



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

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**STANDING COMMITTEE  
on  
PUBLIC UTILITIES  
and  
NATURAL RESOURCES**

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41 Elizabeth II

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*Chairman  
Mr. Jack Reimer  
Constituency of Niakwa*



**VOL. XLII No. 2 - 7:30 p.m., TUESDAY, MARCH 9, 1993**

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

Members, Constituencies and Political Affiliation

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NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
GRAY, Avis	Crescentwood	Liberal
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda, Hon.	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PALLISTER, Brian	Portage la Prairie	PC
PENNER, Jack	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric, Hon.	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary, Hon.	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP
Vacant	Rupertsland	

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

**Tuesday, March 9, 1993**

**TIME – 7:30 p.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Mr. Jack Reimer (Niakwa)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Mr. Downey

Messrs. Ashton, Edwards, Gaudry,  
Laurendeau, McAlpine, Neufeld, Penner,  
Reimer, Rose, Ms. Wowchuk

**APPEARING:**

Harry Enns, MLA for Lakeside

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

John S. McCallum, Chairperson, The Manitoba  
Hydro-Electric Board

**MATTERS UNDER DISCUSSION:**

Annual Report of the Manitoba Hydro-Electric  
Board for the year ended March 31, 1992

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**Mr. Chairperson:** As we now have a quorum, will the Standing Committee on Public Utilities and Natural Resources please come to order.

When the committee last met, on March 2, we completed for consideration the 1992 Annual Report of the Manitoba Energy Authority and passed that report. We also began the consideration of the 1992 Annual Report of the Manitoba Hydro-Electric Board, but did not pass it at that time.

I would appreciate some guidance from the committee. Shall we continue with the questioning of the 1992 Annual Report of the Manitoba Hydro-Electric Board? Agreed.

For the committee's information, there are copies at the back here.

I would like to remind all members that the business before the committee is the 1992 Annual

Report of the Manitoba Hydro-Electric Board. I would also like to urge honourable members to keep their questions relevant to the business contained within the report.

**Mr. Steve Ashton (Thompson):** Mr. Chairperson, before we proceed, I would suggest that we set ourselves some type of deadline, as we usually do, and we can assess where we are at that point, but I would suggest at ten o'clock.

**Mr. Chairperson:** Is it agreed that ten o'clock is the time of reconsideration?

**Hon. James Downey (Minister responsible for The Manitoba Hydro Act):** Mr. Chairperson, I would agree to that, although if it appeared it was going to take a few extra minutes to finish the report, so that we did not have to bring Hydro back, then it would be appropriate to do that I would hope.

**Mr. Ashton:** Yes, Mr. Chairperson, I do not think we will be finished tonight.

**Mr. Chairperson:** Okay, we will proceed then.

**Mr. Ashton:** Of course, I may get all the answers.

**Floor Comment:** I will answer your questions, Steve.

**Mr. Ashton:** Well, we will see how detailed the answers are in that sense.

Mr. Chairperson, there were a number of items that were discussed last week, and basically we touched on the items, a number of issues based on both the presentation of the minister and Hydro, et cetera.

One area I want to pursue tonight to begin with is in terms of the generation sequence. We finished off the last time we were here, at which point—I just want to clarify this and start from that basis—that the target of Manitoba Hydro is to have a new internal generation sequence by June, subject of course to all the other factors that go into the development process?

**Mr. Robert E. Brennan (President and Chief Executive Officer, Manitoba Hydro):** Yes, that is correct.

**Mr. Ashton:** I am just wondering in the past what role the Department of Energy and Mines has had in terms of the generation sequence and energy policy generally. To what extent has Manitoba Hydro worked with the Department of Energy and Mines in that regard?

**Mr. Brennan:** Are you talking in terms of load forecast or energy policy?

**Mr. Ashton:** Both. I would assume that both factors will be involved in these decisions that are being made now.

**Mr. Brennan:** The Department of Energy is not involved in the load forecast per se. We tell the Department of Energy what our load forecast is once it is developed.

**Mr. Ashton:** What aspects of energy policy has the department been involved in in conjunction with Manitoba Hydro?

**Mr. Brennan:** I guess from a Manitoba Hydro perspective, I am not totally sure what role. Any information that is requested of Manitoba Hydro by the Department of Energy we provide and, certainly, electricity is only one component in what they are looking at.

**Mr. Ashton:** Perhaps I could ask the minister what role the Department of Energy and Mines has played in the development of energy policy, particularly as it relates to hydroelectric policy in the province.

**Mr. Downey:** Mr. Chairperson, I think the president has answered that question adequately. If it is a matter relating to any areas that are specifically related to the department that we have the expertise that Hydro may need, there is a contact made; and if there is information that is required from the Department of Energy to Hydro as it relates to matters dealing with them, then there is a contact made. As far as a formal structure is concerned, there is not one. It is an informal discussion that takes place as when-needed basis.

**Mr. Ashton:** The reason I am asking is that there are some significant decisions that are going to be made in the next period of time within Manitoba Hydro. There are some significant decisions that will inevitably involve the provincial government, whatever provincial government may be in office on

that day; obviously, there are policy decisions that have to be made.

The question I am asking is partly, what role has the Department of Energy and Mines played in this regard? I am leading into the situation now where we have some significant shifts in direction that obviously are going to have to take place because of the cancellation of the Conawapa deal and the Ontario sale.

I am trying to determine the degree to which the minister's department is going to be working with Manitoba Hydro on these crucial policy decisions.

(Mr. Bob Rose, Acting Chairperson, in the Chair)

**Mr. Downey:** I did touch on that briefly the other evening that there was an informal linkage between the Department of I, T and T, the Department of Energy and Mines, and Hydro. The particular connection that takes place as it relates to policy discussion takes place between the chairman of the board and the ministers of a department like mine. I do not disagree with the member. There has to be over the next period of time that some of the initiatives that Hydro embarks upon will be carried out by Hydro as it relates to negotiating any sales. As far as policy is concerned, that comes from the board level.

I will put my position forward very clearly, that I want to see Hydro develop business opportunities in Manitoba as it relates to the use of electricity in the province, that future development, whether it is water-generated electricity or whether it is cogenerated electricity, or whether it is whatever, to have Hydro have a policy on that. We as a government are supportive of Hydro in enhancing market opportunities for the use of the electricity that is produced.

Another example is the work that is being done, supported by I, T and T, that was formerly under the Energy Authority. That, of course, is the Dow Corning plant, the pilot project at East Selkirk, where in fact the former Minister responsible for Hydro and the Department of I, T and T jointly came together to put some funds and support for that process.

\* (1940)

I do not disagree with what the member is saying, that there has to be a vision, a view as to where Hydro will go now that the sale to Ontario is no longer in place. I am expecting comments to come from the chairman of the board and from the board

as policy direction, and, of course, Hydro will have to determine what the domestic needs of the province are as it relates to electricity.

As far as the exportation of electricity, we have the sale to the Northern States Power Company, which the member is aware of. An expansion of that kind of activity could well be an area that is expanded upon, but, at this particular time, we are just concluding the discussions and activities as they relate to the Ontario sale.

I am sure Hydro, the board and the management are assessing what opportunities there are for future development. We as a government, as I said the other evening, and it holds true right now that we are prepared to informally at this point work with them to find opportunities that may well enhance Manitoba's economy and the use of electricity in doing so.

(Mr. Chairperson in the Chair)

**Mr. Ashton:** Well, I want to focus in on that, because I am trying to determine here when some major decisions are going to be made. They have to be made, obviously, because the whole development sequence has been changed dramatically and, obviously, that is having an impact within Hydro. I will get into that later on in terms of, I assume there will be internal realignments reflecting that basis.

What I am trying to get an idea of here is the degree to which the minister and the government, through the Department of Energy and Mines, is involved in the development of energy policy in this province. I would point out, Mr. Chairperson, that the role of Manitoba Hydro, its mandate, is not the same mandate as the government's. There is a considerable overlap, obviously, but in the sense of Manitoba Hydro, it has a role and we have discussed that earlier at the previous sitting. It has its own statements of objectives obviously based on that. The government obviously has its own stated principles and statements of objectives.

I am trying to get some indication as to the degree not to which the minister thinks it is a great idea if Hydro does this or Hydro does that. What role does the minister's department play? What role has it played up to this point in time, if that is an easier question to deal with in terms of the development of energy policy as it relates to hydroelectric power?

**Mr. Downey:** Well, the member has been involved both in government and opposition. As far as the

involvement is concerned, there has not been any change over the past several months or even years as to the relationship between Hydro and the provincial Department of Energy and Mines to my knowledge.

I will be blunt. I will tell you what I would like to see happen. I would like to see a demand created for the use of a thousand megawatts-plus of electricity that would have been exported to Ontario to be used right here in Manitoba for processing and jobs and economic activity. That is what I would like to see done. If he is asking me for what I would like my department to do and I, T and T, that is what I would like to see happen.

**Mr. Ashton:** I think the minister if avoiding the question here. I am asking the minister not for what he would like to see in that, I am asking the role of his department currently, what it has been and leading into what the role is going to be over the next number of months.

He says the role has not changed. I am asking the minister for the public record, what role does the department play and what role will it play in the next period of time in the development of energy policy related to hydroelectric power? I am not talking about Hydro at this point. I will get into Manitoba Hydro internally in that sense, but I am trying to get the liaison between Manitoba Hydro and Energy and Mines very clear on the public record. What is the role that the minister's department plays?

**Mr. Downey:** Direct liaison is between the minister and the chairman of the board as it relates to energy policy. The policy is structured by the board as it relates to Hydro. The policy as it relates to Energy and Mines department comes from the minister and from the political level administered by a deputy minister. For the purposes of this committee and this debate, I have said to the member, and I will say it again, it is up to Energy and Mines department, as it is up to all departments of government, to encourage activity that will enhance the use of electricity in the province of Manitoba.

I have made specific reference to the Dow Corning project which is a pilot project which is the process by which they are melting down natural resources products using electricity to enhance business and economic opportunities. We are a supportive part of that process. The Hydro company supply the energy to that process and

expertise as it relates to the assurance of supply. That is the role that is played.

As far as the member wanting me to say we are going to set up a new energy authority, if that is what he is coming at, that is not what is being planned. As far as the role of energy, it has not changed a whole lot in the past one, two, three, four or five years. It has, in fact, been supportive to the overall activities as it relates to the general question of energy supplies. Hydro has had a specific responsibility and that is the generation of electricity for the users of it under The Hydro Act in Manitoba.

I cannot be more specific. If the member wants me to be, I cannot be. He knows how the linkages work. I see an opportunity for an enhanced relationship between the organizations, but as far as the minister directing what happens at Hydro, that is not the case. There is a board and there is a management to carry out that activity, working in co-operation with the government departments, and development of policy through government will be done in concert. It will not be directed. It will be worked through a co-operative process. There is basically an informal linkage at this particular time.

**Mr. Ashton:** I think the minister has to understand here, I am not asking for my own personal benefit. I am asking for the public record so that we can get some idea of the role of the department and the only thing out of that that I can take is—I think the minister said that the role of the department is to enhance the use of electricity. I do not know the extent to which the department in terms of policy is also concerned with some of the other aspects, obviously conservation. I know that within Hydro, that is the case.

**Mr. Downey:** Mr. Chairperson, we are dealing with the Hydro-Electric Board Report. When we get to doing the Estimates of the Department of Energy and Mines, then we can deal with the oil, gas and all of the other supplies, but tonight I am talking specifically as it relates to the report which we are dealing with.

That is why I am making specific reference to hydroelectric, as well as the whole area of supporting Hydro and conservation and that whole area. There is work that can be done there. There is a broad range of things. For the purposes of this committee hearing, I am trying to stick pretty much to the report that we are dealing with.

**Mr. Ashton:** I recognize that and recognize there is a process ongoing in either the Department of Energy and Mines or the minister in terms of other responsibilities that are involved; in terms of development of energy policy, they are not. The minister says things have not changed that much.

