pursue any of that north, and is the eastern Arctic something that Hydro has at all been monitoring?

Mr. Brennan: We have had some preliminary discussions, not directly with the federal government but certainly with some of those more easterly communities that are right on Hudson Bay. There have been some preliminary discussions, but they are very preliminary. Some of their concerns are more in getting organized as a territory, if you will, in their own right. They have been spending a fair amount of time on that.

The federal government appears to have some interest, how much we do not know. There have been some preliminary discussions, very preliminary though.

Mr. Edwards: I think that it is a good idea to have those preliminary discussions. I do not think that it is going to be some short-term panacea that there is going to be massive development. However, I know that those who are in those communities are certainly ambitious and wanting to have their own jurisdiction and as well economic development go with it.

I also know that in northern Manitoba, in particular Churchill, and other communities there is some hope that any development in the eastern Arctic, as Nunavut is created and takes on its own life, would flow through Manitoba. Manitoba would be the benefactor of that and not just the Hudson Bay rail up to Churchill but also generally in terms of economic development in Manitoba, and northern Manitoba in particular being a distribution point and a supply centre for the eastern Arctic.

Currently, one of the anomalies is that the bulk of supply distribution comes via Montreal rather than Winnipeg and Manitoba, which does not make a lot sense when you look at a map. I guess in terms of the freight rates and shipping as opposed to over land travel perhaps it does, but it certainly is a goal of many to have that turn around and have Manitoba and the eastern Arctic be real partners. So I think those are good discussions to maintain, if nothing else than as a relationship if and when they are prepared and ready to have some development that Manitoba and Manitoba Hydro makes a lot of sense to be keen supporters of their aspirations in the eastern Arctic.

One other issue that came up, and I notice was mentioned in the response to the questions, has to do with some of the projects which Manitoba Hydro currently has going on in China. There was the South China power study, in which Manitoba Hydro was part of a consortium, which was to be completed in '96-97. The technical services that Manitoba Hydro were involved in,

which from this document are to be completed in March 1995, and something called the Long Tan development project, which there is no detail on flowing from the recent trip of our Premier (Mr. Filmon) and our Prime Minister and the other provincial Premiers in this country, regrettably excepting Mr. Parizeau, but flowing from that trip. Is China continuing to be a key target of Manitoba Hydro's desire to sell its technical expertise and ability?

**Mr. Brennan:** Very definitely. Manitoba Hydro looks at itself as sort of a catalyst for other agencies within the province to get business as well, some of our local consultants, manufacturing type operations and that sort of thing, especially the consulting community. By aligning ourselves with them, we believe that there are opportunities there that can be capitalized. We have had an awful lot of delegations come through. We have talked to them, and there is ongoing dialogue in terms of new projects. The ones that you mentioned are ongoing as well, but we think there is a big opportunity there. So does every other utility in Canada, of course, but we do believe there is an opportunity there.

We have some special expertise that other provinces do not have, especially in the area of high-voltage direct-current expertise. We have a consultant locally that has a great deal of expertise, as well, so between the two of us we think we can have somewhat of a lead on some of the other provinces. It is something that appears to be recognized by some of the delegations that come over.

**Mr. Edwards:** I notice from these projects that there already is some co-operation between the utilities; that in the one project Manitoba Hydro is involved with B.C. Hydro International and another one involved in a consortium which includes Ontario Hydro.

Is it necessary that all of the utilities in Canada compete with each other in that market, or is there any sort of organized way or any discussion that has taken place between the utilities to attempt to co-operate to access these

markets in more than these albeit important but relatively small contracts that the larger projects that I think you are indicating there is enormous potential in China, and I think we all hope that that would be true. Is there any sort of organized co-operative effort between the utilities to really try to jointly capture those?

That I think was part of the essence of the Team Canada mission to China that the Premiers and Prime Minister were not so much competing with each other in the trade mission as sending the message that there is a unified desire to be economic trade partners. Can that spill over to the utilities, which of course as you indicate are all competing currently to land the contracts? Can there be some sort of co-operative effort? Is that something that has been talked about?

