

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

Chairperson
Mr. Daryl Reid
Constituency of Transcona

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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WOWCHUK, Rosann, Hon.	Swan River	N.D.P.

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Monday, October 25, 2010

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

VICE-CHAIRPERSON – Ms. Marilyn Brick (St. Norbert)

ATTENDANCE – 11 QUORUM – 6

Members of the Committee present:

Hon. Mses. Howard, Irvin-Ross, Wowchuk

Mr. Borotsik, Ms. Brick, Messrs. Cullen, Dewar, McFadyen, Pedersen, Reid, Ms. Selby

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

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

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

MATTERS UNDER CONSIDERATION:

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

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

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Mr. Chairperson: Good evening, everyone. Will the Standing Committee on Crown Corporations please come to order.

The first item of business for this committee is the election of a Vice-Chairperson. Are there any nominations?

Ms. Erin Selby (Southdale): I'd like to nominate Marilyn Brick.

Mr. Chairperson: Ms. Brick has been nominated. Are there any further nominations?

Seeing none, Ms. Brick has been elected as the Vice-Chairperson of this committee.

For the folks that are here with us this evening, I'd like to mention to folks that if you're unable to find a seat in this room, we also have made available

the additional committee room just down the hall from here. We're hoping that the sound system will be adequate in there. Please bear with us if we encounter some technical difficulties for a period of time. But that overflow room is available for you if you wish to proceed there to listen to the proceedings of this committee hearing this evening.

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

Before we get started, are there any suggestions from committee members on how late we wish to sit this evening?

Mr. Rick Borotsik (Brandon West): Yes, Mr. Chairperson, I would suggest 9 o'clock and then review at that point in time.

Mr. Chairperson: It's been suggested to the committee that we sit until 9 p.m. and then review the sitting time at that point. Is that agreed? *[Agreed]* Thank you.

Are there any suggestions from committee members as to which order we wish to consider the reports that I had previously mentioned?

Mr. Borotsik: Certainly, we can do them in order as listed, but, as Mr. Brennan is going to have a presentation, I do know that he's going to deal with more than just simply out of the statements themselves. So I would suggest that we do global.

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

Does the honourable Minister responsible for Manitoba Hydro wish to make an opening statement?

Honourable Minister Wowchuk, and would you also please introduce your officials in attendance this evening.

Hon. Rosann Wowchuk (Minister charged with the administration of The Manitoba Hydro Act): Thank you very much, Mr. Chairman.

I do have an opening statement, and I'm very pleased to be joined by: Mr. Vic Schroeder, who is

the chairman of the board; and Mr. Bob Brennan, who is the CEO and president of Manitoba Hydro; and there are two staff people behind that I will—that Mr. Brennan will introduce.

Mr. Bob Brennan (President and Chief Executive Officer, Manitoba Hydro): We have my helper, to make sure I get through all the technology issues, Randy Ptashnick [*phonetic*], who works for Manitoba Hydro and provides a great deal of support on these type of issues; and a person who looks after corporate relations issues with Manitoba Hydro, Nelly Rakita.

Mr. Chairperson: Thank you, Mr. Brennan.

Honourable Minister, to continue your opening statement.

Ms. Wowchuk: Well, thank you, Mr. Chairman, and I would like to begin by welcoming all the committee members, the staff and CEO from Manitoba Hydro, and all of the visitors that are here with us this evening.

It has been a—we have been here a few times over the last few years. In fact, there was two meetings of this committee this year, as well, where we have had—we have appeared with—Manitoba Hydro has appeared before the committee. And I know that both Mr. Brennan and myself are always interested in hearing the question and providing the information about the growing financial stability of Manitoba Hydro and about the valuable investments that Hydro is making for our clean energy future.

We know that Manitoba Hydro is in the strongest financial position of its 57 years in history. Not only has it reached a debt-equity target of 75 to 25 percent three years ahead of schedule, they—but they are even exceeding that. That's really a major improvement over the 1998-99 situation when the debt-equity ratio was 82 to 16. And I have to say that a lot of credit goes to Mr. Brennan and his staff, and Mr. Schroeder and the board, and I know that we are going to get an elaborate presentation of the current financial situation.

But I have to say that I'm also pleased with Manitoba Hydro's retained earnings which, as of June of this year, are \$2.224 billion up from 2.092 billion from the previous year. That is—again, a commitment—and I have to commend the people who have worked to reach—get us to this state at Manitoba Hydro.

The corporation has aggressively pursued exports in the last year, exports that helped to secure the company's long-term financial growth and that also help keep rates low here at home, and that's what's very important to all of us here in Manitoba. In the past 10 years export sales were brought in at 5.5 billion and are projected to be 22.5 billion over the next 20 years, and that would be 30 percent of the revenues. This unprecedented financial achievement was accomplished while maintaining affordability in Manitoba. We pay the lowest rates in North America for power in our homes. Our government believes that Mr. Brennan and his staff should continue to work—continue the work that they do to ensure these rates remain affordable.

While others want Hydro to abandon their current business model by keeping—of keeping rates affordable in—for Manitoba's families and businesses, we do not agree with that statement. We want to stay on the same path. Families in other parts of Canada pay significantly more than Manitobans. In Regina, for example, they pay \$584 more per year. In Toronto, they pay \$709 more. It is truly unfortunate that members of the opposition have repeatedly and recklessly misled Manitobans about these basic facts, because we do indeed have some—the lowest rates, and I applaud Manitoba Hydro for what they have done in this area. We know that Manitoba Hydro has achieved this at the same time as it's securing the company's financial future and strengthening its fiscal stability, and we know that we need this stability and reliability to continue with the company's long-term investment plan to keep building Manitoba's hydro future and to power Manitoba's future economic growth.

* (18:10)

And, of course, it was not always this way. Even when risks in the system were clear, such as when both Bipole I and Bipole II were knocked out because of weather in 1996, the government of the day still failed to act on securing Manitoba's power, but now for the first time since Limestone, since Limestone project of the 1980s, Manitoba Hydro is building a new generating station.

Wuskwatim on the Burntwood River is our first new hydro-electric generation station in 20 years. It's on schedule to be completed next year and will provide 200 megawatts of renewable, reliable energy for generations to come, for Manitobans and for export. And I have to say that I'm very proud of the way this dam was built. It is a model for a new way

of building hydro-electric projects, an equity partnership with the local First Nations, Nelson House Cree Nation. I had the opportunity to visit Wuskwatim earlier this year and was very impressed with the scale and the hard work and what is being done there from the trades to the apprenticeship and local people being employed there. It was—it is quite impressive, what this partnership is doing.

Of course, wind power is important to us and Manitoba has its second wind farm coming on line at St. Joseph, and that is the largest wind farm being built this year in Canada.

And all of this new hydro-electric power generation, all of it, all of it that's being developed, needs new transmission lines and it needs converter stations. That's why Manitoba Hydro is building the Bipole III line, the Keewatinoow station in the north and the Riel station in the south. The line and the converter stations are urgently needed to secure the reliability of our power supply, and they are fundamental to Manitoba's hydro future and to Manitoba's future.

In addition to the urgent reliability needs, the Bipole III line and the converter stations will address—it is also a major infrastructure project that helps to build the future. Our new transmission line will carry new power generated at Keeyask and Conawapa.

Manitoba Hydro has a long-term vision, one that our government shares, and that is to further—the further development of our export markets. The company has a well-deserved reputation for providing clean, reliable power to its customers. That reputation is one of Hydro's greatest assets when selling itself to the export market. It wasn't that way many years ago. A different approach was taken. Hydro-electric companies often flooded thousands of acres in building dams, and consultation with First Nations didn't always take into account their traditional knowledge and their concerns about hydro projects. Companies didn't consider the long-term effects of the power generation on the environment that we're leaving for our children.

Today, we take a different approach and Manitoba Hydro is indeed a leader. Manitoba Hydro is looking at the long-term consequences of building Bipole III. By taking responsible steps to protect our boreal forests while building Manitoba's future by investing in new hydro projects, they are bringing clean, affordable power to families and to businesses, and First Nations leaders—including those gathering

right here in this building this evening to receive an award for their work that they are doing to protect the intact boreal forest on the east side—are consulted as partners in the development.

Hydro is proceeding with the Bipole III route that can actually get it built in the real world, that can get it built on time and that can get it built in a way that doesn't undermine Manitoba Hydro's reputation. If we talk about turning back now and attempting a new route, this would have serious consequences.

This committee has heard that trying to build a comparable line on the east side would delay the project by at least three years if not longer. Unfortunately, we have heard that the opposition—from the opposition that they haven't—and I believe they haven't thought through what would happen if you tore through this boreal forest by running the Bipole III on the east side. Our government isn't willing to take such a risk—reckless approach and neither in my—is Manitoba Hydro. The good news is that the Bipole III project on the west side of the province is now well under way and has been for years.

I want to say that we know that there are landlords who have concerns and I understand why they would. There has been a lot of misinformation that is been—has been put out there. That's why Manitoba Hydro is consulting with them to determine the final route, and that's why Manitoba's Hydro compensation package for the landlords is comprehensive and fair. That is why the route was chosen—the route that is chosen is one that will have the least impact on agriculture land.

We also know that there is a growing need for green power on the west side of our—to the west of us. We recently met with Saskatchewan Power and the new CEO of SaskPower, and there is a definite interest in purchasing power from us.

Mr. Chairman, there are many other things that I could say about what Manitoba Hydro has done with the new building, the record that we have on energy efficiency, the Power Smart program that Manitobans have endorsed very strongly, but again, I want to say that I am very honoured to have the privilege of serving Manitobans as Minister responsible for Manitoba Hydro over the last year and I look forward to hearing questions from this committee. Thank you, Mr. Chairman.

Mr. Chairperson: We thank the honourable minister for the opening statement, and before I

proceed to the critic for the official opposition, I want to make a couple of points here as Chairperson of this committee this evening.