I will ask the question directly to the minister. Will there be any changes that will impact, budgetary or otherwise, on development in terms of energy policy and the administration of energy policy as it relates to hydroelectric power in the upcoming fiscal year?

**Mr. Downey:** As far as I am concerned, there will be ongoing discussions with myself as minister and the chairman of the board. The chairman of the board may want to comment as it relates to the board's activities in the direction of hydroelectricity and the company. At this point, it will be my desire to continue to meet and discuss with the chairman of the board and the board of directors of Manitoba Hydro as to the direction they are going.

If the member wants to make specific references to how it is operated and certain things that are expected of it, I fully anticipate that, if I have comments or thoughts or ideas, they will be discussed with the chairman of the board, as I am sure, if the chairman of the board has comments that relate to how the Department of Energy can be more involved, supportive or helpful, I am sure that he is quite prepared to come forward with those comments.

\* (1950)

**Mr. Ashton:** What I am trying to get at, Mr. Chairperson, here once again is—I assume that the minister is going to be talking to Manitoba Hydro in the context of being the Minister responsible for Manitoba Hydro—what I am trying to determine here is what role the provincial government through the Department of Energy and Mines will be playing in the next number of months in regard to this. I think it is important to ask it in the context of Manitoba Hydro, particularly with senior representatives of Manitoba Hydro here today, to determine what role, if any—and I will ask the minister again—I did not ask about whether his role will have changed; I am asking about whether there is going to be any changes within the Department of Energy and Mines that will impact on the energy policy direction in terms of hydroelectric power.

**Mr. Downey:** At this time, Mr. Chairperson, I cannot indicate where I see any major change in the relationship.

**Mr. Ashton:** I thought I had a determined answer there until I heard the major changes. We will see what the minister's definition is of major changes and is not. I would say, Mr. Chairperson, I would hope that there would not be major changes. We are in a critical period in terms of energy policy in this province and, to my mind, I think it is important that the Department of Energy and Mines, representing its own mandate, which is different once again from Manitoba Hydro's, be a full participant in that.

I want to go a bit further because let us shed some light on the process that has been developed thus far and let us deal with the most immediate decision that was made in regard to the cancellation of the Ontario sale and Conawapa. I was wondering if Manitoba Hydro could outline the key dates—I know it was mentioned last week, but this is more to recap it for members of the committee—in terms of when the cancellation was requested, when the counteroffer was made, and when a final decision was reached.

**Mr. Downey:** Mr. Chairperson, I will leave it to the management and the board to indicate directly as to the specific dates, but there is one date I want to put on the record as it related to any participation that I had. I do not have the specifics; maybe the chairman or the president has the specific date; but I want to make it clear that a year ago March that I and the chairman of the board and the president met with Mr. Marc Eliesen and two other individuals whom I cannot name at this particular time, I do not recall their names, from Manitoba Hydro, met in my office, and discussions took place as to the intentions as to what Ontario Hydro's plans were in relationship to the purchase of the Ontario sale.

At that meeting there was no doubt in my mind or in any mind of the participants in the discussions that took place as to whether or not Ontario Hydro wanted to proceed with the purchase. They indicated clearly that purchase was to be carried out and the intent from as far as we were concerned was that we would be in a position to deliver that power. I wanted my participation known to this committee, and that was sometime the latter part of March. They indicated their full desire to take the power that was part of the agreement, and our indication to them that it would in fact be delivered as per the

agreement. So that was the first contact that I had made since I had the opportunity to take over the responsibilities of the Department of Energy and Mines.

**Mr. John S. McCallum (Chairperson, Manitoba Hydro-Electric Board):** That was the first meeting, March of last year. As the minister indicates, our impression at Manitoba Hydro was that they were trying to assure whether we could deliver. We assured them we could. We thought it was business as usual, and we were on a plan to get an environmental licence and get Conawapa and the line built.

The next date that is relevant is September 24, 1992. That was the date that Ontario approached us. Mr. Eliesen and, I guess, Mr. Kupicis came out here, met with us and said that they wanted a five-year deferral at no cost to either party. We at that date had really been proceeding on the basis of the March meeting, which was that we were looking at getting our licence and doing what we needed to do to get in a position where we could meet our commitments.

From September 24 until November 20, I guess it was, at Manitoba Hydro, we did the analysis that was necessary to determine what our response would be. In particular, we looked at this question of what does no cost mean to us in a five-year deferral. We responded to them on November 20. We met out here and we met with Mr. Kupicis again, and I think it was their vice-president, planning.

We indicated what our position was, what we judged no cost to Manitoba to be. They listened, went back to Toronto and they got back to us on December 17. They indicated that they wanted to terminate the agreement and indicated that they would meet their obligations under that agreement. So those are the dates, September 24, November 20 and December 17.

**Mr. Ashton:** At what point did Manitoba Hydro, following from the previous discussion in terms of its obvious liaison with the minister—at what point did Manitoba Hydro meet with the minister to outline the developing circumstances?

**Mr. McCallum:** At what point did we meet to indicate that on the September 24 date that Ontario Hydro wanted to defer for five years at no cost? I cannot give you the exact date. I would suspect it was September 24, as this was fairly—it was that

morning probably. It was immediate. This was fairly large news.

**Mr. Ashton:** I am aware of the significance of it.

I am just wondering, obviously between the 24th and 20th—I take it on the 20th you basically gave the, I hate to use the word counteroffer, but your definition of what Manitoba Hydro's perception of no cost was.

**Mr. McCallum:** We indicated what we would look at in terms of being willing to defer for five years. They gave us their position in September which I suppose was an opening position—we would like to defer it for five years at no cost.

We went back to them in November with our assessment of what no cost was, what it would take to get us to go for the deferral. I suppose they had various options at that point, one of which was to say, well, we are not too happy with what you proposed, but we have another proposal that maybe you would like to take a look at. That was indeed the way the meeting was left. We were not sure what they were going to do with what we proposed on the 20th of November.

**Mr. Ashton:** The counterproposal or proposal, whatever we want to call it in this case, on November 20, was the minister consulted on that, and was there agreement by the minister and/or the cabinet to the response that Manitoba Hydro made to Ontario Hydro?

**Mr. McCallum:** My contact is with the minister. We had a board meeting the day before, the 19th. At the board meeting the day before, we approved, if you want, the response that we would make to Ontario Hydro, and all through that period, I felt my responsibility was to keep the minister aware of what our thinking was, how things were developing, the position that I thought we were heading for, and I did that.

You asked the minister earlier about the relationship between the Crown and the minister's office. The board of Manitoba Hydro has responsibility for policy at Manitoba Hydro as it relates to the implementation of the mandate, operationalizing the mandate.

\* (2000)

Having said that, we are not a stand-alone corporation. We borrow on the credit or on the guarantee of the province. This Crown can get this province into an awful lot of financial trouble

because of the sums that are involved if it does not make sound business and financial decisions and investments. So a chairman that did not keep in close touch with the minister, I do not think, would be responsible in carrying out the mandate.

We can really adversely affect this province if we undertake one of these large investments and we do not do it right. The shareholders, in the form of the billion people who live here, have every right to make sure, through their government, that these projects we put forth are viable.

**Mr. Ashton:** No, I appreciate that, and I had assumed there was that contact. In fact, I will ask the minister, we have established that the minister was involved basically from the 24th on in this process. Did the minister approve of the board's proposal on the 20th? Further to that, did the minister discuss this with his cabinet colleagues?

Did the minister approve, and if so, was that the minister's approval? Was that the government's approval of the position taken by Manitoba Hydro on November 20?

**Mr. Downey:** Given the responsibility for Manitoba Hydro and the relationship which you have just heard about, I accepted the board's recommendation and the direction that they were going in.

**Mr. Ashton:** That is the answer to one part of the question. I will ask the second part again. Did the minister raise this matter with cabinet? Did cabinet approve of the position taken by Manitoba Hydro on November 20?

**Mr. Downey:** Well, the member I guess, in fairness to him, has not participated in cabinet procedure. That is information which cabinets have. I do not think there is any need to discuss it at this committee. As the representative of the government, I accepted Manitoba Hydro's position.

**Mr. Ashton:** Mr. Chairperson, I beg to disagree. I do know the way the system operates. I also know that the minister has been quite vocal on the Conawapa sale. All I am asking is a very simple question. He does not have to produce cabinet minutes or give away cabinet secrecy, but it is a very straightforward question. We ask it day in, day out on all sorts of issues.

I am asking the minister, and I will ask him again, did the minister take this to cabinet, and did cabinet



approve of the November 20 position taken by Manitoba Hydro with Ontario Hydro?

**Mr. Downey:** I guess, Mr. Chairperson, to try and make it simple for the member, if the government had not agreed with me as the minister, then I still would not be the minister.

**Mr. Ashton:** So I take it this is the minister's usual roundabout way of not answering a question but answering it through riddles. I do not want riddles. I mean, I do not understand what difficulty the minister has with saying, yes, this was approved by cabinet.

**Hon. Harry Enns (Minister of Natural Resources):** It is a question of job security.

**Mr. Ashton:** Well, Mr. Chairperson, the Minister of Natural Resources certainly knows about job security. Well, so does the member for Rossmere (Mr. Neufeld), but I really—I mean, I do not want to speculate why the minister is in the position he is in. I am asking a question about the Conawapa negotiating position, and would I be incorrect to assume that this matter has been discussed by cabinet and approved by cabinet?

**Mr. Downey:** Mr. Chairperson, let me try and be as clear as I can for the member. As the Minister of Energy and Mines, responsible for Manitoba Hydro, representing the government on this matter, the government accepted Manitoba Hydro's recommendation as to how to deal with the Ontario Hydro sale and the building of Conawapa. The government, I as the minister, accepted their position and their decision that they made.

**Mr. Ashton:** Well, indeed, that was probably about as clear as the minister will get, and it is not very clear. The minister will not answer the direct question. He talks about the government and then talks about him being the representative of the government. We understand that he is the Minister of Energy and Mines. The question I asked was in terms of the role that cabinet played in this. I do not think we get anywhere in this committee with roundabout answers or riddles. I take it that the cabinet did approve of the position that was taken by this minister, that it was discussed by the cabinet.

**Floor Comment:** That is what he said.

**Mr. Ashton:** Well, if the member thinks that is what he said he better get his ears checked or read the Hansard next time. The minister did not say that. [interjection] Well, perhaps, the minister is more

used to the minister's riddles than I am. I like straight questions and straight answers.

Well, if indeed we have established that the government fully approved of the position that was taken on November 20, I want to ask—and I will ask perhaps Manitoba Hydro, because one thing is I do get more straight answers out of Manitoba Hydro than I do the minister. I want to ask some specific questions. It was outlined in the presentation last week in terms of the general criteria as to why the counterproposal or the proposal, whatever we want to call it—I would prefer to call it the counterproposal, because I think the original proposal was from Ontario Hydro. What I want to ask is how Manitoba Hydro established the opportunity cost figure that explains the difference between the options of cancellation and the five-year delay. The additional cost of exclusive—I believe the term used in the presentation last week was a right to exclusive use, which is the opportunity cost. How was that established by Manitoba Hydro?

**Mr. McCallum:** The first issue was that by deferring the project for five years, the nature—

**Mr. Chairperson:** Order, please. I realize that there are other conversations around this table, but I would appreciate it if there are going to be conversations, you go to the back of the room.

**Mr. McCallum:** A deferral for five years changed the net present value of the project to us. It moved the revenues that we would get out five years from 2001 or 2000 to 2005. It moved all of the costs out a number of years.

The nature of the cash flows being moved out, when you have the revenues further out than the costs, meant that it was going to change the net present value of the project, and our view was that if we deferred, then we should get the difference in net present value from them.