\* (1430)

**Mr. Brennan:** Yes, we are co-operating with some. Clearly, some utilities do have their own desires to maximize any revenue from this type of operation. We have looked at the exercise as one of helping local business rather than just-ourselves sort of thing where there are opportunities to work together. There are certainly a lot of business opportunities over there, and we are working together where we can. You will find that anytime there is an opportunity that somebody can go on their own they will try. So it is something we just have to keep on top of. The best opportunities are those where there is a blend of requirements where various people have expertise to bring to the table that another utility does not have. Those are the ones we will try to capitalize on.

**Mr. Edwards:** I guess the interprovincial competition between the utilities in these threatens I think potentially to mean that many, if not most, do not sort of ever maximize the potential that may be there if the Canadian utilities were in a co-operative way able to effectively have a marketing arm in Asia and as a joint effort market the diverse, and if some internal agreement in Canada could ever be struck whereby there was an agreement to share the profits from those efforts

and in turn share the costs of doing the recruitment of the client. I think that would be the way to go.

That was my sense of the interprovincial co-operation that was sought and in fact achieved in the China visit. Of course, the business sector is a bit different, but the Crown utilities are generally at least owned by the governments themselves. I think that a useful approach would be the more co-operation we can get between the utilities, I think probably the better chance we are going to have to land substantial work in China if in fact it is there to be had.

**Mr. Brennan:** I agree with you, especially from a Manitoba Hydro perspective. You will find though that the three larger utilities are very aggressive in trying to maximize revenue—Ontario, B.C. and Quebec.

**Mr. Edwards:** I do not know if my friends have some questions, but I did want to just go for one moment look to Mr. Kirkness' presentation. I just want to be clear. This was tabled earlier. I want to be clear, the statement that Mr. Kirkness makes, Lloyd Kirkness. This was a document that was referred to earlier and I received which was tabled. He is the economic development officer of the Fox Lake band. I just want to go back. This was tabled as a result of questions asked earlier by I believe the member for Rupertsland (Mr. Robinson).

He states that the hydro rates charged our membership and other residents of northern Manitoba is considerably higher than what the residents of Winnipeg have to pay. I have taken from the earlier discussion, the minister's rebuttal that is, that this is absolutely incorrect. I just want to make sure that it is an accurate reflection of what the minister has said.

**Mr. Orchard:** Possibly, Mr. Brennan can help me and tell me whether Fox Lake members are under the low-density or the medium-density rate schedule.

**Mr. Brennan:** I believe they are on medium density.

**Mr. Orchard:** If they are on medium-density billing, their monthly bill will be \$2.70 more than the monthly bill of a Winnipegger using exactly the same amount of electricity. If they were on low density, it would be higher. It would be about five bucks a month.

**Mr. Edwards:** The second issue that Mr. Kirkness raised that I wanted to just deal with briefly in his written statement is that he says, the summer student program during the summer of 1994 had 14 jobs open for students in the Gillam area. Only two of the 14 students hired were Fox Lake members. The other students were those who had parents working for Manitoba Hydro.

That is I think something Mr. Kirkness has thought enough of to write us here today about. I wonder if the corporation has a response to that at this point.

**Mr. Brennan:** I do not believe that is accurate as it relates to students. As a result of our rightsizing operation some people who might have been laid off, might have gone into some of our temporary employment opportunities that would have been available during the summer. I do not believe that 12 of the 14 students we hired were students who had parents working for Manitoba Hydro. If that is a fact, it concerns me as well.

**Mr. Edwards:** I think I simply raised it because I did not want it to be lost. If in fact, Mr. Brennan, you are prepared to get the full details and communicate that to members of this committee I am sure through Mr. Robinson who brought it up, it will be communicated to Mr. Kirkness. Perhaps you may even want to correspond with him directly on that.

On the summer student program, can the corporation indicate what the plans are for the 1995 summer student hiring program? In fact, in particular what I would be interested to know is, is Manitoba Hydro going to be hiring the same number of engineering students as they have in the past? What is happening to the summer student engineering program?

**Mr. Brennan:** We have not finalized our requirements for 1995 at this point. I do not expect that they will be down from last year. If anything they will probably be up, just because of the fact that we had people available to help out last year that are probably not there now that we put in temporary jobs. I would think it would be higher than last year, but it is not finalized at this point.