First, that I'm asking for the co-operation of all committee members to direct all of your comments and questions and answers through the Chair, please. And we'll have—to ensure the smooth proceedings of this committee here this evening, and also for the benefit of our audience who are with us here this evening, that in the public gallery here, there's to be absolutely no participation in any way, whether it be laughter or applause or any other means of participating in the committee hearings this evening, unless this particular committee decides otherwise. I just want to draw that to your attention.

We'll now proceed to the critic for the official opposition for an opening statement.

Mr. Borotsik: In the interest of time and in the interests of the comfort of the gallery, the many persons in the gallery that are here today I'm going to dispense with my opening statement because I do believe that the gallery, rather than hearing political rhetoric, would much rather hear answers, some to very pertinent questions that are going to be posed to Manitoba Hydro.

Mr. Chairperson: I'm going to say this for the second time: there's to be no participation. As Chairperson I have the obligation of making sure that this committee proceeds in a smooth fashion, and if there's participation from members of the public that are in the gallery, I'm afraid I'm going to have to ask the folks that are in the staff here to clear the room, and I would not want to have to do that. So, please, I ask for your co-operation as we start the committee hearings this evening.

Mr. Borotsik: Yes, just one other comment, if I may. I know I talked to Mr. Brennan before the committee, and I do know that he has a presentation, and I wonder if it's possible just to make sure that the presentation is kept fairly concise and a fairly limited amount of time because there are other questions that are going to be posed to Mr. Brennan and others, and I do know that it would better—rather than have people stand as long, maybe just keep the presentation a little shorter.

Mr. Chairperson: Okay. Thank you, Mr. Borotsik.

And also for further information with respect to the additional committee room, I understand that the sound system is working in there and there also

seating available for members of the public who are here with us this evening.

We'll now proceed with further opening statements. Do the critic—or, to the officials for the Manitoba Hydro—have an opening statement? Mr. Brennan? Or did you wish to proceed with your presentation, sir?

Mr. Brennan: Just proceed with it, Mr. Chairman.

Mr. Chairperson: Thank you, Mr. Brennan.

Is it the will of the committee to allow for the presentation to occur from Manitoba Hydro folks here with us this evening? *[Agreed]*

Please proceed when you're ready, Mr. Brennan.

Mr. Brennan: I'll go as fast as I can, Mr. Borotsik. I usually—you can slow down later on, not at this particular time. But, having said that, this is just an outline of what I propose to talk about, and I will go through quite quickly for you.

This is just a transparency that shows where our generating stations are within the province, our export capability outside the province, as well as where our energy is produced in the last fiscal year on our system. And as you can see, 82 percent of the energy came from the Nelson River.

* (18:20)

A little bit from our financial results are in the last annual report from March 31st, 2010, and it just summarizes the results of our operations. I'd like to point out the two most important items from my perspective is the net income of \$163 million and the retained earnings of \$2.2 billion, which has grown quite significantly in the last 10 years or so.

This is a transparency that shows our net income for the last 10 years and a projection into the future. This is based on the currently approved forecast, which was produced last fall, and we're in the process of coming up with a new forecast now. The preliminary numbers for the next two years, and they are preliminary, show our net income going up from what it was in the last presentation you got to the figure that would approximate what our net income was last year. Oh, and I should also point out that that big loss was as a result of the drought we incurred in 2004.

This is a graph that shows our net extraprovincial sales, net of fuel and power purchases and water rentals, and they—pretty well follows our net income line, with the exception of

once we get new generation in line near the end of the forecast period, it goes up dramatically.

These are financial targets that I review with you every time, and as you can see, our debt-equity target—or will see, our debt-equity, we've now surpassed the 75-25.

Our retained earnings are gradually increasing and that's despite the fact we have a very large capital program under way.

Interest coverage: It dropped, of course, when we had the drought in 2004, but for the most part our interest coverage pretty well takes care of all our capital expenditures other than new generation transmission.

This is a graph that goes out 20 years, and it is the one we made up based on the currently approved forecast, but it shows how our debt-equity goes with the addition of new plant and the benefit of the sales we're proposing to enter into. And as you can see, although our debt-equity ratio drops, it certainly returns quite dramatically and gets to the point where we're almost in a position of having 50 percent equity and 50 percent debt. Now, I'm sure that wouldn't happen, because rate increases would be adjusted accordingly.

A little bit on the general rate application that is before the Public Utilities Board right now. The hearing is scheduled to commence January the 5th of next year. We applied last December 1st, and we asked for two rate increases of 2.9 percent effective April 1st, 2010, and April 1st, 2011. And the—we got an interim increase of 2.8 percent from the Public Utilities Board for implementation April 1st of 2010.

There's been some talk in the press about the fact that we've had very dramatic rate increases and, as you can see, that the cumulative rate increases over the last five years came out to 13.5 percent. And with the exception of Hydro-Québec and Newfoundland Power, that our rate increases were pretty well—well, were certainly in line with Hydro-Québec, and all of the rest of the utilities were quite a bit higher.

This is a graph made up by the U.S. Department of Energy and Edison Electric, and it shows rate comparisons right across the country, including the United States, and it's based on the cost of energy within those provinces—or states, and as you can see, Manitoba Hydro is clearly at the bottom of the list.

Residential monthly bills: This is a comparison in Canada only, and you can see that at 1,000

kilowatt hours a month Manitoba Hydro is \$2 a month higher than the lowest, which is Montréal. As soon as we get into higher usage of 2,000 the Manitoba Hydro becomes the lowest supplier of energy in the country and the differential between us and the next one is dramatic. If you compare us to Toronto the spread is quite dramatic. Three days ago I got my bill for my cottage, which is in Ontario. I compared it using Manitoba Hydro prices and the bill using Manitoba Hydro is 38 and a half percent of the Ontario bill.

A little bit on a commercial bill. Once again Manitoba Hydro is the lowest in the country. Industrial is—its situation is the same way only the spread is much more dramatic. This is a graph that we don't identify because the agreement we have with other utilities is to not disclose who the other utilities are. But, as you can see, the graph is designed to compare average outage times with the domestic electricity rate. And, as you can see, Manitoba Hydro is pretty well—has the lowest duration rate as well as the lowest cost.

A little bit on export marketing activities. We're able to sell all our energy that we can at market prices subject to limitations of our transmission system. We have—we're pretty well able to sell almost everything we can at this particular point in time. We've had lower prices although they are returning to the good levels we've experienced in the last little while. We need new transmission lines to make sure we market all our surpluses, especially to market the surpluses we have with new plant that we're proposing to build. This is the portion of our provincial generation with Ontario, Québec, British Columbia, Manitoba and an average for Canada. And, as you can see, the portion or our total generation that is exported is the highest in the country.

The energy that is available for export, what we've done here is we've shown our actual energy that we've exported in the last 10 years and a forecast for the next, I guess it's 20 years, and it brings in both all of—it brings in Wuskwatim into the system, Keeyask and Conawapa, and this is average flow conditions. And, as you can see, we're able to export everything from Wuskwatim, everything we have for Keeyask and as well as the majority of Conawapa. That proposes that we have a new transmission line to the United States that is part of our proposed agreement with Wisconsin Public Service and Minnesota Power. This is annual energy and where

it's coming from and how we export virtually everything that's available to us to export.

The energy that is above dependable is opportunity sales and that's—we take advantage of the market when we have the energy, which we're never sure we got, and are not able to get the good firm prices that we get with a firm contract. This is, in terms of energy, the amount of actual exports of various utilities across the country.

Potential sales from new generation, we've recently signed an agreement with Northern States Power. We've also got term sheets signed with Minnesota Power and Wisconsin Public Service and we've also signed MOUs with Great River Energy and Wisconsin Public Power as well.

*(18:30)

In case of NSP, we have three different sales contracts, and—which we signed this year in May. The first one is a system participation sale; the next one is another system participation sale that's for a shorter period of time and it differs between summer and winter, as does the other one; and the third one is a diversity arrangement. The agreements provide price certainty, market access into the United States, and reduced drought risk because we have the ability to import power back.

Minnesota Power, it's a 250-megawatt sale, and that's a 15-a-year sale, and it goes from 2020 to 2035. Both of those sales are contingent upon the construction of a new generation on our system as well as a new transmission line to Minneapolis on both the Canadian and American system. The same thing applies to the 500-megawatt sale to the Wisconsin Public Service.

Ontario, we've been talking to. They certainly have a requirement for a lot of capacity and energy in their system. They have limited transmission capability from northern Ontario to southern Ontario, but we continue to talk to them about their requirements and how we can work with them to improve their situation and, at the same time, improve ours, and we continue to sell power to them on the spot market.

We have been talking to Saskatchewan for some time. Their interest was recently confirmed between a meeting between the Minister responsible for Manitoba Hydro, myself and the chairman of Manitoba Hydro, and we met with the Saskatchewan minister, as well as the president and CEO of SaskPower. They maintain they're certainly

interested in purchasing more power from Manitoba Hydro, and they also, of course, would like to increase our transmission capability.

Bipole III, as you all know, the fourth round of consultations started in August of this year, and they're scheduled to be complete by the late fall. We've been talking to every type of stakeholder that's pretty well possible and giving those individuals the opportunity to provide feedback to the corporation, and that feedback will be considered when we review the preliminary preferred route.

We've agreed to a community development initiative for communities in the vicinity of Bipole III. It depends how close you are to the right of way itself, as well as the size of the community. The total annual budget is approximately 5 million a year, and the program will run for 10 years and be reviewed at that time.

We've also come up with a landowner's compensation policy. It provides for a one-time payment for the acquisition of the easement to accommodate our transmission line. Of course, the line can still be used for whatever purpose the landowner wants to use it for. We also provide a one-time payment for each tower on the land representing the value of the lost production plus the inconvenience of having to work around the tower. Any other damage compensation will be considered, and, of course, anything we do in terms of damage or disturbance to farming operations, which, of course, we've always done.