In other words, by changing the timing of the cash flows, the net present value changed from what it was. Because of the nature of the cash flows, the net present values went down. So if it really was going to be at no cost to Manitoba Hydro—there was a cost by just deferring. The cost was the changing of the timing of the cash flows, and we wanted that. It took a long time to figure that out. It is a modelling process and so on.

**Mr. Paul Edwards (St. James):** Let me just pick up on that, Mr. Chairperson, and maybe I missed it in the slide presentation. In the November 20

response to Ontario Hydro, what was asked for? What was the proposal? How much?

**Mr. McCallum:** That first component, the change in the net present value of the cash flows, that was \$135 point something million. Now, it is important to understand where that number comes from. We had the net present value of the project to Manitoba Hydro before the proposal to defer, and then we redo it and look at the net present value afterwards, and the difference is \$135 million.

**Mr. Edwards:** Was there another cost that was asked for? What was asked for in addition to that?

**Mr. McCallum:** Secondly, Manitoba Hydro had a sum of money tied up in Conawapa already, the invested dollars that had got Conawapa to the point that it was at in the fall of last year.

Our view was that a cost to us was if you want the opportunity value of that money being tied up for five years essentially earning nothing, so we wanted a return on that. That amounted to \$12 to \$14 million a year. So that was around \$60 million to \$75 million. I forget exactly what the number was.

Now, the third component was, we were of the view that deferring for five years gave Ontario Hydro an option on Manitoba Hydro for 1,000 megawatts for five years. In a sense, we were tying up our whole planning process in this commitment to them. There is an elaborate theory of options. An option has a value, and we looked for what value that option would have. We put a value of \$100 million on it, and we asked for that.

**Mr. Edwards:** Mr. Chairperson, so I take it that the offer amounted to \$295 million, approximately, total for the five-year deferral and that was sent November 20. Now, do I take it from the chairperson that the conversation of the 20th, when that was proposed to Ontario Hydro, ended with the feeling of those who were there from Manitoba Hydro that there would be a counteroffer to that as opposed to an abrogation of the contract which in fact occurred?

\* (2010)

**Mr. McCallum:** I do not know that we really had a feeling for what they would do. They listened to our proposal, and we shook hands. They said they would get back to us before our December board meeting. They had a board meeting a week before ours, and they assured us that they would get

back—[interjection] I thought they said that. Did they not say the middle of December?

**Floor Answer:** They said that they were going to their board meeting and they would get back to us.

**Mr. McCallum:** Okay. They said they would get back to us. I was not sure at that point quite what they would do. I felt that my responsibility was to look after Manitoba Hydro's interests and assure that our costs were covered and that we were compensated for what we gave up of value, and we awaited their response.

**Mr. Edwards:** Now looking at the costs associated to Ontario Hydro for essentially terminating the agreement, they have paid \$82.4 million. That is cast in the February 25, 1993, news release from Manitoba Hydro as an initial payment. Is Ontario Hydro's view that that is an initial payment, or does Ontario Hydro take the view that that is the only payment?

**Mr. Brennan:** I think Ontario Hydro believes, based on their interpretation of the agreement, that they subtracted payments that occurred or that were incurred by Manitoba Hydro prior to the signing of the agreement. So that is one interpretation of the agreement. It is now with lawyers and very difficult to talk about.

**Mr. Edwards:** Was there an assessment done in the September 24, 1992, to November 20, 1992, period of the cost that might be recovered by Manitoba Hydro in the event that Ontario Hydro terminated the agreement? Was that factored in at that time and costed so it could be compared to the offer that was being made to Ontario Hydro to defer for five years?

**Mr. Brennan:** When we analyzed this from an economic and financial consideration, I believe we did in the case of the financial analysis, in the case of the cancellation, wanted to see what the impact would be on ratepayers. So there was one included in that. In the economic one we just looked at, you know, what we would potentially recover and what the impact would be then in terms of the impacts on ratepayers.

**Mr. Edwards:** So how much does Manitoba Hydro think is owing as a result of the termination?

**Mr. Brennan:** We billed them for \$131.1 million. Our interpretation of the agreement, the agreement is silent as to date, it makes reference to any and all

costs, and we included any and all costs. I signed the certificate to that extent.

**Mr. Edwards:** So at the time, November 20, if the corporation had done that analysis, essentially the board knew or at least had assessed, I assume, would have had that figure in front of them, cost to termination approximately \$131 million, cost of deferral for five years approximately \$300 million. Is that a rough understanding of the figures that were being discussed at that time?

**Mr. Brennan:** I believe the number we used in the financial analysis was less than \$131 million. In terms of options, there are all kinds of options looked at by management and the board.

**Mr. Edwards:** Were there any other options put to Ontario Hydro, for instance a two-year deferral, a three-year deferral? Were other options discussed, or was the five-year the only option that was discussed other than the ultimate termination of the agreement.

**Mr. McCallum:** They indicated to us in September that what they were interested in was the five-year deferral, and that is what they specifically wanted to talk about. I think we felt quite strongly that anything less than five years was not what they were interested in, and they had shown us some of their load forecasts and one could certainly conclude that they did not appear to have a need for the power prior to that.

**Mr. Edwards:** Was there any offer on their part, aside from the three areas you have outlined as being a cost to Manitoba Hydro—was there any thought on their part to giving you some kind of added security that at the end of the five years they would take the power? In other words, the option thing to me is significantly worsened from Manitoba Hydro's view if in five years they are going to show up again and say the same thing. What I am wondering is, at least the question that would have been in mind at that meeting was, even if we do find some five-year room, we certainly want the penalties to increase or something so that we are not on hold. Was that discussed?

**Mr. McCallum:** It was certainly discussed at the board. When we met with Ontario Hydro, we indicated to them that if they went for the rest of this we would still need some toughening up of the contract language that would assure that this did not happen in four years.

I suppose the board's greatest concern was that we would tie Manitoba Hydro, and indeed the province, up in a series of rolling four- and five-year deferrals where we were not in a position to do anything else, and yet we were not getting anywhere with developing what we thought we had to develop. So there would have been a fourth component to all of this that in our meeting with Ontario Hydro we did not put any kind of a number on. We simply indicated that if there were subsequent discussions, we would have to come to grips with this problem we had of getting into these rolling deferrals, which we did not think was in Manitoba Hydro's interest.

**Mr. Edwards:** Mr. Brennan has mentioned that now there are lawyers involved, God forbid, and that nobody is going to be happy at the end of the day, I am sure—

**Floor Comment:** Except the lawyers.

**Mr. Edwards:** Probably. But I assume that is dealing with the difference between the \$82 million, roughly, and the \$131 million, give or take about \$50 million at stake. Manitoba Hydro's press release, I am reading from it, February 25, says: Manitoba Hydro is assessing its options.

Can we get an update on what option has been chosen and what is happening?

**Mr. Brennan:** Our lawyers have now written Ontario Hydro, and we are waiting for a response from them.

**Mr. Edwards:** With respect to the \$82.4 million that has been paid, just so I am clear, it is quite clear that Ontario Hydro has taken the position at this point that that is it, that that is all they owe. That is the position they have taken currently.

**Mr. Brennan:** I think it is a little difficult. We cannot tell for sure what their real position is, and I think—

**Mr. Edwards:** —but you cashed the cheque.

**Mr. Brennan:** We cashed the cheque, certainly, and I think this is an area that we probably should not pursue too much, I would not think.

**Mr. Edwards:** With respect to the issue—I do not mean to pry, and if the company is saying that there are confidences involved, then obviously that position could be taken here—but with respect to the precontract costs, I understand the date of the contract was, I believe, December 7, 1989. Is that the real nub of the issue between the parties? Does that represent the bulk of the difference?

\* (2020)

**Mr. Brennan:** Yes, what we included was all costs incurred in the project, any and all costs as set out in the agreement. Ontario Hydro has taken the position that they will pay for all costs from the signing of the agreement.

**Mr. Downey:** Mr. Chairperson, I just want to add some further information as it relates to this without trying to confuse it further, and that was that it is my understanding that the former administration—this is a comment from the now current leader of the opposition. He claimed that Premier Pawley's NDP government had signed an agreement between Manitoba and Ontario Hydro on August 28, 1987. I understand that there may have been a letter of intent or memorandum of understanding at that particular time.

**Mr. Brennan:** That particular agreement was associated with a 200 megawatt sale starting in '98, I believe. That made reference to looking at a further sale of a larger size.

**Mr. Edwards:** With respect to the other aspects of the development plan, moving off of Conawapa, the plan that was put before the PUB in late 1990, and I see listed here in the annual report, it recounts that another major part of that was the refurbishment of Manitoba Hydro's two thermal stations at Brandon and Selkirk.

Has that occurred? What is the status of those?

**Mr. Brennan:** That is an ongoing refurbishment program and that is ongoing. At this point, we are in the process of waiting for environmental licences to continue. It is an ongoing program.

**Mr. Edwards:** I note that another part of the annual report indicates that, and I quote, this is page 24: New forecasts indicate that Brandon Units 1 to 4 may not be required past 1996. Tentative plans are underway to place these units into a long-term lay-up.

If that is the case, and I am not familiar with the Brandon plant in particular, but what is the need for the refurbishment if parts of it are being closed down?

**Mr. Brennan:** There is a fifth unit at Brandon, and some of it is associated with the fifth unit. There are additional costs associated with making sure the plant gets to '96 as well. The majority of the money is associated with the fifth unit, in the case of Brandon.

**Mr. Edwards:** With respect to one of the other aspects, it is mentioned in the report that there are diversity exchange agreements totalling 300 megawatts with two American utilities.

Are those still on track and on line? What is the status of those contracts?

**Mr. Brennan:** Those are on line, so to speak. We have no trouble. A diversity arrangement is one that is extremely beneficial for both sides, especially in this particular one, because we are using existing transmission.

A diversity arrangement means that we will take power capacity and energy in the winter when we need it, when our peak is, and the American utilities will take it in the summer when they need it. It defers plant on both sides.

**Mr. Edwards:** With respect to the demand-side management in the initial target of 100 megawatts, and that was taken, I believe, to 285 megawatts by 2001, is that progressing satisfactorily in terms of meeting that target?

**Mr. Brennan:** Yes, we believe it is. We are probably going a little slower than what our spending indicates, but it is not a real significant amount. We have a little longer now to go with the cancellation of the sale. We will be reviewing that as part of the sequence Mr. Ashton talked about.

**Mr. Edwards:** What percentage does that represent of the overall power use by Manitobans?

**Mr. Brennan:** I believe in the year 2000, it is 6 percent. After Mr. Ashton talked about it last time, I meant to go back and check for sure, and I will tonight, but I think it was 6 percent. I meant to check that last time. I was hoping it was higher, so I was going to check it.

**Mr. Edwards:** I am not familiar with other utilities in Canada and what their targets are. Can you give us some indication as to how that compares with other major utilities? Let us take Ontario Hydro and B.C. Hydro, Quebec Hydro, for example.

**Mr. Brennan:** I believe we are at the top end, there or close to the top, in the top quartile.

**Mr. Edwards:** With respect to the Power Smart program again, it is also indicated that this particular program is a joint initiative with other utilities in Canada. Which other utilities are we involved with in that?

**Mr. Brennan:** The Power Smart theme results from an initiative by B.C. Hydro. Power Smart itself is a subsidiary of B.C. Hydro, and people pay membership. They actually have a board on this subsidiary of which I am a member actually, but every province in Canada is a member with the exception of Ontario and Quebec. They are in the process of trying to determine now whether they should belong.

**Mr. Edwards:** Aside from the targets and any debate on the levels, I want to on a personal note congratulate Manitoba Hydro for their efforts. I think that the Power Smart program is a very good one, and I know in my experience is sure working, and in particular, I think it attracts the attention of young Manitobans.

Children and young adults I think are motivated by some of the ads and some of the work that has been done. So I think it is a very good program, and I want to congratulate Manitoba Hydro for making those efforts, because I think they are very valuable. I know from my own experience and my own children that it does not go unnoticed.