**Mr. Edwards:** It is my understanding that Manitoba Hydro has a summer scholarship program for engineers, or a scholarship program which includes employment during the summer months and in addition to that hires additional engineering students for summer employment. Is that accurate?

**Mr. Brennan:** We hire additional students as well. They are in varying disciplines. They could be in the faculty of administrative studies or whatever—

**An Honourable Member:** Faculty of Management.

**Mr. Brennan:** Faculty of Management.

**Mr. Edwards:** Just as an indication, what has been the pattern in terms of overall numbers of summer students that have been hired by Manitoba Hydro in past summers, roughly?

**Mr. Brennan:** I would be reluctant to give it off the top of my head. They are divided between university students as well as high school students in some of the rural parts. So I would have to get back to you.

**Mr. Edwards:** I would appreciate that.

I would like to, just for a moment, go back to something I referenced in my opening comments, that of the continuing issue of Conawapa in dealing with the Province of Ontario. There is obviously I think about a \$50-million dispute. Last June it was indicated that Manitoba Hydro was preparing a response to Ontario Hydro which had, at that point, filed a Statement of Claim

contesting Manitoba Hydro's bill. Where are we with that litigation process?

(Mr. Chairperson in the Chair)

**Mr. Brennan:** The amount that we believe is outstanding right now is \$51 million, approximately, plus GST.

We filed a Statement of Defence, and that is now being considered by the other side. Discovery is scheduled for early March.

**Hon. Jim Ernst (Minister of Consumer and Corporate Affairs):** Mr. Chairperson, at the risk of interrupting the hearings, because I do have to run away to another commitment, I wonder if I could ask one or two questions related to service reliability.

I represent the constituency of Charleswood, Mr. Brennan, of which you are a resident. We have collectively a problem there, frequent outages of power, not for a long duration but it happens very, very frequently. Most notably—

**An Honourable Member:** The Grey Cup game.

\* (1440)

**Mr. Ernst:** I was not going to bring that up, but it did occur in my home during the Grey Cup game, much to the chagrin of the guests that I had there. Of course, not having a transistor radio to pick up the balance, we were in double jeopardy, so to speak.

Nonetheless, we do have a considerable number of power outages there. They do not occur over the entire community. They occur here, they occur there, they occur somewhere else. I know in my own home, two, three, four times a week there will have been power outages at some point, not for of long duration, you know, maybe a minute or two or three, but the fact of the matter is that they set off every device that has a digital clock in your house and you have to go back and change them all. When you walk home all you are greeted with is a bunch of blinking lights which is somewhat

annoying. That has to be symptomatic, I think, of a greater problem. I mean, those kinds of things you would not—this is not a burned-out something or other or a broken item that causes a two- or three- or four-hour power outage. I mean, this is happening so frequently and so often, it has to be—and I am no technical expert believe me—but it would seem to me at least to be representative of a larger problem.

I would like to know, Mr. Brennan, Hydro is presumably aware but assuming they are, then what pleas are in the offing to cause that problem to be fixed?

**Mr. Brennan:** We do agree with you that the experience that parts of Charleswood—it seems the more westerly part is doing quite a bit better and that is where I live, but it does seem to be a little better. We have experienced some difficulty around the Forest Park Mall area and east of that. We have also experienced some difficulty more recently in southwest Winnipeg as well. Both of these conditions are not acceptable to us and we are in the process of rectifying them. In the case of the Charleswood situation we built a new station right close to Loudon off Wilkes and the people in Charleswood will be now connected to that station rather than St. James that they were previously connected to. St. James has an awful lot of power coming out of it. St. James being the one right on Portage Avenue there. It has an awful lot of power and the power is going long distances in terms of the feeders. That will correct, we believe, a good part of the Charleswood problem.

The problems in south Winnipeg are greater than that. They are cable related as well. We have had some malfunction of equipment and we have had some of these periodic problems as well. It is our intention to make sure that they do go away, so keep in touch with us, Mr. Ernst, and hopefully we will have fixed your problem.

**Mr. Ernst:** One further question, not just in the area that I live which happens to be in the area of the Forest Park Mall or the Charleswood Centre as it is now called, but in the Rannock Road area as

well just off Southdale at the south end of the community there is a substation there that creates a number of difficulties. I have had a number of complaints called to me from those folks as well. Has that problem been rectified or will that be also altered by this new substation built on Wilkes Avenue?