SaskPower has a policy as well. I asked staff to compare their policy with Manitoba Hydro's, and we—they have an option where you can do it on an annual basis, where our present policy is to take a one-time payment. But this particular one is for an assumption we made of \$1,000-per-acre value, with a 10-acre easement requirement with two structures on a quarter section. And when you compare Manitoba Hydro's to Saskatchewan's—wait a minute. This is a—what I was provided with. In reviewing this, I recently found out the difference between a row crop and a cereal crop and found out the row crop was a market-garden-type operation.

This is the dates we have of what we're proposing to meet in terms of milestones. We are looking to—well, as you know, we started the consultation in August. We're looking at submitting our environmental impact statement in June the 30th next year, and we're hoping a year later or so to get our environmental licence with an in-service date for

the project at 2017. This is the budget that was presented to you before and it shows the difference between the east and west line—or, proposal.

A little about—we set up—or I set up a concept review panel on the potential use of submarine cables for long-distance electricity transmission after Bipole III, and the panel has been working for some time on that use and I expect a report within the next month. This is the panel members that were on the committee that reviewed that—or panel.

A little bit—I've already talked about the Saskatchewan transmission. A little bit about new generation. All our new generation is designed to minimize flooding and any environmental impacts, and there's a graph coming up that shows you how we did that. We require, based on the sales scenario, Keeyask in 2019 and Conawapa in 2023; under a no-sale situation we need another generating facility by 2023. This is a graph that shows the area flooded by the Wuskwatim, Keeyask and Conawapa. This is just putting in graphic form and, as you can see, this one also shows how Manitoba Hydro was planning the system prior to us making a policy decision to go into low-head plants and minimize any environmental impacts to the environment.

A little bit about Wuskwatim. It's certainly coming along quite well. We expect power out of it next fall, which is ahead of schedule and it's on budget. As of July 31st, we had over 1,000 workers at site, of which 264 are Aboriginal, and since the project inception of August 2006 the total number of project hires is 4,445, of which 1,819, or 41 percent, were Aboriginal.

The earliest possible in-service date for Keeyask is 2019, and that requires the construction to start in 2014. As you know, at previous meetings we talked about a joint project development agreement with the four communities, and that was signed with each of the partners—our potential partners. We are proposing to get an environmental licence for some preliminary infrastructure work in the fall of this year. We're also looking at working with the Province on upgrading Provincial Road 280 and we expect some preliminary contracts to be awarded shortly, and, as a matter of fact, it was announced that we were going to start that last Friday, I believe.

* (18:40)

Conawapa, the earliest in-service date is 2023, and that takes a longer time to build, and we'd start in 2014 to achieve that. On a per-unit energy basis,

Conawapa is the lowest generation option in our system. We've also signed project process agreements to talk to the communities on how they might participate in Conawapa and the benefits of Conawapa with all the communities in the area, including Shamattawa which is somewhat outside.

The development opportunities for Aboriginal communities are reflected in the project planning, in the environmental processes, and we expect, as we have in the past, to incorporate traditional knowledge in doing that. We would like the communities to benefit in some way from the operations that we're proposing to get and the benefits of those facilities. We're also looking at training and training opportunities for them and project employment including preferential hiring as we have right now. And we also expect to have business contracts, including direct negotiated contracts, with those communities.

Customer service. This was just some awards Manitoba Hydro has recently got in terms of our customer service rankings and we're quite proud of all of those.

Power Smart. Manitoba Hydro is certainly a leader in Power Smart activities, and energy conservation is certainly one of the cheapest ways to provide for meeting our future load. As well, anything we sell—or save, we can sell on the export market and for the most part, depending on the type of customers, get a better rate or just as good a rate. As I pointed out earlier, it defers the requirement for new facilities. Customers benefit by having lower energy bills and so everybody's a winner.

Manitoba Hydro and the Province got the Canadian Energy Efficiency Alliance record or achievement by getting another A-plus rating. It's the fourth consecutive report card that Manitoba Hydro and the Province has either tied or led the first place in the overall national ratings.

I guess this is probably a good time, too, to mention that for the first time, Manitoba Hydro applied for one of the 100 best employers in Canada. And we applied for the first time this year, and it was awarded to be one of those best 100. So we're pretty proud of that as well.

Power Smart targets every type of customer we have. We have over 40 incentive-based programs and other customer-service initiatives. And we've been working on Power Smart activities now for 20 years, and all our programs are totally integrated

with the federal government programs—participation of both for residential and commercial and industrial customers and how that has grown dramatically.

In the future, this just sets out what our projection is in terms of investment as well as our targets for energy in the next 15 years, and our target results in the same amount of dependable energy—it works out to 74 percent of the dependable energy Keeyask provides. And the same thing applies to natural gas in terms of the savings which our target is to get 180 percent of the residential and commercial use in Brandon in 15 years.

This includes the savings to date and takes us out to '24-25. It also indicates that we're going to spend \$950 million to achieve that. And this is just saying the same things I said before, and it adds a little bit in terms of greenhouse gases, and, also, it shows the \$217 million in improvement loans for energy efficiency purposes.

Geothermal: Manitoba Hydro is the leader in the country in geothermal as well. From April 2009 to March 2010, we installed 550 geothermal heat pumps in the province, and I think we—in terms of per capita basis, we lead the country in geothermal installations.

We have a Lower Income Energy Efficiency program, and this allows people to get—take advantage of energy efficiency items, including natural gas furnaces, and if you qualify for that, for \$19 a month for five years, you can get a new natural gas furnace supplied in your home.

I'll back up. We deliver the Lower Income Energy Efficiency program three ways: One is through individual approach from customers; the second one is community approach through some organization within the community; and, then, the third one is working direct with First Nation communities.

This is just the status of our low-income program today.

I should also mention that we've been recognized as one of the leading Lower Income Energy Efficiency programs in Canada, and we've been featured in *Chartwell's Best Practice Newsletter* in December 2008.

I'll try to go a little faster, Mr. Borotsik. You seem to be getting a little itchy.

We have a bioenergy optimization program, which is a program Manitoba Hydro set up and

provided assistance to in the order of \$5 million, and we've identified five different biomass projects to take advantage of that. And we also were able to take advantage of \$2.5 million in cofunding that we were able to get from the Government of Canada's Clean Energy Fund. We've identified the projects and are working with those particular projects to take advantage of them.

A little bit about the landfill gas at Brady Road. The City has gone out to the marketplace, and we haven't heard back as to what they're proposing to do, but they were asking for proposals to take advantage of that gas in some way that would benefit both the City as well as, potentially, Manitoba Hydro if they could come up with the right situation, as well as the community at large. Those particular ones are involved in your package, anyway, should you want to get them.

A little bit about wind. As you know, St. Leon wind farm has been operating for a few years now. It began commercial operation in June of 2006, so it's four years. We got a 20-year power purchase agreement and it's privately owned, and it seems to be working quite successfully.

The St. Joseph one, the turbines are going up. At St. Joseph, now, we expect to get power in January, and certainly it looks like everything seems to be on schedule. They're somewhat behind because of rainy weather, but they seem to report to us that they are going to be able to pick it up. Whether they will or not, who knows?

The—we—the Pattern Energy invested \$95 million in the project, and we offered a term loan at a rate that allowed them to proceed at the same time. It was in excess of our borrowing rate, and so we're going to make a little bit on that. At this point, we've advanced them \$79.8 million of that loan.

*(18:50)

This is just details on the commissioning of the facilities. The commercial operation, the schedule date is January the 24th of next year.

We continue to work with anybody that our operations have had an adverse effect on. I think any claims that have come in to Manitoba Hydro we've certainly worked on settling. NFA, we settled four out of the five participants from First Nations communities. Cross Lake did not settle with us but we're working quite closely with them, and I'm happy to report for the first time in a few years we seem to be working with them quite effectively.

Aboriginal employment, we have a pretty fair push on within the company to do what we can to attract Aboriginal people within the employ of Manitoba Hydro. We have various types of access programs. We have cultural awareness programs for all our staff and various other kinds of initiatives for pre-employment training, and then, of course, we had the famous \$60-million fund that we use for pre-project training on our facilities.

We also have an Aboriginal purchasing policy which promotes business contracts with First Nation communities. Employment within Manitoba Hydro, we have a target that we continually adjust. Our target for corporation to whole is 16 percent. Our actual experience to date is 15 percent. In the north our target is 45 percent. At the present time it's 40 percent, but during the summer we're as high as 44 percent. That's a target that's really hard to attain, and if you attain, to maintain. If you lose a skilled worker, you have to replace him with a skilled Aboriginal worker and that's not always possible.

A little bit about our office building. I can tell you it's a real nice building to work in. You get fresh air. It's just a nice place to work. As of March 30th of this year, the building was substantially complete. There is some deficiencies that are worked on, but they're pretty minimal. As of January 30th of this year, all the people that were working—that were supposed to be in the building, have been moved in. As of September 1st, over 5,500 people have toured the building.

There's some talk about the estimate. I have reported quite a few times. Original estimate for the building was \$258 million. We've revised that estimate up by \$20 million and our final cost was 283.

This is the awards we've got for the building. There's certainly tons of them and I expect them to continue to come in for some period of time.

Natural gas operations. Centra's primary gas rates reflect a cost of acquiring natural gas, and the cost of natural gas is passed on to customers directly without markup. The cost of operating the distribution system is a separate rate that is charged for usage. We adjust the primary gas rate four times a year and the next quarterly change is scheduled for November of this year. This is what's happened to natural gas rates for the last two years starting on August 1st of 2008, and as you can see, they're mostly decreases. This is a graph that sets out the various components of your gas bill, and as you can

see, transportation and primary gas costs reflect the majority of your gas bill.

For the first time we offered a fixed-rate service option, and although the take-up is not high, it—you would think at this particular time with gas rates being low, it'd be a perfect time to take advantage of this. Certainly it has had an impact on other people that are in the market, and I think it's had a good impact on gas prices generally.