With respect to an issue that is of some local significance to me, there was an explosion on Portage Avenue back in early December of 1992, and there were some initial discussions riding the front page of the papers between Centra Gas and Manitoba Hydro. What has come of that, and can we get a status report on payments to claimants and on what of any investigation that has occurred with respect to that incident?

**Mr. Brennan:** I guess I cannot give you any information as to who eventually is going to be held responsible and to what degree financially. At this point, we acknowledge the fact that we hit the gas main, and two hours later the building blew up, and I guess there are a lot of intervening things that happened in that period of time.

I guess, you know, we think it is a real tragedy, and the only thing that we are really relieved about is the fact that there was no real personal injury, which I guess we can all count our blessings for.

In terms of the compensation to individuals, Manitoba Hydro made an offer that we would reimburse all individuals who had no insurance who were victims of the blast itself. We would use an independent adjuster and we would give them \$1000 up front, you know, so they could take care of some of their essential needs and, with the

adjuster, would reimburse them totally for all their costs. Then we would try to determine after just how we would recover that if we were not 100 percent responsible.

A lawyer got in the act from the other side and suggested to his clients that they not accept Manitoba Hydro's offer, which I felt was a good one. The only thing I thought Manitoba Hydro should have done was make the same offer earlier, but I got legal advice not to do that, and it took me a while to sort that out.

\* (2030)

**Mr. Edwards:** Well, I recall some of the discussions around that time. I am pleased to hear that there has been some progress made. Do I understand then that there are a number of claimants whose claims are still outstanding against Manitoba Hydro or Centra Gas or whomever?

**Mr. Brennan:** That is correct. Nobody accepted our offer, by the way. Not one person took it up.

**Mr. Edwards:** Have there been monies paid out at all to any of the claimants?

**Mr. Brennan:** Not to my knowledge.

**Mr. Edwards:** How many claimants are there?

**Mr. Brennan:** I believe there were nine or 10 uninsured ones. I could be wrong.

**Mr. Edwards:** On another issue, one of the things that I have read recently and, in fact, has gained some media attention is the effect on animals in the wild of electromagnetic fields around transmission lines. In fact, I noticed there was a discussion on the radio this morning on that very issue. Some people were commenting on what they felt was fairly severe effects on herd patterns as well as animal health. Has Manitoba Hydro got some research on that issue, or is it occurring now?

**Mr. Brennan:** Yes, we have a consultant who monitors it for us, all the various studies that go on. In addition to that, there are some studies that Manitoba Hydro is part of through the Canadian Electrical Association, and I guess it is just an ongoing subject that we are going to have to watch. Nothing is conclusive at this point at all from our perspective, and it is something that we are just going to have to monitor as we go.

**Mr. Enns:** Mr. Chairperson, 10 or 11 years ago Manitoba Hydro entered into another contract, a contract it held with a power utility outside of this

province and, subsequently, proceeded to build the Limestone dam. I think it would be helpful, certainly for me and perhaps to the committee, if the chairperson or the president, Mr. Brennan, could give us some updating of the Limestone project and the subsequent, I believe it was, 500-megawatt sale to Northern States Power. My memory may not be right, but it seems to me that we are very close to whether it is '93 or '94 that the first sales of that energy are in fact going to take place. I would simply invite somebody from Manitoba Hydro to perhaps update the committee on that situation.

**Mr. Brennan:** The 500-megawatt sale to Northern States Power starts on May 1 of this year, and it allowed Manitoba Hydro to construct Limestone Generating Station which was recommitted in '85. Limestone, of course, is all in service now, the last unit being in September. It came in ahead of schedule and under budget significantly.

**Mr. Enns:** Mr. Brennan, could I ask—you certainly will recall, as I recall, considerable debate at the time as to the—it always seems to be the question in any of these situations that in terms of today's dollars, economics, how does the sale look?

Mr. Chairperson, I should know better because I was explaining to some of my colleagues that one really should not ask a question unless one knew the answer in this business of politics, but I asked for it because I think it is important. There was a great deal of debate at the time as to when—certainly my colleague from Thompson will recall—the economics of the deal arrived at at that point in time. That has to do with coal prices; that has to do with the state of the Canadian dollar versus the American dollar, a host of issues involved in the fraction.

I guess my bottom line question is: Will these sales that now we will start to generate on May 1 be a positive contributor to the bottom line of Manitoba Hydro?

**Mr. Brennan:** Certainly, the revenue is down dramatically from when we started the sale, but we were very fortunate in having the costs of making the sale through the Limestone costs coming down the same. I am advised that the cost-benefit ratio associated with the sale is approximately the same as when we started today.

**Mr. Enns:** Thank you, Mr. Brennan. I wish to just ask one further series of questions on another matter. I do not feel comfortable in trying to get into the full understanding of what system costs are and

what costs are to the actual power being produced. Let me ask you one more question. In terms of the cost to the system of power produced, are we making money on Northern Power sales?

**Mr. Brennan:** It is an economic sale, and it is good for the ratepayers.

**Mr. Enns:** To my colleague from Thompson, that is a freebie. On another issue, Manitoba Hydro understandably and consistently carries the burden of the damage done to our environment in the course of producing the energy in this province of Manitoba. All too often, with the greatest respect to my long-time friend the current minister, the governments of course attempt to be upfront and present when Manitoba Hydro compensates and mitigates a portion of that damage.

If I were to ask either the chairperson or the president of Manitoba Hydro, could you tell me today what Manitoba Hydro has contributed to those mitigation costs of environmental damage as a result of your activities in the North? When I am asking that question, I am asking that question on behalf of your ratepayers, Manitobans who enjoy the benefits of power, who are often with the aid of another publicly funded taxpayers' medium like the CBC having guilt trips put on them for having defiled the environment so that we can watch a CBC program telling us how bad Hydro is.

So my question simply is: Can the buyers of Manitoba Hydro today, and I am referring of course specifically to the—you know, we are entering into and have entered into certainly in the course of the last relatively few years very significant agreements to mitigate losses that occurred over a period of 10, 15, 20 years, that other governments saw fit and other Hydro boards did not either have the opportunity or were not encouraged to come to conclusion.

I am aware that throughout the length and the continuing existence of the Northern Flood Agreement, Manitoba Hydro has been making agreements as per the conditions of that agreement. There have been arbitration awards that very few, least of all us legislators, are aware of. We read when major settlements are made, as in the case of Split Lake, that involve many millions of dollars, but can Manitoba Hydro tell me how many millions of dollars Manitoba Hydro has contributed for its mitigating the environmental damages done by their

activity in the pursuit of Hydro development in the North?

**Mr. Brennan:** If you give me one minute, Mr. Enns, I will get it for you. I am going to take two annual reports, because we did it a different way both times.

Up to the end of March 31, '91, under the Northern Flood Agreement, we paid \$54.3 million. In addition to that, we advanced \$5 million to the Northern Flood Committee to provide funds to Indian bands for use in house upgrading. That took place in '87.

\* (2040)

Some of that money we applied against future claims. I think \$4.3 million of it is outstanding now. Then there was a non-Northern Flood Agreement payment, and the total amount paid there was \$35.9 million. That was to March 31 of '91.

Then during the year of '92, for the year ended March 31 of '92, we paid \$47.5 million related to Churchill River diversion and Lake Winnipeg regulation projects—that included Split Lake—and another \$11.4 million associated with the Grand Rapids project.

So if we want to total all those up, we will get the number.

**Mr. Enns:** Mr. Minister, I do not wish to pursue that, but I believe it is a point worth making and, quite frankly, yes, we often do things that disturb the environment, but surely the question is, do we mitigate, do we compensate? [interjection] Right, but if the payment is not kept in mind, I am simply suggesting that we tend to concentrate solely on the loss and not on the payment that in fact hydro users, energy users through Manitoba Hydro, have made in the past.

**Mr. Brennan:** We think we agree with Mr. Edwards's number, in excess of \$150 million.

**Mr. Chairperson:** Mr. Neufeld, I am wondering if you could bring the mike a little closer to you.

**Mr. Harold Neufeld (Rossmore):** I would like to follow up on Mr. Enns's first question then, and my background does not permit me to ask questions in generalities and do end runs, so I will be more specific. I know that the agreement with Northern States Power sets the price to be received at the avoided costs, and I believe it is 80 percent of the avoided costs that Northern States Power would have if they generated their own, and 50 percent of that avoided cost is to be calculated through the capital and 50 percent through operations. Now we

know what the capital is for Northern States Power. We pretty well know what the coal prices are now. So we must know what the rate per kilowatt hour we are going to get from Northern States Power must be. I would like to know that rate, and I would like to also know the incremental cost per kilowatt hour anticipated out of Limestone. That will give us the answer to the question that Mr. Enns requested.

**Mr. Brennan:** We will have to supply those numbers. That is not the way the analysis was done, but we can supply those numbers.

**Mr. Neufeld:** My difficulty with economists of course is, and I have discussed this with you before, that present values are for economists and bureaucrats who try to bamboozle their ministers. So I would like to be more specific.

**Mr. Brennan:** I think Mr. Neufeld and I did review this a few times. We not only did an economic analysis, we also did a financial analysis, and it was also beneficial for the ratepayers through a projection with and without the sale from a revenue requirement perspective as well.

**Mr. Neufeld:** I will just add one comment, Mr. Brennan, and that is I think the analysis Manitoba Hydro has made at all times expects that the sales from Limestone will be on fixed sales and not on interruptible sales, and that is a fuzzy area. Am I correct in that?

**Mr. Brennan:** The analysis without the sale would determine what plant was the best to build for our own load and tie it into when our own load was required. The one with the sale would include our own load plus the sale and then the revenue from the sale on the cost of making the sale. So it would include some interruptible in both scenarios, but it would also include the firm revenue in the sale case.

**Mr. Ashton:** I find this internal debate here over energy policy to be fascinating, Mr. Chairperson. I do not know the degree to which the minister's department is involved in energy policy discussion, but I hope these discussions are ongoing within the government caucus.

**Floor Comment:** They were when Harold was in there.

**Mr. Ashton:** Well, when Harold was there it sounds like they were ongoing between Harold and Hydro itself, so anyway, Mr. Chairperson, I appreciate the questions of the Minister of Natural Resources (Mr. Enns). I just wonder what the cost-benefit ratio is,

if that could also be provided, if the cost-benefit ratio is presumed to be the same.

**Mr. Brennan:** I believe it is slightly in excess of 2.1 to 1.

**Mr. Ashton:** Just to confirm that that is in the same range essentially as the initial projections, essentially what has happened here is there has been a lowering of the cost factor and a lowering of the revenue factors at a relatively equal amount.

**Mr. Brennan:** That appears to be correct.

**Mr. Ashton:** Well, Mr. Chairperson, the Liberal critic says we got lucky. I do not know if building a dam for \$1.45 billion, well under budget, is getting lucky. I do not think it is. I also think the member—I am tempted to get into this lawyer's, economist's, accountant's discussion, but being an economist I do not think I want to after—

**Floor Comment:** When in trouble stick with a rancher.

**Mr. Ashton:** A rancher, that is right. I do not like the rancher's questions, Mr. Chairperson.

I think the obvious point to the Liberal critic is that it should be quite logical to expect that there would be a deflation of both the cost and the revenue, given the relative deflation that has taken place since the time at which the original projections were made. At the time at which the original projections were made, we were just coming off high inflation rates, close to double-digit inflation rates in 1983, and while the Liberal critic said we screwed up big time, Mr. Chairperson, I think I mentioned that last time, the Liberals said it would cost \$4 billion and it cost \$1.4 billion. I do not know what the member would describe as the big screw-up out of that. I guess the screw-up as far as the Liberals were concerned is that they would be far happier—[interjection] Oh, it is what we could have made.

I think once again when we are comparing alternatives, I want to focus this on some future policy decisions—

**Floor Comment:** You do not debate with Paul.

**Mr. Ashton:** No, I know, never debate with a lawyer. Mr. Chairperson, the point here is that obviously the analysis, and there may be some dispute over the type of figures that are used, but obviously comparing Limestone to no Limestone, you have to look at both the impact of Northern

States Power but also what would have happened in terms of Manitoba's needs in terms of Hydro.