**Mr. Brennan:** It is my understanding Rannock is now connected to the new substation.

**Mr. Ernst:** So can I have your home phone number in case I have a problem.

**Mr. Brennan:** Sounds fair.

**Mr. Ernst:** Well, if you can call me as my constituent, I certainly should be able to call you as my—

**Mr. Brennan:** It is our job to make sure you have reliable power.

**Mr. Ernst:** I understand that and I think by and large over time Manitoba Hydro has done that, although this kind of continuing annoyance problem is something that needs to be looked at. I am pleased to hear that is being looked at and hopefully the problem will be resolved shortly.

**Mr. Edwards:** Mr. Chair, I noticed in both the '93 and '94 reports of the Hazardous Waste Corporation that they recorded revenues of about \$4.2 million for transferring PCBs to the Swan Hills, Alberta plant. It is my understanding that the majority of that, if not all of it, was from Manitoba Hydro.

Can the representatives here confirm whether or not that is the case and whether or not that contract is now completed?

**Mr. Brennan:** As of last February and March, all of our PCB contaminated material that we had in storage was shipped to Swan Hills, and it was all gone as of that point in time. So anything that has accumulated since we have, but it was all gone last



February and March. That accounted for probably in excess of three-quarters of that number.

**Mr. Edwards:** Was that contract which Hazardous Waste Corporation was ultimately involved in a tendered contract at the time?

**Mr. Brennan:** No, it was not. They approached myself as a matter of fact to see if we were interested in doing it. They said they would work out a price with us if in fact we were interested. We were definitely interested and nobody else was in that business of destroying PCB contaminated material so they were a single source supplier and we worked out the best arrangement we could with them.

**Mr. Edwards:** I mentioned in my opening statement and it was confirmed in the slide presentation that Alberta has tended to become an ever increasingly aggressive competitor with Manitoba Hydro in terms of offering incentives to industrial manufacturing high users of electrical energy. That was prompted by my discussion with one of my staff who had a discussion with a manager at the Canadian Oxy plant in Brandon. I know that the minister has spoken in the past about that chemical plant in Brandon which, of course, is a very valuable economic contributor in this province. That individual mentioned that recently the Manitoba operation had lost an expansion bid to Alberta because of their cheaper hydro.

I do not have the full details on that. I am bringing that, admittedly, Mr. Chairperson, second hand. I want to simply ask what Alberta has been doing. Are they in fact beating us in the economic competition flowing from reduced and ever increasingly reduced hydro rates?

**Mr. Brennan:** We are definitely cheaper in terms of power rates than Alberta. One of the problems we did experience in the past was the fact that some of those manufacturing processes attracted the provincial revenue tax or sales tax and that 7 percent had to be added on to the power bill and was very close to making us uncompetitive. With the removal of that, we are clearly competitive.

Power rates have always been. The tax was a problem in some cases.

It is not my understanding that Canadian Occidental—and this is just my understanding as well—that we ever lost any expansion of a plant to Alberta. For awhile there, they were in a mode where they can increase their production capability or decrease it relatively quickly. What they were doing was moving production capability from Alberta to Manitoba depending on power rates. So if there is an interruptible rate or anything available there, they would move to Alberta for that particular process.

But, I think with the removal of the tax, in addition to that we worked out a curtailable rate with Canadian Oxy or with all our industrial customers that we took to the Public Utilities Board, got approved, and Canadian Oxy are taking advantage of that as well. I think they are relatively pleased with the rate they are getting from Manitoba Hydro today and with the elimination of the sales tax, I think they are quite pleased.

\* (1450)

**Mr. Orchard:** Mr. Chairperson, this is a very interesting topic. I want to draw my honourable friend's attention to—and I do not have a page number—but it is the industrial electrical bills, 100 megawatt and 62 gigawatt hours, May 1994. It is towards the latter part of the slide presentation by Mr. Brennan. You will note in there—and these are the published rates—that Manitoba Hydro for that size of an industrial consumer, the bill is \$1,799,000 per month and that similar customer using that same amount of electricity in TransAlta would be a \$1,940,000 monthly bill, but if you add 7 percent provincial sales tax to that Manitoba Hydro rate, you have the Manitoba rate with sales tax now equate to \$1,925,000, just \$15,000 below what the TransAlta rate is because Alberta does not have provincial sales tax.