Little bit on the risk review that's going on, and this has been in the paper for an extensive—and in the media for an extensive period of time. We engaged two consulting company to conduct a comprehensive review of our risk in the export marketing area. ICF issued a report dated September 11th of 2009, and KPMG issued theirs in April of this year. Both of those are available at *[inaudible]*, and I won't go through all their conclusions, but for the most part they didn't have much of a problem with what they do and for the most part endorsed the way we operated our system.

In summary, Manitoba Hydro has the lowest electricity rates in North America. We have the highest customer satisfaction, and our system reliability is among the highest on the continent. We have a greatly improved safety record, which is something that I find—something that's really hard to get to a position where we're No. 1 continually, but having said that, we have been, for the last few years, in our gas operations. We're in the strongest financial position we've ever experienced. We have the highest Aboriginal representation in the industry, our best energy conservation program, and we believe our environmentally—environmental responsibility record is second to none.

Mr. Chairperson: Thank you, Mr. Brennan, for the presentation.

The floor is now open for questions.

Mr. Borotsik: Thank you, Mr. Brennan, for that abbreviated presentation. I do appreciate it.

Mr. Chairman, I do have a motion that I'd like to present to the committee. The first motion says, and I will move,

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba allow Mr. Len Bateman, a former chairman and chief executive officer of Manitoba Hydro, to make a brief presentation to the committee on behalf of the engineers who are in attendance this

evening regarding the routing of the Bipole III transmission line.

I would ask the committee to consider this motion, and Mr. Bateman is in the audience today—

Mr. Chairperson: Hold on, Mr. Borotsik, I need to—

Mr. Borotsik: Okay.

Mr. Chairperson: It's been moved by Mr. Borotsik, seconded by Mr. McFadyen,

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba allow Mr. Bateman, Len Bateman, a former chairman and chief executive officer of Manitoba Hydro, to make a presentation to the committee on behalf of the engineers who are in attendance this evening regarding the routing of the Bipole III transmission line.

The motion is in order. Comments or questions?

Mr. Borotsik: Very brief comment. Mr. Bateman is here. He is a previous CEO of Manitoba Hydro. He certainly has a presentation to make. I believe that this committee would be more than acceptable of hearing from a man of his stature. It's going to be a presentation that—other presentations have been made before the committee before, Mr. Chairman, so I would ask for the indulgence of the committee to allow Mr. Bateman to make that presentation.

Hon. Jon Gerrard (River Heights): I would support allowing Mr. Bateman to make the presentation.

* (19:00)

Hon. Jennifer Howard (Minister of Labour and Immigration): We have some concerns, I guess, with the kind of precedent and kind of changing the rules as we go that's being suggested by making this kind of change. It hasn't been the practice, in my experience on this committee, that we hear from public presentations. I think the agenda we have in front of us is quite clear that we're considering the annual reports of Manitoba Hydro for the year ended March 31st, 2008, and March 31st, 2009. We have the officials who are here to answer questions of the members of the committee.

There hasn't really been any process, in my mind, established for public presentations outside of when we consider bills to be made, and I don't think that it's helpful to the rules of the House to set a precedent at the eleventh hour for such a

presentation. No comment on the content of the presentation, but I don't think that this is the forum for that kind of presentation. We have heard from the presentation from Mr. Brennan that there is public consultation that's ongoing. There's certainly been other opportunities for public discourse of this issue, and this committee is very clear in its mandate to allow members of the Legislature an opportunity to hear from and question officials from Manitoba Hydro on those operations.

So, for those reasons, we won't be supporting that motion, Mr. Chair.

Mr. Hugh McFadyen (Leader of the Official Opposition): Mr. Chairman, I would just want to express our very strong disappointment and disagreement with the points made by the member. We are talking about what is an unusual situation in that we have a major capital project to be undertaken by Manitoba Hydro known as Bipole III. It will have a generational impact in terms of the impact on the province of Manitoba.

And that decision, it is important to recall it was not one that was recommended by Hydro or by the officials of Hydro who are undertaking the public consultations. It was, in fact, directed by the former minister of Hydro and, given the unusual background to that decision and given the significance of it, the presence of Mr. Bateman who is—got obvious expertise as a former CEO of Manitoba Hydro, we believe that we should do what we always do at these committee meetings and allow for some flexibility and common sense to prevail when somebody has something to offer to the committee.

And, with regard to the opportunities for public input, the public input process which has been run by Hydro under direction from the minister has not allowed for consideration of the various east-versus-west arguments. It's been a public process on what is the preliminary preferred route, which is the west-side route, which was directed.

And so this is the right forum, given that the decision maker on Bipole III is a political decision maker. This is a political committee, and we ought to allow Mr. Bateman to have 10 minutes of this committee's time with an opportunity for five minutes of questions, 15 minutes to hear from a former CEO of Manitoba Hydro who's present and ready to present. It seems like a very reasonable request, and I would ask members opposite to reconsider their position.

Ms. Wowchuk: Well, thank you very much, and thank you for those comments.

I would have to say that I would agree with Ms. Howard in the precedent that would be set here.

I want to say that—you know, the members of the opposition wanted, have called several times for this committee to be coming. This is the fourth time in two years to talk about issues related to the board and the operations of Manitoba Hydro. This is the opportunity to do those things.

If we were at the last minute to say we are going to allow one person to have a say here, you have to—if we—if the opposition might have come to us and looked for a different forum where other people who might have wanted to make presentations could have been notified that there was an opportunity to make presentations, that would be a different story. But on—as we come to this table and to suggest that one person should be able to make a presentation without giving notifications to others who might be interested, I would—could not support that. And I have to say that, as members of the Legislature and committee—members of this committee, there are opportunities for the members of the opposition to ask questions or make statements on behalf of—to share what they've heard from other people. And I would say that there are other opportunities that, if people have issues that they want to raise, there is always the opportunity to set up a meeting to hear what people have to say. But I do not believe that this is the forum for that, and I would suggest that we not support this motion.

Mr. Borotsik: Well, Mr. Chairman, I must say I'm extremely disappointed, as this NDP government has always taken great pride in the fact that they've allowed presentations and presenters to come to committee meetings to have their opinions heard. We have people right now in the gallery who wish to have their opinions heard. They are directly affected by the Bipole III decision—*[interjection]*

Mr. Chairperson: Mr. Borotsik, let me stop you there for a moment please.

As Chairperson, I'm requesting the co-operation from the members of the public who are here with us this evening to please refrain from injecting your applause or comments into the proceedings of this committee here. Please, I'm asking for your co-operation in that regard. Let our committee members have this debate free flowing here without

that interruption, if you will co-operate with me, please. Thank you.

Mr. Borotsik, to continue.

Mr. Borotsik: Again, as I said, I'm terribly disappointed. This particular government takes great pleasure in the fact, great comfort in the fact in those that they do listen to—others' opinions—at committee. This is a committee hearing. It's one that we cannot set precedent at. We're simply giving a consideration to people who are going to be affected by the most serious decision that this government and this corporation is going to make on behalf of Manitobans ever in the history of Manitoba Hydro, and I think anybody who is here should have that right.

The minister is correct. Should there be others who wish to be heard by Mr. Brennan, Mr. Schroeder and the minister responsible, then by all means let's have another meeting. What are we hiding? Why wouldn't we have another meeting, make that open to those individuals, whether it be proponents or opponents to it, and make this committee available to hear what it is that people really want to say? To not allow Mr. Bateman, who was appointed by the way by Mr. Schreyer as CEO of Manitoba Hydro, not to allow him to make a 10-minute presentation is a dereliction of our duties as members of this Legislative Assembly. And to not do it, I think, is absolutely disrespectful to not only Mr. Bateman but to the people of Manitoba.

So, please, seriously consider what it is that you're doing—15 minutes of time is not the end of the world. We will forgo 15 minutes of questions as opposition to Mr. Brennan, in fact, in order to have Mr. Bateman make his presentation. So, please, reconsider what you're thinking of right now.

Mr. Cliff Cullen (Turtle Mountain): You know, the minister is speaking with forked tongue here. In her opening address, she said that her government and Manitoba Hydro want to be open with Manitobans and here we are, obviously, this is a very important issue for Manitobans. We've—you know, we've—several people here from across Manitoba have taken the time out of their schedule to be with us tonight, and they just want the opportunity to, you know, vent some of their frustrations and ask some questions.

I would just ask that the NDP members across the way reconsider their approach here. Certainly, I think it's in our interest as Manitobans; we're looking

at a very major capital investment here. We should be—have the opportunity to have all sides of this very important decision debated.

Mr. Chairperson: Seeing no further comments, is the committee ready for the question?

An Honourable Member: Sure.

Mr. Chairperson: We should have the motion reread?

Some Honourable Members: Yes.

Mr. Chairperson: It's been moved by Mr. Borotsik, seconded by Mr. McFadyen,

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba allow Len Bateman, a former chairman and chief executive officer of Manitoba Hydro, to make a presentation to the committee on behalf of the engineers who are in attendance this evening regarding the routing of the Bipole III transmission line.

Shall the motion pass?

Some Honourable Members: No.

Some Honourable Members: Yes.

Voice Vote

Mr. Chairperson: All those in favour of the motion pass, please signify by saying aye.

Some Honourable Members: Aye.

Mr. Chairperson: All those opposed, signify by saying nay.

Some Honourable Members: Nay.

Mr. Chairperson: In the opinion of the Chair, the Nays have it.

Formal Vote

An Honourable Member: Recorded vote, please.

Mr. Chairperson: Mr. Borotsik has requested a recorded vote.

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

* * *

Mr. Borotsik: Yes, Mr. Chairperson, I have another motion if I may, please.

I move, seconded by the member from Fort Whyte, the Leader of the Official Opposition (Mr. McFadyen),

THAT the Standing Committee on the Crown—Committee on Crown Corporations of the Legislative Assembly of Manitoba allow Karen Friesen of Niverville to make a presentation to the committee to explain the impacts of Bipole III transmission line routing on her land and the impact that the route is having on many other affected landowners, including landowners who are in attendance this evening.