I will look forward to the information that will be coming from Hydro, but I think it has been fairly well established that Limestone has had a significant net benefit and that is relative to what would have happened without, and I want to say Limestone, the construction of Limestone at the time, given the NSP power sale. Those are the two factors that go into play, because presumably the Limestone may have been under the normal generation sequence constructed anyway a number of years later. So that was the essential decision that was reached at that point in time, and I do appreciate the Minister of Natural Resources as a former energy critic for having raised that question and got some very straight answers and put it on the record.

I want to deal with the next 12 months, and I was headed towards that in terms of discussing what the decision-making process was that led to the eventual cancellation of Conawapa and the Ontario Hydro sale, and I am focusing obviously on the decision-making process here. Obviously Ontario Hydro has its own dynamics. I think they recently—in fact the announcement today of significant reductions in the workforce and downscaling of Ontario Hydro show that they have significant financial difficulties. I do not think that comes as a surprise to anyone.

\* (2050)

What I want to ask is, there were three components built in in terms of—the cost was asked for in terms of the cancellation. Once again, we are comparing a number of scenarios here. We are comparing the scenario of, if Ontario had maintained the five-year deferment as compared to the current situation, and there may be some other permutations or combinations depending on what is happening in terms of their export sales.

In fact, what I want to ask Manitoba Hydro or the minister, it does not really matter who answers: What other potential customers are we looking at in the immediate sense? When I say immediate sense, I am looking at that five-year time frame. What other potential export customers are there, if any?

**Mr. Brennan:** The market is primarily to the south of us, excluding Ontario Hydro. So it is any of the American utilities, including Wisconsin and including the Northern States Power Company.



The sale we have now that starts this year runs for 12 years and expires in 2005. They are obviously a potential customer when that expires. So I guess there are a lot of options.

We are in the process of reassessing our position now, looking at who has some requirement, who needs to build additional capacity, because those are the people who can afford to pay the most.

**Mr. Ashton:** I am just looking at current projections for Manitoba Hydro on the inside of this publication in terms of projected revenues, in terms of interruptible and firm power sales. I take it that is based on existing contracts or, in the case of interruptible sales, also existing demand patterns?

**Mr. Brennan:** In the case of firm sales, those are existing contracts.

**Mr. Ashton:** In the case of interruptible, it is an estimate based on current purchases, given existing demands.

**Mr. Brennan:** Current sales based on limitations of our tie lines and based on what capacity our systems can produce, based on average flows or which quantities of energy can be produced based on energy flows less the amount available for the domestic market.

**Mr. Ashton:** Just to put in terms of context the extraprovincial sales, starting of course in '93-94 because of the NSP power sale, the number of firm sales increases fairly significantly from \$42 million to \$154 million.

Essentially we are looking at a significant increase regardless of the Conawapa situation obviously, which does not affect us since it has been cancelled, over the next period of time up until 2004, 2005, that being the last year of the NSP revenues from the firm sales.

**Mr. Brennan:** Firm sales increase represents primarily the Northern States Power 500 megawatt sale. There also will be an increase starting in '98 for a 200 megawatt sale to Ontario.

**Mr. Ashton:** I just want to focus in again on the upcoming five years because, presumably, when you are making decisions, and I recognize the methodology that was used, and we can debate back and forth the degree to which it is an appropriate decision-making tool to use. I mean, there were several items that were listed before, but I am trying to get some idea of what prospects there are in the next five years. Is Manitoba Hydro

advanced enough in terms of hydro sales that it feels that it may have a purchaser for power equivalent to Ontario Hydro—maybe I should I rephrase that—a purchaser power that would trigger the Conawapa dam in a way that the Ontario Hydro sale would have done?

**Mr. Brennan:** I guess this is an area that one never really knows. It depends on how the economy turns around, both in Canada and the United States. Certainly, we think the prospects are good to sell our power which is certainly economically priced as it relates to other people's alternatives. So we think the future is bright with or without a sale, and certainly we think our power is priced in such a way that it is attractive for our neighbours to buy. We will be continuing to discuss and review the options with our neighbouring utilities.

**Mr. Ashton:** I appreciate the discussions are ongoing. I am just trying to get some sense of the degree to which this was factored into the decision-making process. I mean, obviously when you are sitting down, regardless of the various measures we have looked at, if you have a potential buyer within the five-year time frame, that is going to impact on the decision-making process as to whether you consider it to be a viable option to have given Ontario Hydro the five-year deferral.

I note that there was some reference to concern about rolling deferrals. I am talking about strictly the five-year period currently. I am not talking about the concern that it might be a five and a further five. I want to ask to what extent was that factored into the decision-making process that there might be a purchaser for Conawapa?

**Mr. Brennan:** I guess that is a judgment call. Certainly, we knew we had a very attractive site from an environmental perspective and from a cost perspective. We knew that, and we knew that certainly over time when somebody required additional power, we would have the power for them to purchase. We knew that. We also knew that we had done enough work that we had a reasonable amount of confidence in that which we were selling and the price at which we should be selling it. So we thought we were in a good position no matter what Ontario Hydro did.

**Mr. Ashton:** I want to take it a bit further because obviously Conawapa is not the only potential dam nor was it when the original discussions took place with Ontario Hydro and the various sequences

developed. Wuskwatim has certainly up to this point in time, despite the environmental problems associated with it, been considered economically, depending on various scenarios—or was prior to the Ontario sale—to be considered potentially one of the, if not the, next site in the generating sequence.

So I want to ask, was that factor taken into account in the decision-making process that there might be other options, either conservation or turbines, that might satisfy any future firm export sales of power?

**Mr. Brennan:** We have looked at what the generation sequence would be with and without the sale, and we have looked at what options would we require in terms of capacity and energy should the Ontario Hydro sale proceed. I think we were extremely optimistic about the future of Manitoba Hydro with or without the Ontario sale.

**Mr. Ashton:** Yes, I am not questioning the future of Manitoba Hydro. I mean, I think the impact of the export sales has been fairly significant. If one looks at percentage of total revenues by the year 2000, you are looking at in excess of 27 percent of total revenues coming from that source which is fairly significant. I mean, you are talking over a billion dollars.

But the question I am asking is once again in terms of that decision-making process. Obviously, you know, if you want to take the analogy of what was used earlier, one of the factors was the concern that why give Ontario Hydro a five-year hold on Conawapa if there were other prospects, and I guess what I am saying is, was the fact that there are also other potential sources of energy for export sales taken into consideration? I mean, it is not just Conawapa, there are obviously other sources potentially that Manitoba Hydro has in terms of sale for revenue.

\* (2100)

**Mr. Brennan:** In terms of cost, Manitoba Hydro probably took the worst cost option in comparing it against the sale option by plugging in the most economic plant in the sequence that would be required for the Manitoba load. We did that.

Certainly there are other options that would be looked at before we committed a plant and that would be additional conservation, and it would be extension of diversity arrangements and other situations like that. Once we get looking at where we are going as a result of evaluation that is taking

place now, we will be in a better position to make ongoing judgments about what we should be spending our money on in terms of alternatives.

**Mr. Ashton:** No, I appreciate that. I mean, that is another factor. Obviously, if Conawapa is developed in the context of a sale, you also are looking at other options and what they cost, et cetera. So that is obviously a factor.

I am not taking away from it, but I guess the bottom line I was trying to get at, and, you know, I think what particularly concerns me are some of the statements the minister made on December 17. I am just trying to get some idea what the real decision-making process was, and the decision-making process that was made by the government too, because the minister has already confirmed that he and the government were involved from September 24 on.

In fact, perhaps I will ask the minister if the minister accepts the rationale that was used by Manitoba Hydro in its response on November 20 of requesting that there be some compensation for the various factors mentioned earlier, the reduction in the net present value, the opportunity cost on the invested dollars and the option that was built in that Ontario Hydro would have on the site.

**Mr. Downey:** I thought I had made it clear earlier that I did accept the recommendations of the Manitoba Hydro board and management as it related to the proposal to Ontario Hydro.

**Mr. Ashton:** Mr. Chairperson, the minister is making it clear today. He did not make it that clear on December 17 when he seemed to suggest that there were all sorts of other reasons why this might be cancelled other than the fact that Ontario Hydro, which has financial problems, I think everybody is aware of that, approached Manitoba Hydro on September 24 and that there was a counterproposal on November 20, and that the net impact of that was that Ontario Hydro took the least cost option to them which was to basically cancel the project.

In fact, perhaps I can ask, whether the minister or Hydro responds, I assume that when you make a counterproposal, you also factor in what the likely response is of Ontario Hydro. Were you particularly surprised that they came back and rejected those aspects of the counterproposal I mentioned earlier and basically went for the lower-cost option of cancellation with compensation for actual costs expended?

**Mr. McCallum:** I find it very difficult to answer whether we were surprised or not. We saw our responsibilities as looking out for Manitoba Hydro's position. We made a proposal back to them in November that we were satisfied was in the best interests of the corporation and the province, that it put us in a secure position with respect to the commitments that we would make.

We were comfortable with the proposal that we had made, that if Ontario accepted it and wanted to defer for five years, that we would be comfortable coming here tonight and you questioning us about why we had got into that, that we thought that those numbers gave us benefits that compensated for the deferral. They elected not to take it. We knew that was a possibility.

**Mr. Ashton:** I appreciate that, and obviously when you are into the response there is an element of negotiation, and there is a great deal of subjectivity that goes into any of the items that we have dealt with. I mean, you can crunch all the numbers you want, but you have to base them on certain assumptions.

We just heard earlier of some disagreements, even with some of the particular concepts here. Once again, I use the analogy of somebody selling a business. If someone negotiates a price on a business, \$100 million, and then someone comes back and says, well, we have a letter of intent but I cannot sign a contract, but within a year, if I have the money, I will offer you this price. Obviously, you have to make a decision. You have to make a decision on, you know, you can work the net present value. It may work out to a lesser amount, but that may be better than any other particular offer that is available to you.

It is the same thing in terms of the carrying costs of what is invested. If you do not have another buyer for an equivalent or better price, then obviously you may accept the offer. It is the same thing even in terms of the option. I mean, you have to obviously discount what the value is to you and discount also your judgment as to whether this individual might come through on the purchase price in determining what kind of premium you think is reasonable to attach to that option.

I guess that is why I am asking this question, because on December 17 we heard a lot of bluster from the minister, and what I am hearing from Manitoba Hydro is that Manitoba Hydro and the

provincial government, both working together, not one, not the other, both, made the judgment call that this was what they felt was a reasonable offer, and they felt that if anything less came back than what was proposed, the \$300 million figure—I am using the ballpark figure—that they felt that anything less than that, and particularly the \$150 million that would have resulted from the five-year postponement, that would not be in the best interest of Manitoba Hydro, so that the project would be cancelled.

Now I want to get that very clear on the record because, as I said, on December 17, I think the minister blamed everybody under the sun for what was happening without sitting down and saying, look, Ontario Hydro came forward, said this, we said that, they said, okay, our decision is based on your counteroffer. I will ask Mr. McCallum, in terms of that, is that essentially what happened?

**Mr. McCallum:** I wonder if you could ask the question again.

**Mr. Ashton:** The bottom line is you came back with two proposals, and you had determined basically that if they came back with anything less than this, you were willing to take the risk of cancelling the project, because you did not feel that anything less than what was counterproposed by Manitoba Hydro would have been in the best interests of Manitoba Hydro as you see it.

**Mr. McCallum:** The proposal that we made on November 20 we clearly thought through before we made it, that they might accept it. Were we prepared to go that route, and we were, if they had come back and said fine, we will take it. We were also prepared had they come back and said we are terminating.