That is the reason why we, at the last budget, introduced relief of the sales tax on industrial and mining companies with significant electrical bills.

We thought that would make sure that we kept the full opportunity of industrial development spirited and aided and abetted by our relatively good comparable and favourable electric rates.

Subsequent to that, it is my understanding that that coupled with the interruptible rate schedule, has led Canadian Oxy in Brandon to patriate to the province a significant amount of their interruptible production because that process, although I do not understand the chemistry, is one which they can, on fairly short notice, shift production capabilities from one of their three Canadian plants—Ontario, Manitoba and Alberta. What has happened with our recent reduction in sales tax, and the curtailable rates in combination with that relief of sales tax, it is my understanding that they have moved to a significantly higher percent of their production capacity in Manitoba.

We hope they will see fit on future expansions to find Manitoba a good place to invest. I am not aware of any new plant investment that recently was committed to Alberta by Canadian Oxy that we did not get or were not chosen, but I believe, and I cannot speak for Canadian Oxy, but I think that we are favourably positioned now to entertain serious investment decisions by Canadian Oxy with the combination of relief of provincial sales tax and the curtailable rate structure, which happens to fit their system of production quite well.

**Mr. Edwards:** I appreciate those comments. I want to ask the minister to just explain in a little greater detail how the sales tax relief works. It has been staggered, as I understand it, in terms of time phase-in. Is there also a reduction of a portion of the sales tax based on a certain consumption amount, averaged over a certain period of time? Is there a table that he could share with committee members showing what relief is available to consumers, at what level, and how that in fact works?

**Mr. Orchard:** The sales tax relief is based on sales tax relief for electricity used in industrial process, both manufacturing and mining. That has been set by regulation through the Department of

Finance at an 80 percent level of the industrial consumer's total electricity bill, and that eliminates sales tax relief, for instance, on parking lots where employees might plug in their car in the wintertime. That is not for industrial consumption and was not sales tax relievable, nor was electricity used in the office function, but in the manufacturing function, it is designed to relieve 80 percent of their total electricity bill.

Canadian Oxy and others have made the case that their consumption of electricity for the purpose of industrial production is higher than 80 percent and ergo ought to qualify for closer than 95 percent tax relief. We have been unable to accommodate that request.

I believe it does have merit in the case of Canadian Oxy, for instance, because the vast majority of their electric consumption is pure production. In order to make this applicable across not only their industry, which is a significant 95 percent or better in terms of industrial process, for instance, as well as a metal welding firm like MacDon Industries in the St. James constituency is also 80 percent relieved of their electric consumption in manufacturing. I think it would be a more appropriate figure for most manufacturing. There are exceptions at the 80 percent level.

**Mr. Edwards:** Once an operation fits within the industrial, manufacturing, mining, like the criteria of the actual work that is being done, the size of the use does not determine the level of rebate. You get the rebate on 80 percent of your bill once you reach and meet the definition of what you are actually doing.

**Mr. Orchard:** Mr. Chairperson, if I understand the question, 80 percent of the firm's electric bill in manufacturing and mining is eligible for sales tax exemption. For instance, I think your question is coming to, if they only use 50 percent in the manufacturing side, do they get an 80 percent reduction. I have to defer to Mr. Brennan. He might have the knowledge of that. I believe it is 80 percent or actual use if it is lower.

**Mr. Brennan:** The 80 percent is a guideline of saying what percentage of the total bill is used in manufacturing. No matter what the actual percentage is, the amount of the total bill that would not attract tax when it is fully phased in, regardless of the amount used, would not attract tax, period. So some will be more and some will be less.

**Mr. Martindale:** Mr. Chairperson, members of this--

### Point of Order

**Mr. Edwards:** Just on a point of order, if I could just beg Mr. Martindale's indulgence. I just have one further question on that point to clarify before I think we leave it, and then I would be happy to turn it over, if I might.

**Mr. Chairperson:** That is okay, Mr. Martindale?

\* \* \*

**Mr. Edwards:** I just want to clarify on that point. What the minister was saying and what I would be interested in knowing is that once a company and operation meets the criteria of being within the sector and producing the material that would fit within the definition for qualifying for a rebate, the 80 percent figure is a guideline, I am taking it, and there is some form of assessment or of what the actual use is in the manufacturing, or is the 80 percent set across the board?—that is what it is.