* (19:10)

Mr. Chairperson: It has been moved by Mr. Borotsik, seconded by Mr. McFadyen,

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba allow Karen Friesen of Niverville to make a presentation to the committee to explain the impacts of the Bipole III transmission line routing on her land and the impact that the route is having on many other affected landowners, including landowners who are in attendance this evening.

The motion is in order. Comments and questions.

Mr. Borotsik: This is a motion that should be accepted by all members of the committee, precedents aside. There are individuals who are being impacted by the decision that was made on the behalf of Manitoba Hydro by the government of Manitoba.

I know that the excuse is going to be that there are other venues, there are other open houses that are going to be held. I would ask simply whether the Minister responsible for Manitoba Hydro, the chief executive officer, and the Chairman of the Committee are going to be at those hearings because I believe that all three of those individuals should in fact give audience to the people who are being affected by this decision. If they aren't going to be at those public hearings and those public meetings and not going to hear these opinions and only are going to depend on their staff to recount what those issues are, then it's wrong not to hear them at this point in time. So I do beseech members of the government to in fact allow Karen Friesen, who is a landowner, who is directly affected by this decision, to allow to give her opinion on behalf of not only herself but other landowners in the area to this committee, to the chief executive officer of Manitoba Hydro, the chairman

of Manitoba Hydro, and the Minister responsible for Manitoba Hydro. Thank you.

Mr. McFadyen: I'm proud to second the motion and would just add to the points already made by the member for Brandon West that Ms. Friesen is here representing more than a hundred landowners who are impacted by the decision. We will not be bringing forward motions for other speakers on behalf of landowners.

This is one individual who has volunteered to come forward and speak on behalf of a larger group. It is a very reasonable request. It will use up 15 minutes of this committee's time this evening. This is time that would otherwise be used by opposition questioning which we're very happy to forgo in order to allow Ms. Friesen to make this presentation on behalf of the others who are present, and the other point which is important in all of this is that as good as the staff and consultants for Hydro are in terms of the public consultations, the frustration that I think lots of people are feeling is that the decision makers, the political decision makers who have directed this, are not present at those hearings. They're not listening to what's being said. They're not hearing what's being said, and most importantly, they're not acting on what's being said, and the only way for that to happen is for landowners represented by Ms. Friesen to have an opportunity to present directly to the minister and to this committee here tonight, and I would ask members to leave the D in NDP, New Democratic Party, and allow Ms. Friesen to make her presentation tonight.

Mr. Blaine Pedersen (Carman): I have had public meetings and I had over 165 people show up, farmers, landowners who are very concerned about this, but Mr. Brennan wasn't there, Mr. Schroeder, Minister Wowchuk wasn't there. The best that the government could do was send out one of their staffers to take notes. If that's how they treat southern Manitoba and rural landowners, you have—you should be ashamed of yourself.

These people have taken time out of their busy day to come here. They fully understood that they could not all present to this committee tonight, but they were willing to let one person speak for them and the least you could do is hear them out, hear that one person out on behalf of the rest of them.

This is a huge issue in my area. It's not going to go away. You're not going to be able to shame these people, bully these people, or make them sign anything. They are resolute in their defiance to you

and to your reckless spending of Manitoba taxpayers' money and the outright fabrications—I'll use a nice word—fabrications that you've used up telling landowners that this won't affect them.

Try getting out in the country and try meeting with these landowners, and if you want, we can take a break right now and you can meet with them in the other committee room, and they'll soon tell you the effect on their land and on their homes and on their livelihoods. To not let these speak tonight is a shame.

Mr. Gerrard: Mr. Chairman, I support allowing this presentation. We are not opening the floodgates; we are just trying to hear from a responsible landowner. You know, we spent 10 minutes debating the presentation on whether Mr. Bateman might make a presentation. We could've used that time productively actually listening to Mr. Bateman, and I suggest we get on with supporting this motion and listen to the presentation. Thank you.

Ms. Howard: I'm just going to reiterate our concerns regarding the process of committee and how the rules are made for committee. And that process is well known to all members of this committee that there is a process for the House leaders to meet to make rules regarding committees. It hasn't been within our practice to hear submissions from the public at Crown Corporations meeting. It's our practice to hear submissions from the public when bills are presented. And we have some of the most open process in the country from what I've seen of other legislatures in terms of hearing from people during bills, and that process existed under the former government, under this government.

But there's a process when we listen—when we hear from the public about bills. There's an ability for them to call, to get put on a list. There's an orderly way for people to make their views known, and there is a possibility in that context to have a plurality of views heard.

So that's why we have that kind of process because that kind of process does serve democracy well.

If the opposition—if the members of the opposition are seeking a rule change, I would submit that they know the process to engage in that. The discussions of the House leaders can happen to change the rules for a committee. That hasn't happened.

If the suggestion is to change the rules on the fly tonight, they knew that well before they came in here

that that was unlikely to happen. If people were misled and told that they would be able to present here when they knew well that that was not the practice of the committee, then I regret that. But the practices of this committee in this Legislature are well known to all of the members. We have a responsibility to work within those rules, to work together to change them when it warrants, but we're not going to do it on a whim at the committee.

So I apologize to the folks that are here. I know they come a long distance. They're welcome to stay and hear the very capable questions I'm sure that the opposition is ready to put to Mr. Brennan and the officials, but we will not be supporting this motion.

Mr. Cullen: The point the member is trying to make here is about openness and a process, and the member should rightly know—and, Mr. Chairperson, you can correct me if I'm wrong here, but my understanding in sitting on committee for several years is if it is the will of the committee, the committee can make a decision to allow witnesses to speak. It's not a process that's outside of the legalities of this particular committee, and if the committee and the members are really willing to be open and transparent, they would allow this presentation.

Mr. Chair, if you could correct me if I'm wrong on that particular point.

Mr. Chairperson: Thank you, Mr. Cullen, for your comments.

Ms. Wowchuk: Mr. Chairman, the member, Mr. Pedersen, said that people came here anticipating that he—that they would be able to speak and I think that he should—

An Honourable Member: Mr. Chairperson, point of order.

Point of Order

Mr. Chairperson: Ms. Howard, on a point of order.

Ms. Howard: I know we're all striving at this committee to have a debate about what I know people feel very passionately about. I appreciate Mr. Pedersen's passion about representing his constituents, and I believe it's sincere. But I think, you know, we have tried very hard to give consideration to the members opposite to hear their point of view respectfully, and I would respectfully ask you, Mr. Chairperson, that you ask for that same kind of respect to be shown to the members of this committee from the government side.

Mr. Chairperson: Any further comment on the point of order?

Seeing no further comment, I thank Ms. Howard for the advice and the Chair will accept that advice.

* * *

Mr. Chairperson: And I ask all members in co-operation, in a spirit of co-operation, for this committee and for members of the public here, we want this committee to proceed smoothly, and we want to allow for a free-flowing range of debate to occur in this committee. If we don't follow the rules and the processes we have in place, that's not going to occur, and that would go against my obligation as the Chairperson of this committee.

*(19:20)

So I'm asking for the co-operation of the members of this committee to allow that debate to occur, for us to—not only for this motion that is before us, but also for future questions that we're going to have here, and answers as well. And I ask for, again, for co-operation of the members of the public who are here with us this evening. We want to allow members of this Legislature who are elected here to have that debate on your behalf, and I ask you again, please co-operate and do not participate in these proceedings in this—unless this committee dictates otherwise.

On a new point of order?

An Honourable Member: No.

Mr. Chairperson: Because the minister has the floor. Minister Wowchuk to continue.

Ms. Wowchuk: Thank you, Mr. Chairman. If some people thought that they were able to present here tonight, I'm disappointed that they were given information that made them think that they could present here because that has not been the tradition of this committee. Other people have said that we haven't heard them. And I would say to those people who feel they haven't been heard, whether it be Mr. Bateman or others in the committee, I would be happy to meet with them at any time to talk about their issues. However, this committee is not that forum; this committee is to talk about the annual reports. It's the opportunity for members to ask questions of the CEO and the chairman of the board, and I think that that's what we should get to.

Mr. McFadyen: The—there's a difference between tonight's meeting and many of the other committee

meetings that take place in this building. And the member for Fort Rouge (Ms. Howard) has made a comment about the process used for reviewing bills and the public input, and I think it's worth putting that in some perspective. When—we've had many, many bills go through this House that have permitted public input at committee, that have been of far lesser, far more minor significance than the impact of this decision on Manitobans, and Manitobans have been given that opportunity to come here and speak at committee. And for the member to say that the rules don't permit these presentations is not correct. The fundamental rule of these committees is that the committee makes its own rules and the committee will make rules by agreement where there's a majority that is in favour of doing something at committee, that majority rules and there's an absolute ability on the part of members opposite to ask for reasonable restrictions on the length of presentations, on the length of question and answer, the number of presentations, and if we look back at precedent, there are precedents for committees of this nature to make adjustments to their procedures in order to permit presentations and other discussions in unusual circumstances. And these circumstances are unusual.

The alternative, as we've said, to having these presentations is opposition questioning, and as much as we are looking forward to getting on with our questions, as we have said, we think that there are two people in the room tonight who have something important to add to the discussion, and we would simply ask that they be given that opportunity.

Mr. Borotsik: Just a simple comment to add to what Mr. McFadyen said. A rule change is not necessary. This committee does have the ability, with consensus of both the government and the opposition, to allow those speakers to make a very short, limited presentation. A rule change is not necessary. A motion has been put forward. That motion is in order. That motion has been considered to be in order by the Clerk of this committee. So we do have the ability and I would say, the responsibility, to allow one speaker, two speakers, preferably, to make a short presentation. And again, I have to reiterate: The individuals that are sitting at this table right now, as much as the Minister of Manitoba Hydro says that she's available to meet with any individual at any time, the individuals at this table right now I know are not able to do that.