Now it is hypothetical and therefore difficult to talk about what would have happened if they had come back and said we want to talk about X-million less for this option or whatever, but we obviously did not encounter that.

**Mr. Ashton:** I appreciate that. I mean, I think that gets to the bottom line here, that the provincial government and Manitoba Hydro wanted compensation for net present value and the opportunity cost, the money invested, and the value of the option. As I said, you can debate the figures that were attached here, you can debate the validity of the concept itself relative to the other options, but that was the decision that was made.

That, by the way, was not what the minister said on December 17. I think he blamed the Leader of the Opposition (Mr. Doer); I think he blamed the Ontario NDP. I am surprised he did not drag in all sorts of other factors. He usually likes to blame previous governments. The minister is particularly good, a lot of times, at blaming everyone and accepting none of the responsibility himself.

But he was the Minister of Energy and Mines, and we have heard tonight essentially that he approved of Manitoba Hydro's negotiating position, its counteroffer, and we can debate that and we can have some legitimate debate back and forth, as we had earlier, about the concepts. We can ask questions and get details on it, but that is why Ontario Hydro made the decision.

Manitoba Hydro made its decision, basically, between September 24 and November 20, and Ontario Hydro made its decision between November 20 and December 17. That was the decision-making process. The end result is that Conawapa has essentially been cancelled. The Ontario Hydro sale is no more.

Mr. Chairperson, I think finally we are getting some clear statements on the public record. Now, we will see--and I notice the minister smiling, but the minister has a habit of walking out of here, out of these types of committee meetings and saying something completely different.

I just want to say, Mr. Chairperson, that if indeed the minister attempts to say anything different anywhere else other than this--in fact, if he has any credibility left when it comes to Conawapa, because I must say that most people I have spoken to have taken particular--if it were not such a serious matter, and I know particularly up north, many people have found almost comic the degree with which the minister is blaming anybody other than himself, and I think the appropriate thing--we had a good lecture earlier. It is really unfortunate that I do not have the opportunity to congratulate--[interjection] Well, the point is to the Liberal critic, if he did not understand it before, the bottom line is the minister blamed everybody else but himself. The buck stops with this minister when it comes to a decision that was made on Conawapa and the Ontario Hydro sale.

\* (2110)

It was based on the counteroffer from Manitoba Hydro on November 20. That is the bottom line. That is something that I think the minister is going

to have to explain in contrast to his remarks of December 17.

I want to go a step further because, okay, it is cancelled. There is no Ontario Hydro sale. We are reviewing the generation sequence. There was discussion last meeting about the particular--

**Floor Comment:** That problem we finally got solved now.

**Mr. Ashton:** --problem we finally have solved in this committee. We will see if it is solved outside of this committee. The bottom line is the whole generation sequence is being revisited.

What I want to ask is--and I want to ask this to the minister, and I want to ask this to Manitoba Hydro, and I will start with Manitoba Hydro--in terms of the cancellation of the environmental review, was Hydro in any way, shape or form involved in the decision-making process that led to the cancellation of the environmental review?

**Mr. McCallum:** The sale having been terminated, Hydro was no longer the proponent of building Conawapa. Clearly, without a buyer of 1,000 megawatts, we were not in a position to recommend that the province invest \$5.4 billion. So not being a proponent, we were back to the drawing board with respect to our development plan. There was a load forecast that would require power at some particular point in time in the future. We had no buyer for the 1,000 megawatts, so we gave the government notice that we were no longer proposing Conawapa. What we wanted to do was look at our development plan in light of the new development.

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

I suppose tonight we are not able to tell you what we would propose to build next. It would depend on what kind of buyer we had, how load growth changed, those kinds of things.

**Mr. Ashton:** I want to ask the minister, as I understand it, essentially Hydro's response is that Hydro is no longer a proponent of Conawapa as of December 17.

**Mr. McCallum:** As of December 17, that is correct.

**Mr. Ashton:** I want to ask the minister again, the decision that was made to cancel the environmental review, when was that decision made?

**Mr. Downey:** Mr. Acting Chairperson, the chairperson has expressed that after not having the

sale of 1,000 megawatts to Ontario, proceeded to notify I believe the licensing authority that in fact they did not plan to proceed with the project. I would have to get the specific time in which they notified the Environment department and, again, get the date on which they received the response from the Environment department.

It was not handled by me. It was handled by the Minister of Environment (Mr. Cummings), both federal and provincial, because it was a joint agreement which the licence was being applied under. So the specific dates I would have to get for the member, but the process was there for the applicant to indicate that they did not want to proceed. They were not proceeding, and then it was up to the Environment department to in fact take the necessary action that had to be taken after that notification came in. As far as those dates, we will have to get them for the member. I do not have them right here.

**Mr. Ashton:** I would appreciate that, and I guess I want to get to this sort of December 17 to June gap that we are in currently, and I take June as the date that was given before by which there will be a new internal generation sequence.

**Mr. Brennan:** Planning cycle.

**Mr. Ashton:** Planning cycle.

**Mr. Brennan:** It actually goes a little longer than that when we end up with an IFF. We take the financial forecast to the board in October.

**Mr. Ashton:** I guess one of the concerns that has been expressed by a number of people is over the cancellation of the environmental review. I realize, in the context of the Ontario Hydro sale, and obviously there is a difference in the scenario, but what I want to ask here is—the reason I ask the dates is, why was the decision made to cancel the environmental review given the fact that the alternate generating sequence will be ready as early as June, given the fact that I understand from the answers before that there is some prospect of other sales which may trigger the construction of Conawapa? Obviously, that was taken into account when the counteroffer was made to Ontario Hydro that would have put a premium on Ontario Hydro maintaining some right to purchase the power and have Conawapa built to provide that. So I want to ask why the decision was made to cancel rather than to either continue or to postpone on a temporary basis the environmental review.

**Mr. Downey:** Mr. Acting Chairperson, the question would be more appropriately asked of the Minister of Environment (Mr. Cummings) as that was who the licensing department was as it related to Conawapa. Mr. Brennan may have something further to add in that response, but again the question as to the decisions made by the Environment department would be more appropriately asked of the Minister of Environment.

**Mr. Brennan:** Right now without a sale hope we do not require the new generation until at least 2009. At that point what we looked at was making sure that we were not spending money on any generation source. Like, we were not going to build Conawapa at this point. We are going to stop spending money on Conawapa as best we can, and we are doing it in all areas, and the environmental area was just one. We do not know if Conawapa is the next plant, and it will be some time before we actually have to commit to a plant under any scenario. So, from a Manitoba Hydro management perspective, we were of the opinion that it was best to tell the Department of Environment that we no longer had a project.

**Mr. Ashton:** I appreciate that fact, but what I want to do is point to some of the concerns that have been expressed in terms of the whole environmental review process. You know, it used to be that you did not have an environmental review. There were internal discussions that took place.

**An Honourable Member:** Limestone.

**Mr. Ashton:** No, indeed. Yes, the Liberal member is quite correct. It was not that there was no environmental review of the project, there was no independent environmental review, Mr. Acting Chairperson—the Liberal member is quite correct on that—or previous dams. What is happening currently is that there is going to be a decision-making process put in place, tentative as it is, long-term as it is, subject to change of course if there is a move up in terms of Manitoba's own needs in terms of hydro demand or export sales, but there is going to be this internal process take place. I am wondering if consideration is being currently given to having a full public review of Manitoba Hydro's plans as they are developed in June in advance of a particular project.

I point, for example, to the fact that even with Conawapa there were significant activities that took place with Conawapa in the initial stages as evidenced by the fact that Ontario Hydro will be

paying a significant amount of money for the work that has already been done. That is traditional with dams. You build the cofferdam, you prepare the work site, et cetera, and obviously one of the concerns that has been expressed in the past—I know one of the Liberal members has vocalized this, to be fair—is in terms of even the preparation that takes place prior to an environmental review.

I want to ask either Hydro—and maybe it is a bit beyond Hydro's mandate, but I think it does relate to Hydro's development activities—and maybe to the minister, whether consideration will be given to putting the generation sequence developed in June to some form of an independent public environmental review so that we do not have to rely on internal decisions made by Hydro and the government, and some later environmental review that may not click into place until construction activity, as was the case with Conawapa, is well underway.

**Mr. Downey:** Mr. Acting Chairperson, the basic bottom-line question I think that the member is trying to get at, and that is the process of environmental hearings as it relates to future projects. I think that he has expressed himself, as the Liberal critic has commented, that previous activities on the Nelson River have not had external environmental hearings. This government has committed to those. That is a process that has to be gone through. It is a matter of making sure that before any activity takes place that that process is started in adequate time ahead of the actual demand for that project is done appropriately.

\* (2120)

(Mr. Chairperson in the Chair)

Again, there is a process that is in place for Manitoba Hydro to follow as it relates to the licensing of a project. I am sure that they can speak to this as well as I can that, when they know what their next plan will be as it relates to generation of power, in advance of that, they will put a request, as they did when the building of Conawapa was desirous, that they would proceed to put their request to the right licensing departments within government, which is the Environment department, to carry out the work that has to be done.

**Mr. McCallum:** There is a big difference between a plan and a commitment. What you are getting at is that on an annual basis Hydro thinks about its sequence and thinks about what the load forecast

is and comes up with some kind of a notion of what it might build at what point. That is kind of very hypothetical, but it is a plan. Year after year to subject that hypothetical plan to environmental review and Public Utilities Board assessment would be enormously costly. That annual exercise puts Manitoba Hydro in a position to, when it is necessary, talk about a serious commitment, and it is at that point that, with Conawapa anyway, we went to the Public Utilities Board to look at the capital economics and went to the environmental panel to look at the environmental and other impacts.

**Mr. Ashton:** One of the reasons I am concerned is because within this internal decision-making process, one of the immediate decisions that will be made will be in terms of conservation, and conservation has to be looked at both in terms of the immediate sense and also in the long-term sense. It was mentioned last time.

I appreciate the fact that the board is looking at all the costs, including the environmental costs that would be involved. For example, I asked before in terms of energy policy. I have a copy of a document from Ontario issued in June, A Framework for Energy Efficiency and Conservation in Ontario, where the context basically of energy conservation is directly related both to demand, to the financial situation of Ontario Hydro and to other options and the status of those other options.

It seems to me that when you are looking at long-term planning in terms of energy conservation within the next period of time, you are going to be looking at those sequences; you are going to be looking where you can get the power from; you are going to be looking at the cost at X point in time of the construction versus the conservation option.

What I guess I am asking is, other than internally generated analysis, what input will the people of Manitoba have in the very important policy decisions that are being made? I recognize we are talking about the generation sequence in a planning sense; I am not talking in a project sense. What input will the public have?

I particularly refer to northern Manitobans who have had a pretty mixed history in terms of Hydro developments in the past. What input will they have in terms of these discussions?

**Mr. Downey:** Mr. Chairperson, before any firm decision is taken or when a firm decision is taken as to the next development, then it is incumbent upon

Hydro to put their application to the proper licensing authority within government. As it relates to future plans and discussions of that, then this process that we are participating in right here is the opportunity to do it.

I think we are very conscious, as he is very conscious, as all the public are conscious today of the need for an open and complete opportunity for the public to make their expression of concern as it relates to development in Hydro or any major project. So that is really, I think, all we can say at this particular time.

**Mr. Brennan:** I would like to add one thing to what the minister said as well. Manitoba Hydro is committed to consulting with any impacted people as a result of our projects. We want their views on what the development will be before we actually make the decision that that is the project we would like to build.

We want to know their views, we want to know how they are going to be impacted, and if it is people who are going to be significantly impacted, such as through water levels, we would like their support in committing to that plan.

I think we are probably into a stage now that is pretty far advanced, Mr. Ashton, in terms of that consultation process, that sort of agreement-type situation, if you will. Certainly decisions will have to be made knowing all the factors, including the impact on people and what the views of those people are as a result of that decision, and we are committed to that.