**Mr. Brennan:** It is a guideline we are using from the province as to what percentage of the total bill will attract tax and what percent will be exempt. If you qualify for the exemption, 20 percent of the bill will attract tax.

**Mr. Martindale:** Mr. Chairperson, as members of this committee are aware, Hydro employees in Gillam are being told that they must now pay taxes retroactively on housing benefits for the years 1991 to 1993. For many of the over 300 employees and former employees affected, the costs will be substantial, as much as \$4,000 or more. I believe this tax grab is unfair and

breaking a previous promise made by Revenue Canada.

In 1993 Revenue Canada said they would not tax the housing for the years 1991 to 1993. However, as members heard earlier today the new federal government changed this position and announced in November that they are now going to tax people for those years.

Following the announcement, my colleague the member for Rupertsland (Mr. Robinson) held a public meeting in Gillam on November 28 attended by over 250 residents of Gillam. At the meeting a petition was circulated. I have copies of a petition that was introduced in the Legislature which I could table if someone is interested. The participants expressed their strong opposition to the tax grab.

As members will also remember, my colleague raised this issue in the Legislature last month and wrote to the federal Minister of National Revenue the Honourable David Anderson asking him to overrule his officials and cancel this retroactive taxation.

\* (1500)

A few minutes ago an official from Mr. Anderson's office called our office to say that Mr. Anderson will not respond to my colleague's letter of November 26 for at least another week and that the minister has yet to indicate what his position will be on this matter. In view of the seriousness of this matter to the residents of Gillam and the general principle involved, I am therefore asking the committee here today to support the proposed motion that I will now read and submit.

I move, seconded by the member for Rossmere (Mr. Schellenberg),

THAT this committee strongly support the residents of Gillam in their battle with the federal government over retroactive taxation of housing benefits for the years from 1991 to 1993.

Motion presented.

**Mr. Orchard:** Mr. Chairperson, I know my honourable friend may not have heard all of the discussion on this this morning, but the moment that Manitoba Hydro and my office were aware of the reversal by Revenue Canada of the tax exemption, Manitoba Hydro commenced discussions with the federal government and have I believe engaged external legal counsel to assist or has sought legal counsel or expert advice outside of the corporation on this matter of taxation to find out how best we can present the logical case that I think is there which would compel the federal government not to (a) reverse the decision and (b) go retroactive.

It is another matter that if they choose for this year forward not to allow the exemption from taxation of the housing benefit, but then everyone knows new rules of engagement and that happens from time to time in taxation. I think what is particularly difficult to accept in this decision is the retroactive nature of the request by those residents and what is clearly a reversal of a previous ruling made by Revenue Canada with, as we understand it, no change in circumstances which would compel a change in the ruling, the previous ruling that was made. I am not sure when it was made, whether it was made prior to the change in government federally or after.

So, Mr. Chairperson, this motion merely reinforces what Manitoba Hydro has undertaken for approximately, oh, I guess six weeks now on behalf of their employees in Gillam. If my honourable friend believes that there would be additional benefit of having all members of the committee support this resolution, certainly, I would be prepared as the Minister responsible for Manitoba Hydro to make the federal government and the Minister of Revenue aware of the will of this committee.

**Mr. Chairperson:** Is there any other debate on the motion?

**Mr. Martindale:** I appreciate the minister supporting this motion. I think the employees of Manitoba Hydro in Gillam will appreciate that a

committee of this Legislature has taken a stand on their behalf. People are going to be filling out their tax returns in the next two or three months and they will be reminded of this injustice again, so I think the timing is good.

I am glad to hear that the minister has been in discussions with the federal government and has hired outside legal counsel. I would be interested in knowing who the outside legal counsel is, if the minister can share that or not, and how much has Manitoba Hydro spent on this in this matter on behalf of their employees.

**Mr. Chairperson:** At this time, we are dealing with the motion that is before us, if you wanted to get into some questionings of the minister on that.

Is the committee ready for the question? Those in favour of the motion say yea.