So I think it's only right that we take the opportunity right now for 10 minutes to hear what a landowner, the landowners, have to say about how

they are being affected. And if you don't listen to them, effectively you're saying their opinion doesn't matter. And I know—I know the people at that side of the table, and I know you care. I know you care about what their opinion is. I know you care how you're affecting them as landowners. All we're asking is, please, 10 minutes of this committee's time to listen to that one person put forward the position that is going to be put forward by the people who are affected by this decision. It's all we're asking. We can make that decision amongst ourselves. We don't need a rule change by the Speaker or by the government House leaders. We are the masters of that destiny. And all we have to say is, yes, 10 minutes. And if it's too much out of our time for 10 minutes, then we've lost touch with what we're doing here as members of this Legislative Assembly. Thank you.

Mr. Chairperson: Any further comments or questions?

Is the committee ready for the question?

An Honourable Member: Question.

Mr. Chairperson: Do you wish to have motion reread?

Some Honourable Members: Yes.

An Honourable Member: No.

Mr. Chairperson: Yes. That—the motion that's been moved by Mr. Borotsik, seconded by Mr. McFadyen,

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba allow Karen Friesen of Niverville to make a presentation to the Committee to explain the impacts of the Bipole III transmission line routing on her land and the impact that the route is having on many other affected landowners, including landowners who are in attendance this evening.

The committee's ready for the question?

Shall the motion pass?

Some Honourable Members: Yes.

An Honourable Member: No.

Mr. Chairperson: The Chair hears a no.

Voice Vote

Mr. Chairperson: All those in favour of the motion, please signify by saying aye.

Some Honourable Members: Aye.

Mr. Chairperson: All those opposed, please signify by saying nay.

Some Honourable Members: Nay.

Mr. Chairperson: In the opinion of the Chair, the Nays have it.

Formal Vote

An Honourable Member: Recorded vote, please.

Mr. Chairperson: Mr. Borotsik has requested a recorded vote.

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

Mr. Chairperson: The motion is accordingly defeated.

* * *

Some Honourable Members: Oh, oh.

Mr. Chairperson: Thank you, sir. On that note, this committee is going to take a five-minute recess, and we'll have some discussions with the members of this committee.

Committee's in recess for five minutes.

The committee recessed at 7:27 p.m.

The committee resumed at 7:52 p.m.

Mr. Chairperson: Will the standing committee please come to order again.

The floor is open.

Mr. McFadyen: Thank you, Mr. Chairman, and I want to, again, express our disappointment at the view of the majority of the committee members with respect to the two individuals who were prepared to present tonight.

But, listening to the comments of members opposite, it seems that there are a couple of concerns. One was just the lack of notice provided in terms of allowing people to present tonight, and the second was the concern about being selective in terms of who presents and who doesn't. And so in order to—and we also heard from the minister a public offer to hold a meeting and to hear from these individuals.

And so, in light of what I think is clear support for members opposite for a different approach, I want to make a motion that I know members will

want to support warmly and unanimously, and the motion goes as follows:

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba hold a special meeting, by no later than December 8th, 2010, to hear presentations from members of the public interested in the matter of the proposed Bipole III transmission line, and that House leaders be asked to set a date for this special meeting and to make arrangements for reasonable notice to interested parties. *[interjection]*

Thank you, Mr. Chairman, the Clerk has very correctly pointed out that the motion needs to come in the form of a recommendation to the House, and so I would modify the motion and propose as follows:

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba recommend to the House that the committee hold a special meeting by no later than December 8, 2010, to hear presentations from members of the public interested in the matter of the proposed Bipole III transmission line, and that House leaders be asked to set a date for this special meeting and to make arrangements for reasonable notice to interested parties.

Mr. Chairperson: It's been moved by Mr. McFadyen

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of Manitoba recommend to the House to hold a special meeting by no later than December 8, 2010, to hear presentations from members of the public interested in the matter of the proposed Bipole III transmission line, and that House leaders be asked to set a date for this special meeting and to make arrangements for reasonable notice to interested parties.

Motion is in order.

Mr. McFadyen: Just to reiterate the reasons for the motion, I think it addresses the concerns that were raised by members opposite with the approach that had been attempted at this committee earlier tonight. And just to identify the thinking behind a couple of the points in the motion, the date of December 8th was chosen simply because the House is in session until the 9th, and so to hold it by no later than the 8th would provide allowance for a meeting to take place while the House is still sitting.

Secondly, the—we are aware—and, in fairness, we are aware that there are interested parties who support the government's position in terms of the route of Bipole III and we want to be sure that they're given every opportunity to present as well. I know the Natural Resource Defence Council and others south of the border who support the decision would probably want to come and have that opportunity to present and there may be others as well, even here inside the province of Manitoba who support the decision, and we should give them the opportunity to come and support the government's decision as well as hearing from those who may not support it.

Ms. Howard: I want to clarify for members of the committee what our concerns have been with regards to the attempt to change the practice, change the process of committees in committee. Generally speaking, the practice of the House has been that House leaders meet on many topics and they have discussions and they come to agreements, and, in fact, a record of our House leaders on agreeing for committees to meet I think is stellar in the last few years.

My understanding is this committee has met four times in the last two years, which I think if you were to look back to the previous decade you would not find as often the Crown corporations or frankly any committee meeting. I know the Public Accounts committee that several of us have served on has met a record number of times in the last few years.

So I think our House leaders have shown their capacity to co-operate and to make agreements. None of those House leaders are here present as part of this committee. I don't know if there was any notice given to any of the House leaders that any of these motions would be coming forward tonight. I think that members opposite know well how the business of the House is conducted. They know well that giving advance notice, having those discussions with the House leaders, oftentimes that can accommodate everybody's needs and desires for the smooth functioning of the House. That's not the approach that they chose to take tonight. I regret that that's not the approach they chose to take because I think we have shown a lot of capacity to be co-operative as House leaders.

So we're not going to support this motion. The House leaders are free to meet to agree on further meetings. The House leaders are free to meet and to initiate a discussion of the rules of the House and of the rules of committees. That's always been the case.

That continues to be the case, and we'll see what the future will bring in that respect. But we're not going to change the rules, the processes, the traditions of the House tonight with two minutes notice.

Mr. McFadyen: Well, the member has completely misstated the role that the House leaders play with respect to House business. The House leaders' role is to represent the government and opposition caucuses with respect to resolving issues of procedure, and their job is to undertake negotiations between meetings of the House and committees to resolve issues.

*(20:00)

We have a unique opportunity tonight with all the principals being present at the table to proceed and do as we are empowered to do, which is to set our own rules. And that's happened on many occasions before. In fact, I was recalling, just a short while ago the many changes that were made in the course of bill debates in connection with Bill 37, 38, to sit on weekends, to sit in evenings, often long into the night, outside of the normal rules of even committees to consider bills. And that was done with the agreement of all parties because it was clear to everybody involved at the time that there was a significant level of public interest in Bills 37 and 38. As a result of that, the normal sitting hours for committee were suspended and overridden by the committee itself, which was able to take account of the size of the crowds, the level of the interest, and our desire as legislators to hear directly from the people who we get our mandate from. And when we have so many citizens of Manitoba, who are not our subjects, but who are citizens and who are ultimately our bosses, I think it behooves us to listen to what they have to say.

Ms. Wowchuk: Thank you very much for the comments that have been made. I want to say that when I was speaking earlier, I said to the people that are in the room here, that if they have issues—if they want to talk about this issue and raise their concerns with me, I would be more than willing to sit down and meet with them and talk about these issues. I do not believe that this is something that should be negotiated at this table and we—and that this—the purpose of this meeting tonight, of this standing committee, is to talk about the annual reports of the Manitoba Hydro-Electric Board, their annual reports. The issues that people have with bipole have been the subject of a lot meetings, and as I have said, if there—I—we don't have to have presentations at this

table to have a meeting to talk about these issues. And I've always had a very open-door policy, and if people want to call my office, we can arrange a meeting. But I do not support the motion that is being put forward here, Mr. Chairperson.

Mr. McFadyen: I—we're—I'm disappointed in the minister's response. The trouble with the approach that she's proposing is that there individuals who are not present in the room tonight who are impacted by this decision. There's the next generation of Manitobans who don't yet have the right to vote or be present, who are going to pay for this decision. And that, Madam Minister, calls for an open, public meeting, not a private, closed-door series of one-off meetings. This is an important public issue. And you should be prepared to defend it in public and with opposition members present in a format that's open to the media and open to any member of the public who may not—who may have an interest in the issue. That's really at the heart of openness, transparency and democracy. And we ask the government to really seriously reconsider this closed-door, secretive approach that they seem to want to take when it comes to dealing with this issue.

Mr. Cullen: It's interesting to hear the comments of members opposite. And I think maybe they missed the point of the resolution that was put forward by the member for Fort Whyte. And we as a committee can make recommendations, you know, to the Assembly or to whoever we like. And strictly, this resolution is just a recommendation. And it's a recommendation that we allow the public more input into one of the biggest decisions facing Manitoba Hydro and, in fact, the province of Manitoba.

So all we're asking is that the government support our resolution asking for a more open and transparent process and in looking at the next Bipole III.

Mr. Chairperson: Any further comments, questions? Committee ready for the question?

An Honourable Member: Question.

Mr. Chairperson: Do you wish to have the motion reread?

An Honourable Member: Please.

Mr. Chairperson: It's been moved by Mr. McFadyen

THAT the Standing Committee on Crown Corporations of the Legislative Assembly of

Manitoba recommend to the House that a special meeting by no later than December 8, 2010, to hear the presentations from members of the public interested in the matter of the proposed Bipole III transmission line, and that House leaders be asked to set a date for this special meeting and to make arrangements for reasonable notice to interested parties.

Shall the motion pass?

Some Honourable Members: No.

Some Honourable Members: Yes.

Mr. Chairperson: The Chair hears a no.

Voice Vote

Mr. Chairperson: All those in favour, please signify by saying aye.

Some Honourable Members: Aye.

Mr. Chairperson: All those, please signify by saying nay.

Some Honourable Members: Nay.

Mr. Chairperson: In the opinion of the Chair, the Nays have it.