**Mr. Ashton:** I appreciate that, but the answers only increase the concern I have. What if the numbers are crunched and Wuskwatim is the desired alternative, does somebody decide internally within Manitoba Hydro that there is a greater cost benefit and that the environmental damage which would occur on the Burntwood River and which would impact on the Nelson House Band, which still, by the way, has not finalized, after 16 years going on now, the Northern Flood Agreement?

I mean, are we then going to say, yes, we have Wuskwatim, so we are going to sit down now with the Nelson House Band and say, we would like to build Wuskwatim? Do you want to build it and damage the environment? Do you not want to build it? I mean to my mind that is what has traditionally happened in terms of the decision-making process. You know, there are a lot of good things have

happened with Manitoba Hydro the last number of years, and one of the good things that has not tended to happen has been in terms of getting that kind of involvement beforehand.

In the Limestone project the main focus was on employment and training in terms of getting that in place beforehand. It was largely assumed in Limestone there was limited environmental damage, which indeed there was because the flooding had already taken place, although obviously there was some environmental impact. That has always been the assumption with Conawapa, subject to whatever the environmental review would have shown.

I understand there has been consultation. You know, I know Hydro people have talked on a regular basis to people, certainly my own constituency, because my constituency is the one that would be most directly affected by most of the generating sequences. I guess what I am asking is, what kind of public process is there going to be in terms of this beyond consultation meetings—which I appreciate Hydro has done a very good job, it was very well received—but what input is there going to be in terms of the real decision-making process over the next three or four months?

**Mr. Brennan:** In terms of the next three or four months, I do not think there will be an awful lot inasmuch as it will be some time before any decision is made or even needs to be made. At this point, with a 2009 in-service date, it will be years.

Having said that, as part of our overall planning process we will talk with all impacted people. Going back to the example you gave, which was Wuskwatim, it would be our intent that if we are going to build Wuskwatim we would know what impact it is going to have on all the affected people. They would be happy with how we were going to mitigate those impacts, and we would have an agreement, if you will, with them as to what the courses of action for Manitoba Hydro would be.

We will not end up with a Northern Flood Agreement or that sort of an arrangement. We will end up with a series of documents saying what we intend to do as part of the project.

**Mr. McCallum:** I think Hydro has learned that development will go best when all of the people who are affected by it are involved. This has been learned over time.

I cannot tell you tonight exactly how the consultations are going to take place, but the board is now well aware that we will best get on with our business of providing a continuance of power if we are open, if we get on with consulting with people who are directly affected, if on an ongoing basis we are doing environmental work, and on an ongoing basis we are going through the normal planning cycle.

I am not suggesting that we have a perfect process yet, but I think there is now a process in place that will see hydro development take place in a way that the public will be satisfied with and that the members of the Legislature will be satisfied with.

\* (2130)

**Mr. Brennan:** I think there is one area that you asked questions about. We are in our very, very early planning processes for the Birthday-Gull sites. We are looking at those sites. It is a site, once again, that we are now talking 2009. So we are in the very early stages of it.

At this point now we are talking to the people of Split Lake. They are involved. They are trying to understand what we are doing. They are trying to understand what the project would mean to them. They are starting right at the very start of the planning process with us. Hopefully, that type of process will work.

Mr. McCallum said we do not have a perfect process, but I think we have one of the better ones.

**Mr. Ashton:** I appreciate that. I know these discussions have taken place. I was just in Split Lake a few weeks ago, and reference was made by a number of the councillors.

What this does is inform people of what is happening and start telling them what is likely to be anticipated. That is appreciated. I was talking in terms—and this is internalized once again. Let us face reality here. This will be a criticism of Manitoba Hydro.

I have been fairly supportive of Manitoba Hydro, but I think there was a terrible record in dealing—and in fact, I notice you said it on the record, as president, a terrible record really in terms of dealing with northern people in the initial stages of many of the dams that caused the most significant flooding. People were not given the information, and when they were given information it was given information, period. There was not any level of consultation.

I talked to people, elders in communities who say that some of the information that was given was inaccurate and that there was almost a disdain, and this is 20 years ago. This is not meant as a criticism of the ongoing operation, but almost a disdain of a lot of people and even questioning by many of the people who were supposed to be providing information as to what, really, concerns people had anyway, the trappers and the fishermen and the hunters, the people earning a traditional living in many northern communities.

I want to ask—maybe I will ask the minister, because I think this is important. I note for example, in terms of this Ontario paper that has been developed that there is talk about public participation. What kind of public participation does the minister entail in terms of future energy and conservation policy in Manitoba as it relates specifically to hydroelectric power?

**Mr. Downey:** It is pretty difficult for me to elaborate more than what has been discussed by both the chairman of the board and the president.

I think the key word is "adequate." Adequate consultation and discussion as it relates to the future activities of Manitoba Hydro is the important thing. I will leave my answer with that.

**Mr. Ashton:** Once again, I mean, the minister is not answering the question. Adequate—this is something that does no service to this committee or to people in Manitoba or people in northern Manitoba.

I asked in terms of public consultation related to energy policy. I am not talking about Manitoba Hydro sitting down with the Split Lake Band and saying, this is in the early stages of development and this may happen. That is a different level of discussion that is taking place. That is good. I think that is positive. I think it should take place in every possible generation. I am not criticizing that. What I am asking is: What is the government plan to ensure that not only is the discussion focused around Hydro saying, we think this, that and the other is going to happen and what are your concerns in that level; but asking the broader community what the concerns are and providing information and seeking input as to possible environmental damage, seeking the experience of people, for example, in northern Manitoba who have seen what can happen in terms of previous dams, trying to get the input



before the essential decisions are made rather than after?

I know that this may seem a long way off, but if you are dealing with 2009 and you are dealing with a lead time in which you have to have construction start taking place, and then you are dealing with a further lead time in which you are making planning decisions, and you are dealing with internal environmental reviews and external environmental reviews, it is not as far off as we think, particularly if there is some other sale that comes up or there is some other factor that comes into play.

I am asking the minister, does the minister have any plans in terms of involving the public either on environmental questions or socioeconomic questions over the next period of time, or are we going to wait for Manitoba Hydro to pick out of 10 different scenarios what it thinks are the best and then we will start the same sort of process we started before, which I think we all have agreed, I thought we had all agreed, is a problem in the sense that we end up with things taking place far too late to really affect the decision-making process.

**Mr. Downey:** Mr. Chairperson, all I can further add is that in the work that Hydro is doing and have been doing, we know that the experiences that the province and the people of the North have encountered, I think there have been lessons learned from that. Again, there are environmental processes that have been put in place as it relates to the development of northern Hydro projects, as it relates to land settlements with Hydro and the province. We have shown by example that we are serious and genuine about getting them resolved.

As far as future energy policy is concerned, there is a board of directors as it relates to Manitoba Hydro. There is a Department of Energy that I specifically pointed out work together in an informal fashion at this particular time, but an adequate process will be carried out as it relates to public consultation.

**Mr. Ashton:** The minister keeps using the word "adequate" with no specifics, no commitments, no time lines, nothing. That is not adequate, I think, for most people. I do not know how many times I have to ask the question before we can get some sense of the minister even recognizing what the concern of a lot of people out there is. It is one of the concerns that was expressed, for example, when

the environmental review of Conawapa was dealt with.

Let us maybe be more blunt. What would have happened in terms of Conawapa if the environmental review had been essentially negative? Where would Manitoba Hydro have been with all its eggs in that one basket, with it half constructed, with the contractual commitments? I throw that type of scenario out because the problem with a one-track review with no advance public consultation is that you end up with public participation and environmental review after the essential decisions are made. Let us face it, in terms of the process, what then happens is the environmental review is a yes-or-no type of decision, and it comes at such a late date that there are all sorts of dynamics, whether they be economic or whether they be, dare we say, political in terms of governments, that that may also come into place.

**Mr. Downey:** That is a hypothetical situation, Mr. Chairperson.

**Mr. Ashton:** Mr. Chairperson, it is not a hypothetical situation. It is exactly the situation that we found ourselves in in this province and we have been finding ourselves in in this province for the last 25, 30 years, and it is something—I am not blaming the minister. He happens to be the current minister. It is not even a question of blame; it is a question of finding out what the dynamics of the process are and dealing with it.

Perhaps I will leave it with the suggestion to the minister that we have to get the public involved. We need some independent environmental analysis, and I am not in any way criticizing what Manitoba Hydro is doing. I think it is positive, and it is receiving positive results.

I think we have to rethink the kind of process that we found ourselves in with Conawapa, recognizing that this was the first time when there had been an independent environmental review. I think that is fair. Once again, I am not being critical of why we are in this situation. Before all the reviews—and there were environmental reviews—were internal, either to government or to Manitoba Hydro. There was no independent review.

My concern is in terms of a process that gets things on a track and clicks in with an environmental review on the chosen project that is essentially the decision of the government and Manitoba Hydro at a point at which questions have to be asked

seriously about what difference, if any, that review will have.

**Mr. Brennan:** I thought we were agreeing with you, but I am not sure. We are going to consult with people, make sure that they are part of the decision before it is made, that they know what impact it has had, and I am not sure if we can do any more. I think we are saying the very same thing.

\* (2140)

**Mr. Ashton:** Mr. Chairperson, I think the agreement is in terms of the intent. The disagreement is whether it is internalized within Manitoba Hydro or whether it is a more broad public process. That does not mean I disagree with what Manitoba Hydro is doing, but I am saying it has to go beyond that, and I do not think the minister has recognized that.

I have a whole series of other questions, and I want to start off with one that is related in an indirect way and that is in regard to Manitoba Hydro rate structure. There has been concerns expressed for many years. I know I have expressed them. I know many others in the North and the rural communities have about the fact that we have a system of power rates in the province that is based on the density of service area.

Mr. Chairperson, that results in Winnipeg paying the least amount of power in a tiered structure. I appreciate the member for Winnipeg saying, and so they should. Well, you might want to talk to rural and northern Manitobans about that.

The concern has been expressed in some communities, like Cross Lake which has been affected by Hydro development in the past where there is no signed Northern Flood Agreement global settlement. People have gone to the point of refusing to pay their Hydro bills, demanding they at least pay the same rates as the city of Winnipeg.

I will ask the minister, perhaps, if the policy of the government is that there should be a tiered rate structure that does result in this or whether they are willing to review the current rate structure in light of the concerns that have been expressed.

**Mr. Brennan:** Manitoba Hydro is in the process of reviewing that particular concern that you have, Mr. Ashton. It is a personal view I have that we should try to go to one rate structure for the whole province. That view appears to be accepted within the corporation, and it will probably have to be done

over a series of rate increases, but clearly that appears to be the corporation's intent.

**Mr. Ashton:** Hallelujah, Mr. Chairperson. I cannot believe it. Having raised it internally a few years ago, having raised it publicly—[interjection] Yes, I have raised it when in government, and I will keep raising it again.

The reason, I think, the logic of the president of the corporation, Mr. Chairperson, is impeccably logical in this case, is because you are faced with a situation where you are going to have over the next number of years, according to your own projections, increases at or below the rate of inflation, and if you are looking at not impacting negatively on other customers, obviously that is the time when you phase in that kind of structure.

I do not even know if I should continue, after getting such a positive response, but can I ask what kind of time frame we are looking for in a decision on this process from the board.

**Mr. Brennan:** We were proposing to take something to our board fairly soon. The next time we apply for a rate increase, it would be part of the rate application.

**Mr. Ashton:** I am sorry, Mr. Chairperson, I was being asked—I was wondering if that could be repeated.

**Mr. Chairperson:** Would you repeat, Mr. Brennan, please?

**Mr. Brennan:** We are proposing to take the concept to our board within two or three months, and the next time we apply for a rate increase it would be part of our application.

**Mr. Ashton:** I hope the minister will support that. I can assure him of support from other members of the House. I know it is our stated position. I believe the Liberals are on record on that.