**Some Honourable Members:** Yea.

**Mr. Chairperson:** Those opposed say nay.

**Some Honourable Members:** Nay.

**Mr. Chairperson:** In my opinion, the Yeas have it.

**Mr. Martindale:** Mr. Chairperson, could we have a recorded vote on this?

*A COUNT-OUT VOTE was taken, the result being as follows: Yeas 8, Nays 0.*

**Mr. Edwards:** Mr. Chairperson, the '93-94 report talks in part about the safety measures and the safety achievements of Manitoba Hydro, and I think all of us want to congratulate Manitoba Hydro for an outstanding safety record.

I would like to ask the operating officers whether or not they feel that they have maximized what is there in terms of safety of employees, whether or not there are further initiatives that are still ongoing in addition to the safety committees which have been set up. Are there other particular

problem areas within the operation that can still be dealt with in the area of worker safety?

**Mr. Brennan:** Safety is an issue that has to be ongoing. You can never not stress the importance of it. The only target that is acceptable to the management of Manitoba Hydro is zero. So consequently we continually have to look at new initiatives, new ways of ensuring that both the public and our employees are protected as much as possible in the exercising of either dealing with our product or our workers getting involved in it.

So it is an ongoing process. We spend an awful lot of money in trying to ensure that our employees are protected. We are also concerned about safety of the public, and we are doing what we can in that area as well. In terms of individual initiatives, it is an ongoing process.

**Mr. Edwards:** With respect to the relationship between Winnipeg Hydro and Manitoba Hydro, it is my understanding that the Power Smart program is driven and operated by Manitoba Hydro and has been very successful and that in fact that program is not participated in by Winnipeg Hydro, but is in fact a Manitoba Hydro initiative functioning of course province wide, thereby also I think obviously having an effect on Winnipeg Hydro users, and that in the rate structure approved by the PUB, the conservation costs, the costs of the program, were built into that rate structure as approved by the PUB and that Manitoba Hydro as a quid pro quo for that has to do the conservation effort, but that Winnipeg Hydro does not although they are using the same rate structure. Is that, in fact, correct?

**Mr. Brennan:** You are correct in your statement. Winnipeg Hydro is selective in the type of program they want to participate in. They do not get involved in any program that requires any incentives being given to customers. They do get involved in some programs. I should point out though that under the cost-sharing agreement we have for the supply of power, Winnipeg Hydro pays a share of the Power Smart costs for the province.

**Mr. Edwards:** So Winnipeg Hydro through their purchase of power from Manitoba Hydro does make a contribution to the Power Smart costs which are part of the overall costs of Manitoba Hydro.

**Mr. Brennan:** That is absolutely correct. If Winnipeg Hydro incurred some costs, we would pay the majority of their costs too, by the way.

\* (1510)

**Mr. Edwards:** What percentage of Winnipeg Hydro's power comes from Manitoba Hydro?

**Mr. Brennan:** In terms of the capacity, it is a very high percentage. In terms of the actual peaks of the two systems, it is approximately 86-14--86 Manitoba and 14 them—in terms of the total system requirements.

**Mr. Edwards:** So, is the feeling of Manitoba Hydro that in fact the share of conservation programs, the Power Smart program, is being fairly shared between the two utilities Winnipeg and Manitoba Hydro?

**Mr. Brennan:** Yes, we are.

**Mr. Edwards:** Getting back for a moment to the plan to get the debt equity ratio by I believe the year 2004, 2005 down to .82—I believe that was the target—

**Floor Answer:** .85.

**Mr. Edwards:** Mr. Chairperson, .85. What are the variables that might impact that of particular significance to the board as they plan to meet that target? I mean what is the key variable that might alter that plan that the board is keeping an eye out for?

**Mr. Brennan:** The biggest risk the corporation faces, certainly in the short term, is low flow conditions. That can have a significant impact that would be hard for us to recover without because we do not have the appropriate amount of equity

right now. In the longer term, that is not a problem because we are going to get high and low flows and they will balance out, but in the short term, if we get it, it is very significant to it. It is by far the most significant problem that could occur.

In the longer term, revenue sources collapsing, interest rates going to record heights again for an extended period of time, that would have, of course, a big impact on us. Usually when that occurs, of course, inflation goes up. We could have rate increases with inflation that probably would not be all that bad. You know like in terms of real terms it would not be all that significant.