Formal Vote

An Honourable Member: A recorded vote, please.

Mr. Chairperson: Mr. Borotsik has requested a recorded vote.

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

Mr. Chairperson: The motion is accordingly defeated.

Mr. Chairperson: Mr.—[interjection]

Mr. McFadyen—[interjection]

The floor—[interjection] The floor—[interjection] Madam, madam, I'm asking for your co-operation, please. [interjection]

Then the Chair will have no obligation, then, but to either ask the room to be cleared or to ask that you—for your co-operation, madam. That's all I'm asking for, is your co-operation.

The minister has made—

An Honourable Member: I said I'll meet with them.

Mr. Borotsik: Mr. Chairman, if I can, as you could tell, there is some emotion, obviously, when people's livelihoods are affected.

There is another opportunity for Mr. Brennan, Mr. Schroeder and Madam Wowchuk to meet with these individuals. On November the 8th, Manitoba Hydro has already struck a meeting at the Holiday Inn South. There's an open house on November the 8th, Mr. Brennan. Your department has already set that open house. There's a meeting.

I would ask you now—

Mr. Chairperson: Through the Chair, please.

Mr. Borotsik: Through the Chair, I ask through the Chair to Minister Wowchuk, Mr. Brennan and Mr. Schroeder, if they are prepared to be at that meeting on November the 8th, the open house that is already advertised, already put in place by Manitoba Hydro, if—through the Chair—those three individuals would be prepared to be at that open house so that these individuals would have an opportunity to make their opinions known.

Mr. Chairperson: Comments? Questions?

Ms. Wowchuk: Mr. Chairman, I have said, and I'm—to the individual who was speaking earlier and to others—that I am willing to meet with those people who want it—*[interjection]*

Mr. Chairperson: Please. I'm asking for respect from members of the public—*[interjection]* I am asking for respect for the proceedings of this committee this evening.

My obligation as Chairperson is to ensure the smooth proceedings of these committee hearings, and to allow members of the public to participate in these proceedings is part of the format that we have in the Manitoba Legislature, a tradition that we are proud of, but that does not involve inclusion of comments or participation in these committee proceedings. That's the rules that I have to work within. That's the practice of this Manitoba Legislature. It allows for free-flowing questions from the members of the opposition or any member of this committee to the minister and members of the Manitoba Hydro.

We're asking for co-operation of members of the public, please. Please respect the—have respect for each other in this room and for the people that are trying to do this job here this evening to represent your viewpoints. We can get to the comments and the questions you might wish to pose through your

members, whoever they may be in this committee room, and ask to the minister or to members of the Manitoba Hydro. That's one way to achieve your purpose here this evening.

So I ask for your co-operation and respect for these proceedings here this evening. That's all I'm asking—*[interjection]*

I am—*[interjection]* I'm asking—allowing any member of this committee to ask questions of the folks from Manitoba Hydro or from the minister. So I'm asking for that co-operation, please. *[interjection]*

I'm asking—*[interjection]* I'm requesting—*[interjection]* I'm not asking you to leave, madam. All I'm asking is for respect for the proceedings that are here this evening. We're prepared to proceed?

* (20:10)

Ms. Wowchuk: Mr. Chairman, what I would like to say to this individual, if you call my office tomorrow morning, we'll work out a date. I cannot—I will set up a time to meet with you. I—

Mr. Chairperson: Further comments, questions?

Mr. Borotsik: Well, I'd like an answer from the minister if I could, please. There is a meeting on November 8th. Are you prepared to make that meeting on November 8th? It's a public meeting. It's open to the public, well advertised. Madam Minister, can you attend that meeting on November the 8th?

Ms. Wowchuk: Mr. Chairman, I have said that I would check tomorrow morning. I do not have my calendar in front of me. I have some other issues to deal with, but I will—I have committed that I will meet with this group of people and if they call my office in the morning, I'll make arrangements to meet with them. To say specifically tonight whether or not I can be there that day, I cannot do that, but in the morning I can arrange a time for a meeting.

Ms. Howard: Mr. Chair, I have a question for Mr. Brennan on his presentation. We're at the question period, I understand.

Mr. Chairperson: Yes, we are.

Ms. Howard: Okay. So thank you for your presentation, Mr. Brennan. I thought it was extremely thorough, and you always come very well prepared to the committee. So my question has to do with page 22, Mr. Chair. So on page 22 of your presentation, Mr. Brennan, on your Bipole III budget, you make, if I'm reading the line correctly

where it talks about converters, it appears to me that in either scenario, west side or east side, that those converter stations would be necessary. Am I reading that table correctly? And maybe you could give us some more background on the necessity for those converter stations.

Mr. Chairperson: Mr. Brennan, would you please pull your microphone closer to you, sir, before you proceed.

Mr. Brennan: When we originally looked at the proposal to build the line down the east side, it was at that point being tied in to the existing conversion equipment, and at that point, it was—the converter stations, without considering new generation being added to the system or the reliability associated with something happening to the existing converter stations, it was not included at that point.

When we went to the west side, there was a need to have conversion equipment which, in our opinion, took away reliability issues that we had at that time and at the same time provided for new generation to be able to come down the line at that point in time. So conversion equipment should be considered on both sides in our view.

Ms. Howard: One of the suggestions that I've heard is that we should cancel the planned converter stations, and some concerns that I've heard with regards to that is the impact that that could have on reliability of the power supply. So I'm wondering if you could talk about what kind of impact that could happen to Manitobans if we were to cancel those converter stations that are in the plan for the bipole.

Mr. Brennan: If there was some issue associated with the southern conversion station at Dorsey, we'd have a major reliability issue. In addition to that, as soon as we added new generation, we'd need a converter station at both ends for the line. So there's two major issues there that have to be dealt with almost right away.

Ms. Howard: So would the plans to increase power generation—I think we saw in one of your slides, you know, quite a tremendous trend upwards in power generation when some of the new dams come on line. When those new dams come on line, we are going to require extra converter stations. Have I got that correct, Mr. Brennan?

Mr. Brennan: I believe I understood your question. Mr. Chairperson, 2019 we'd need it and right now we're proposing to put it in 2017.

Ms. Howard: Thank you, Mr. Brennan.

Mr. McFadyen: I'm pleased that the member for Fort Rouge (Ms. Howard) has opened up the issue of capital expenditures related to Bipole III.

My question to Mr. Brennan relates to the estimate of just over \$2.2 billion in total for the project and that estimate was confirmed in Hydro's capital estimates over the last three years. The number was originally provided in CEF07, which is the 2007 capital estimates. The same \$2.2-billion number was in—presented 2008; the same number in 2009.

I just want to ask Mr. Brennan whether he expects any revision of that number for the 2010 capital estimates.

Mr. Brennan: That issue is under review. We've—at this point in time, don't believe there'll be any change, but we are reviewing the issue to some degree of debt.

Mr. McFadyen: Just looking at the way Hydro prepares its capital expenditure forecast, just note in CEF09, which you know is the Pointe du Bois transmission project, which involves about a total of 60 kilometres of transmission lines with some additional other components to it. It's an \$85.9-million project and roughly 5 percent the size of the bipole project. And we note in the capital expenditure forecasts that there are adjustments that have been made over the life of the construction of that project every year: 2010 a \$10-million adjustment; 2011 a \$13-million adjustment; 2012 a \$2.8-million adjustment; and so on.

In two other capital projects, the Riel Reliability Improvement Initiative contains adjustments for every year up to 2014 as does the Firm Import Upgrades which is another smaller project totalling \$4.8 million.

And I'm wondering how it is that a project as large as bipole would have no adjustments over a four-year period in terms of the estimated cost, when such small projects seem to be being adjusted on such a regular basis.

Mr. Brennan: I think we'd likely get more of the actual design taking place so we get a good handle on what we're actually going to build. At this point in time, most of our work has been on environmental issues and not on the design. Once we get more fully into it, we'll have a better handle on what the costs are.

Having said that, we are going to do a major extensive review of the costs in the next year.

Mr. McFadyen: Thank you very much. Mr. Brennan, can you just indicate, with the capital expenditure forecasts which are printed on annual basis, what is the normal timing for the publication of those re-estimated numbers?

Mr. Brennan: The actual integrated financial forecast is usually approved by the end of November. That's the time we usually make our application to the public utility board, is the end of November, an approved change to the IFF.

Mr. McFadyen: And through that process, when would the revised numbers normally be published? If the internal process is completed by end of November, when would the revised numbers normally be made available to the public?

Mr. Brennan: It'd be shortly thereafter because it's at that point everything goes to the Public Utilities Board and becomes public.

*(20:20)

Mr. McFadyen: In Hydro's response to a Public Utilities Board question, PUB/MH 11-56, where the PUB was asking about the capital requirement of 2.2 billion, Hydro's response was, and I quote: The ultimate cost of Bipole III may be greater than 2.2 billion; however, there are many aspects of the project that are to be decided and it's not yet possible to develop a project cost estimate with the degree of confidence necessary to warrant an update to the CEF. That was provided to the Public Utilities Board in June of this year, the document stated June 24th, 2010.

Have there been any updates in terms of any internal re-estimation of the costs of the project since the date of that reply to the PUB?

Mr. Brennan: As I mentioned to you, we're proposing to do a major review within the next year of both the capital costs of the line, as well as the conversion equipment.

Mr. McFadyen: Can I just ask whether the normal internal process would be that the vice-president responsible for a particular project would make a presentation of numbers to the executive of Hydro prior to those numbers making their way to the board? Can you just indicate whether any such presentation has been made in connection with Bipole III over the past number of weeks?

Mr. Brennan: I don't think any formal discussions have taken place. We have decided with-through the vice-president that this review I talked about would take place.

Mr. McFadyen: Because in the normal process and, in particular, related to Bipole III, would it be Mr. Tymofichuk, as the vice-president of Transmission, who would bring forward an estimate to the executive of Hydro for its review and consideration as part of the process?