Thank you. Wow, we got an answer. That is great, a good answer. That will be much appreciated by people in northern Manitoba. It certainly will be the first one, at the next meeting of this committee dealing with Manitoba Hydro, to congratulate Manitoba Hydro if they do proceed with that. I think it is something that is long overdue.

I have some other questions, Mr. Chairperson, on the Northern Flood Agreement. There has been some discussion of that tonight. I do note that settlement was reached with the Split Lake Cree Band. I certainly know it has been a matter of

considerable discussion in the community, and there was a great deal of support for the final settlement, I think, a sense that it was a long time for people to have to wait, but not only did they not want to wait any longer, they really want to work seriously on development.

I am just wondering if the president would like to give some sort of indication to the committee of exactly what that settlement entails.

**Mr. Brennan:** This was a relatively extensive agreement. Let me see where my notes are on this. It is probably best to do it by memory.

It was a \$47-million settlement that was shared by the Province of Manitoba, Manitoba Hydro and the Government of Canada. It provided for some obligations in addition to the money from the Province of Manitoba in terms of resource management issues and that sort of thing. In addition to that, it provided for the money to be set aside in trust funds that provided for the ongoing development and benefit of the community.

I am not sure if you want more.

**Mr. Ashton:** Perhaps at the next meeting of the committee, if we could just have a summary of the settlement, I think it might be useful for members of the committee.

**Mr. Downey:** Mr. Chairperson, I think it would be helpful, if the member—there is a complete copy of the agreement available. It is a public document which is circulated. The member can have a copy of it, as many copies as he likes, and go through it.

It has all the detail, the whole process, and it would certainly save the time of Manitoba Hydro and this committee. The whole thing is public and open for scrutiny. I would invite the member to take the time to peruse it.

**Mr. Ashton:** I am not asking for my benefit. I am asking for the benefit of the committee. I am just suggesting that a copy be tabled. I think that would be useful, and I do not think it would be too onerous a task for either Manitoba Hydro or the minister to table a copy.

**Mr. Downey:** I cannot recall—I think maybe I tabled one in the Legislature of which all members would have a copy available to them. If I did not, I apologize, but I will make sure the members have it. I would have hoped we could have finished this committee this evening rather than bring Hydro back again for the third time.

**Mr. Ashton:** I do not anticipate we will be necessarily even having a full committee meeting next time, but there are still a considerable number of questions I still have to answer. I am proceeding. I am asking about the Northern Flood Agreement, which is still an ongoing issue. I would like to ask further on the Nelson House situation, the annual report reports that a working group has been established involving the Nelson House Indian Band representatives as promised by Manitoba Hydro. I am just wondering what the status is of the Nelson House negotiations?

**Mr. Brennan:** There is an agreement reached at this point in terms of an agreement in principle between the parties to the Northern Flood Agreement associated with Nelson House. From here we have to develop a full-scale agreement.

**Mr. Ashton:** Have any time frames been set by the parties in terms of discussions?

**Mr. Brennan:** I believe we are hopeful of having an agreement completed by May or June.

**Mr. Ashton:** Certainly, without getting involved directly in the negotiations, I can indicate that the people in Nelson House are certainly committed to attempting to reach an agreement, very anxious to proceed with the discussions.

I have a further question in terms of York Landing, Cross Lake and Norway House. What is the current status of negotiations with those three bands, the three remaining bands that have been negotiating globally and jointly with Manitoba Hydro and the two levels of government?

**Mr. Brennan:** In the case of York Landing, we have had ongoing discussions with them. They have been sitting in on some of the negotiating meetings with Nelson House, just getting a feel of the exercise, so they are feeling comfortable with it. We are hopeful of having some ongoing discussions with them shortly.

In the case of Cross Lake, we have been talking to them on quite a few settlements. We actually came to terms with them with a relatively major recreation settlement recently. I believe it was \$8.4 million, so it is quite extensive. We are continuing to talk to them. As far as I am concerned, and hopefully the people of Cross Lake will agree that we feel we are coming along reasonably well.

In the case of Norway House, we have just had general discussions with them.

**Mr. Ashton:** I appreciate that. I might also add that the decision that is being made on Hydro rates may certainly improve some of the prospects within Cross Lake. I know that is one of the significant—and I am not getting involved in the discussions and negotiations by the way—barriers in terms of concerns. It is one of those ongoing sore points.

I just want to ask, what other negotiations are ongoing related to mitigation outside of the Flood Agreement? Are there any other ongoing processes of negotiation?

**Mr. Brennan:** The only other one is South Indian Lake negotiations, and they have been pretty well completed. I believe the minister has made an announcement about that publicly.

**Mr. Ashton:** So there are no ongoing negotiations of any other nature?

\* (2150)

**Mr. Brennan:** Oh, one other one is Churchill. I am sorry. Churchill has made a claim to Manitoba Hydro and we are talking to them right now as well. I believe that takes care of any outstanding claims. Like, there are none that we are not either talking about or settled.

**Mr. Ashton:** I realize there have been quite a few settlements in recent years. Over the last 10 years most of the outstanding items have been dealt with. Of course, the bigger ones are still open. I am hopeful, and I say this on a positive note, I mean I am hopeful that some of the renewed willingness to negotiate, discuss, may lead to some positive results. I want to indicate too, on the record, that one of the major barriers in the past, the last year or so, has not been Manitoba Hydro or the provincial government but rather the federal government. They seemed to have budged from some previous positions that were affecting significantly any prospects of negotiations, and I am certainly hopeful on that particular score.

I am just wondering, in terms of the internal process, what kind of analysis is being done currently in terms of mitigation on future projects. What kind of methodology are you using? How are you going to look at that? Are you going to look at the existing settlements? Are you looking at past patterns, because obviously there is a new process underway within Hydro on that? What kind of methodology are you looking at?

**Mr. Brennan:** Our methodology is trying to come up with something that is acceptable to both sides, that we can both be happy with in terms of trying to make a reasoned judgment about what the method of evaluating losses are. In most cases we try to do it in a way that is acceptable to the native people as well as acceptable to Manitoba Hydro, and see where the results come out. Hopefully they will come out, with any process, very close. I think within the last two or three years we have made real strides, as far as I am concerned, and hopefully our partners to the agreement, especially the aboriginal people, will agree with me.

**Mr. Ashton:** I appreciate that. I would like to ask some questions on various communities in Manitoba that currently do not have line power. I would just like to ask the current plans in terms of those communities.

**Mr. Brennan:** We are proposing to extend with the funding assistance from the Province of Manitoba and the Government of Canada a land line to the seven communities as part of the north-central project. That leaves six communities left that still have diesel power. We have agreed some time ago to enhance their capability to get 60-amp service, and that should take care of all uses except electric heat. There are also two other communities that we are hopeful will be in a position to get land lines.

**Mr. Ashton:** Which other communities are you looking at in terms of land lines?

**Mr. Brennan:** Thicket Portage and Pikwitonei.

**Mr. Ashton:** Thank you. Mr. Chairperson, as the MLA representing those two communities I have a distinct interest, and I have always, if one looks at—[interjection] That is right, and given the relative distance if one looks at the map, I mean it has always been a concern of the communities of Thicket Portage and Pikwitonei, given their relative proximity to—can I ask what time frame we are looking at in terms of Thicket Portage and Pikwitonei in terms of installation of line power?

**Mr. Brennan:** We are in discussions with the province regarding financing for the line, so it is a little difficult to say at this point, Mr. Ashton.

**Mr. Ashton:** We have the province here right now. Maybe I can ask the province, or the minister anyway, what time frame he is looking at in terms of government commitment to funding of those lines.

**Mr. Downey:** Mr. Chairperson, if we could get this committee to pass this report, we could get out and get working on it right tonight, you see. We are being held up. That is how immediate we would be prepared to look at it.

Seriously, it has been an ongoing request of those communities. I have been in discussion with them, my deputy minister has with Manitoba Hydro, and our record is pretty good, I think, when it comes to wanting to make sure that communities like Peonan Point, the only one of the other communities that did not have electricity from the main source, the northeast Hydro system, which we are now in the environmental process, which in fact could really change the whole lifestyle of those communities, bring them into the modern-day times. It is ongoing discussion and, as we have available resources, Mr. Chairperson, we will proceed, because I am a strong advocate of making sure the people of the North have the resources that are generated in the North, and so as soon as we can find the capability of doing it within the capital budgets that we have available to us.

**Mr. Ashton:** What cost-sharing basis would be involved? I would really like some sort of time frame, but the reason I am asking that is because Manitoba Hydro's financial position is looking relatively good over the next period of time, and obviously one—[interjection] Well, when you are looking at a utility that is projecting being able to increase its reserve—and this is an issue I want to get into when we have time next time—and which is looking to be able to bring in utility rate increases of at or below the rate of inflation and equalized Hydro rates, obviously you are dealing with a utility certainly in excellent shape compared to most other utilities. What I am asking is what the cost-sharing is so I can get some idea what the time frame is. I mean, are we talking about decisions over the next few months? Are we looking at two, three years? I mean, what kind of time frame and cost-sharing are we looking at?

**Mr. Downey:** Mr. Chairperson, that is exactly what is being discussed between the Department of Northern Affairs and Hydro at this particular time. It is not difficult to get the minister together with the portfolios. It is the people who work for the minister that have to do the background work, so as that information is available I will be more than happy to let the member know and those people which he represents.

**Mr. Jack Penner (Emerson):** I thought the member for Thompson has received such a bundle of good news tonight, if he received any more good news I doubt whether he would be able to stand it. Therefore, I thought it might be worthwhile asking the question of Manitoba Hydro whether there might be similar good news for the agricultural community in this province, in trying to—and I know that the agricultural community has for years tried to convince Manitoba Hydro—put 220 service into most farmsteads, being that most farmsteads these days are big business, operate large power units in many cases, such as drying equipment and grain handling equipment, which all need electricity and cost some farms a very significant amount of money to bring 220 power into their yards.

We all know that 120 power simply does not drive much of this big equipment that is currently being used. Therefore, I ask the question whether Manitoba Hydro might, in fact, be considering putting 220 power into many of these farmsteads in rural Manitoba.

**Mr. Brennan:** In almost all cases, we find that the revenue that is going to be generated does not warrant the expenditure, and therefore we ask for capital contributions.

Most farmers find this pretty much of a problem for them, and we have had to look at other options. One of the options that we have come up with now is a program whereby we will look at phase converters, and at this point we are looking at a financing system to finance the purchase of phase converters for farmers. That will be announced very shortly.

**Mr. Penner:** I wonder, Mr. Chairperson, whether the honourable members opposite might want to consider adjourning this committee at this time. I think we have had adequate time to question, and it appears to me that the honourable member for Thompson (Mr. Ashton) and the opposition members have had really a great share of great news from Manitoba Hydro today and therefore might consider adjourning the questioning of Manitoba Hydro at this time and going on to other business.

I know that the Manitoba Hydro staff are very busy and in extreme urgent need of their time to exert the kind of efforts required to make sure that the services are going to be put where they are needed in northern Manitoba and in many of the

communities of the honourable member for Thompson. I wonder whether we might let them go at this time to attend to that business.

**Mr. Ashton:** I appreciate the concerns of the member, but we do have some more questions. I believe that if we adjourn at this point in time we can come back, and I have mentioned to the minister responsible, and I cannot, obviously, speak for the Liberal critic, but I do not anticipate we will be going beyond one more committee hearing.

**Mr. Chairperson:** As previously agreed, the time being ten o'clock—

\* (2200)

**Mr. Penner:** Well, I respect that the honourable members opposite might have more questions to ask. I wonder, in light of the fact that the Manitoba Hydro is here and the minister is here, and all the committee members are here, and I know that members on our side of the House would be willing to continue the discussion at this time and the questioning, that we might in fact continue sitting if the opposition would agree to finish the process tonight.

**Mr. Chairperson:** As previously agreed, the time being ten o'clock, the meeting is now adjourned. Committee rise.

**COMMITTEE ROSE AT:** 10:01 p.m.