I think the biggest risk the corporation faces is low flows in the short term by far.

**Mr. Edwards:** What are the current projections in terms of the flow? I mean in prior years, in recent years, has it been good or bad? What is the corporation expecting so far this year in terms of the flow?

**Mr. Brennan:** Our reservoirs right now are in reasonable shape. I think we are probably ahead of the rural curve on average and will be probably by the end of the winter closer to the normal rural curve. The last couple of years we have had reasonably good water. Prior to that we have had some problem years. So it cycles, and hopefully we are in a wet cycle from a Manitoba Hydro perspective.

**Mr. Edwards:** With respect to the flow levels and the water levels on Lake Winnipeg, that is an issue which I do not have a lot of particular knowledge about how the lake levels in Lake Winnipeg are affected and how that affects not just obviously recreation but the fishing industry on Lake Winnipeg. That is something that, from time to time, up in the Interlake region those in the fresh water fishing industry do raise as a continuing concern is the impact of the flow levels and the lake levels.

What is the current situation in dealing with some of the inland fisheries associations in this

province? Is there an ongoing discussion? Because they do raise it with others who meet with them. Is this an ongoing challenge in terms of dealing with those individuals in those communities that rely on fishing in particular on Lake Winnipeg?

**Mr. Brennan:** We have not had an awful lot of discussion with the various fishing groups on Lake Winnipeg. We have had discussions with individual local ones, but usually the discussions have not centred around Lake Winnipeg; they have been areas that flowed into Lake Winnipeg such as the Saskatchewan River. We have not had an awful lot of discussions or complaints, or nobody has approached me in any event about the fishing issue. Clearly cottagers have been concerned, especially with that storm that created very high winds last fall. There is no doubt I got an awful lot of calls and complaints about that. We do not believe we were causing that problem, but there is no doubt there was a problem there.

**Mr. Edwards:** Mr. Chair, I do not have further questions on these annual reports at this point.

I want to thank the representatives from Manitoba Hydro here who have committed to producing a number of responses to questions in some detail that they have not had at their fingertips here today. I assume, as is always the case and has been so far in my experience, that once those are returned and if there are further questions flowing from those they will be open to discuss those on a one-to-one basis and look forward to that.

I am pleased that we are able to deal with both of the annual reports which are outstanding at this point. I would hope that committee members would accept the recommendation of the earlier motion and in fact move into voting on both of those annual reports consecutively.

With that, Mr. Chair, again let me thank those representatives for making the effort to be here and answering questions in a very forthright manner as has been their habit.

**Mr. Orchard:** Mr. Chairperson, on the last topic raised by my honourable friend, might I suggest to Mr. Brennan that possibly a presentation open to invitation to members in the opposition on Lake Winnipeg, as we presented to the Gimli residents, I think would be most appropriate, because that is a very vexing issue.

In the fall, when traditionally the lake is at a higher level and you get the wrong winds, you end up with substantial shoreline damage. Manitoba Hydro has very excellent science behind their presentation. I know it does not meet general acceptance by those who are affected by those high winds in the fall, but it is a very excellent presentation. It certainly made me aware of a much wider range of fact and information, and I would think that if my honourable friend wants that presentation he might inform my office and we will try to arrange it so the appropriate Manitoba Hydro staff are available for that presentation, because I know all of us receive questions. I received them when I was in opposition, and I am sure that both opposition parties receive those kinds of questions about compensation.

Manitoba Hydro has been naturally chosen as the cause of the problem. I think it would be of

benefit to members to have the presentation so they can have a significantly larger amount of information available.

**Mr. Chairperson:** Is there leave to pass the 1993 report? Leave?

**Some Honourable Members:** Agreed.

**Mr. Chairperson:** Shall the Annual Report of the Manitoba Hydro-Electric Board for the year ending March 31, 1993, pass?

**Some Honourable Members:** Pass.

**Mr. Chairperson:** Agreed. Shall the Annual Report of the Manitoba Hydro-Electric Board for the year ending March 31, 1994, pass?

**Some Honourable Members:** Pass.

**Mr. Chairperson:** The report is accordingly passed.

Committee rise.

**COMMITTEE ROSE AT: 3:19 p.m.**