Mr. Brennan: It would be in two components. One would be the line which would come through Mr. Tymofichuk, and the conversion facilities which would come through Mr. Adams.

Mr. McFadyen: And, Mr. Brennan, can you just indicate whether you believe, based on current information, that Bipole III, the capital estimate of 2.2 billion, remains realistic.

Mr. Brennan: I've seen some indication that the line would be reasonably close and there's some expectation that conversion equipment—there's some indications it may go up in some places and there's some indications based on recent purchases that it may go down.

Mr. McFadyen: Just in terms of the updating of the capital estimates for Bipole III, Mr. Brennan, can you just confirm that as a result of the number of jogs that the line makes that require reinforced towers wherever there's a corner. And just to back up on that, our understanding is that towers built in a straight line don't need to be as heavily reinforced as those on a corner because of the weight of the line, that where the line makes a jog, those corner towers are considerably larger and more heavily reinforced because of the weight of the line and, accordingly, considerably more expensive.

And can you just indicate what impact those developments have had on the current capital estimate for the—for Bipole III.

Mr. Brennan: I think your concept that you were talking about is—I do agree with. I have no idea whether there's been more jogs, if you will, that require reinforcement. That I don't know.

Mr. McFadyen: Just in light of where Hydro is in terms of the process on Bipole III currently, can you indicate what is the target completion date for the revised capital estimate for Bipole III?

Mr. Brennan: We would like to—without a complete design, we'd like to complete our review of the estimate within the next year.

Floor Comment: And—

Mr. Chairperson: Sorry, Mr. Brennan.

Mr. Brennan: Excuse me. The design won't be complete at that point though.

Mr. McFadyen: In light of the impact—sorry, am I hearing you correctly that the design, never mind construction, but the design for Bipole III won't even be complete a year from now?

Floor Comment: I don't believe it will.

Mr. Chairperson: Mr. McFadyen—or Mr. Brennan.

Mr. Brennan: I will confirm that, Mr. McFadyen. Sorry.

Mr. Chairperson: You have to wait for your—gentlemen, for the microphones to be turned on to allow the *Hansard* folks to record. So, if you just wait, sir, for the Chair to indicate your name and then you can proceed to ask your questions and respond with the answers, that would be appreciated. I'm not sure if it made it to the records. Maybe Mr. Brennan could—*[interjection]*

Mr. McFadyen: I'll retry the question and let Mr. Brennan—I think we'll just repeat what we just said, that the question was whether that Mr. Brennan could confirm that Hydro won't even complete the design of Bipole III until a year from now, never mind embarking on any construction.

Mr. Chairperson: Mr. Brennan.

Mr. Brennan: For once I got it right, after all these years, too. I apologize.

I believe that's right. I will confirm that.

Mr. McFadyen: Now, the—if memory serves, the date that the towers collapsed during the wind shear of—Bipole I and II, I believe it was 1997, was that correct?

Mr. Brennan: '96 or '97.

Mr. McFadyen: And so that's now going on 14 years. And so what you're saying is that if it was—the minister said 1996. If it was 14 years ago that event took place and we're not even going to be complete design for another year, I wonder if you can just comment on why it's taken so long all the way from 2006 or 2007 until—sorry, 1996 or 1997 until 2011

before we even have a design complete, never mind beginning any construction.

Mr. Brennan: We have had siting issues associated where the line would go. Certainly, from Manitoba Hydro's perspective, we would have liked to have the line in service by now. Matter of fact, some of our original estimates would have the line in service now.

Mr. McFadyen: In light of this delay in completing design, could you just indicate whether 2017 remains a realistic in-service date?

Mr. Brennan: Yes.

Mr. McFadyen: Just back on the matter of capital estimates, can you just confirm that some numbers have already been presented to the board, to the executive of Manitoba Hydro, with respect to Bipole III for the purposes of the 2010 capital estimates process?

Mr. Brennan: I don't think anything formally has gone to the executive committee, but I'll have to check that for you.

Mr. McFadyen: Can I just ask Mr. Schroeder whether anything has gone to the board, either formally or informally, with respect to revised estimates on Bipole III?

Mr. Victor Schroeder (Chairman, Manitoba Hydro-Electric Board): There hasn't been anything formal. I'd have to check on whether there was anything informal. I don't recall anything.

Mr. McFadyen: Can I just ask Mr. Brennan whether anything informal has come either to the executive or to the board of Hydro with respect to re-estimation of the costs of Bipole III?

Mr. Brennan: I think I answered that question before. I'll have to check into it, but I don't think so. Not—I don't think there's anything been on the executive agenda.

Mr. McFadyen: Can I just ask you, then, whether it's not—whether or not it's been on the agenda, have you been presented with any revised estimates for Bipole III, either formally or informally?

Mr. Brennan: I've been—I have discussed various estimates with vice-presidents on the Bipole III situation.

Mr. McFadyen: Can you just indicate what the number was that was presented to you in those discussions?

Floor Comment: I don't know what they were.

Mr. Chairperson: Mr. Brennan.

Mr. Brennan: Sorry. I don't recall what they were.

Mr. McFadyen: Would you be able to undertake to get back to us with the number that was presented to you within the next short period of time?

* (20:30)

Mr. Brennan: I don't know if our policy is to release unapproved numbers. I'd have to check.

Mr. McFadyen: I guess I'd ask the minister whether she's been briefed on any estimates, any changes to the estimated cost with respect to Bipole III over the past four weeks.

Ms. Wowchuk: No, I have not.

Mr. McFadyen: And can I ask the minister then, going back a little bit further, whether she's been briefed on revised cost estimates over the last three months with respect to Bipole III.

Ms. Wowchuk: No, I have not.

Mr. McFadyen: In light of the significance of the project and the province's significant fiscal challenges, I wanted to ask the minister whether she's asked for an updated cost estimate on Bipole III.

Ms. Wowchuk: We have—as Mr. Brennan has indicated, there is going to be a review of those costs and we will wait for the results of those costs when the review is done.

Mr. McFadyen: Can I just ask the minister, in light of the very significant impact of this decision on hydro and on ratepayers, whether she's asked for a briefing on any revisions to the cost estimates associated with Bipole III?

Ms. Wowchuk: Mr. Chairperson, I'm briefed regularly on things that are happening and when there is information available, but I will—that will be provided for me. But if I look at Hydro's financial statement and their reserves—their accumulated revenue, I am comfortable that Hydro will be able to make the necessary investments that are required, and I believe that they're in a good financial footing.

Mr. McFadyen: Which isn't responsive to the question. I just want to ask the minister whether she's asked for a briefing in light of the expenditure, the impact and obviously the political debate surrounding Bipole III, whether she's asked for an

updated capital expenditure estimate connected to that project.

Ms. Wowchuk: Mr. Chairperson, I have not been given an update. We have had discussions as to where the costs will be and I've been told that we anticipate that the costs will be within the numbers that have been—the projected budget of \$2.247 billion. There may be some movement on the converter side of it. There may be some movement on the line side of it. We've had those discussions, but there have been no firm numbers that have been given as to changes, and I think as we move closer to having the final design and length of the line, then there will be—that's—there may be some adjustments. But at this time, I have had discussion with Hydro but I have not been given information as to some dramatic change in the cost of Bipole III.

Mr. McFadyen: I just want to ask the minister, just in light of the amount of re-estimating that's gone on in connection with other capital projects, whether she has any concerns at all that the estimate that's currently being debated of just over \$2.2 billion is a three-year-old estimate first published in 2007—we now are within weeks of the 2010 capital estimates being published—whether the minister has any concerns about the fact that there's been no re-estimation done whatsoever with regard to the largest capital project under—going on under her watch?

Ms. Wowchuk: I know the member wants to get an answer as to what change is going to be made in those numbers and I've indicated I don't have those numbers. And a review is going on of the total costs of what the project will be, and when that full review happens then we will have those numbers. But it is not—there is not going to be, as I understand it, there's—you have to get a licence first. So that licensing has to happen before construction can take place. So there—the construction costs will not show up in this year.

Mr. McFadyen: The—Hydro currently has a general rate application—rate increase application from the Public Utilities Board. There's going to be some public hearings into that process, and one of the relevant considerations is the estimated capital cost of Bipole III. Can the minister indicate whether or not Hydro will be permitted to share the actual current estimates with the Public Utilities Board in advance of those rate hearings taking place in 2011?

Ms. Wowchuk: I'm going to refer to Mr. Brennan as to what they are able to share with the PUB and what they're not able to share with the PUB.

Mr. Brennan: Well, first of all, the—these costs that we're estimating—we don't even start construction until 2014. They don't come in service till 2017. So a customer won't have to pay a cent till after 2017. So it won't affect the current rate increases at all.

The second thing is that we will indicate to the Public Utilities Board that we are going to do an extensive review of the capital costs of the—both the conversion equipment as well as the line itself over the next year.

Mr. McFadyen: Just in that response, there's something new contained in it, and that is that construction won't even begin until 2014. Are you saying that the construction has now been moved back from the original capital plan that's currently published?

Mr. Brennan: Yes, it'd be 2012. I'm sorry. Once we get the licence we'll start. So that'd be 2012.

Mr. Chairperson: Mr. McFadyen—*[interjection]*

Mr. Brennan, sorry, sir, you have to repeat that, if you will, to put it on the record.

Mr. Brennan: I'll give you a complete schedule. Once we get the licence we'll definitely start. So construction will start then, and that would be 7012–2012.

Mr. McFadyen: Right. So just to confirm, you're anticipating receiving a licence by 2012 and starting construction shortly thereafter.

In light of the fact that the construction would be starting presumably less than two years from now, I'm just curious as to how it is that we could be this far down the road, now, three years since the original announcement and still not have a re-estimation of the capital costs on this project when the re-estimation on a project 5 percent the size of this is provided in great detail in the documents that have been made public.

Mr. Brennan: I think the ones you're referring to, construction is either under way or about to start. So they're not two years away as they are right now.

Mr. McFadyen: And in light of the information already worked up internally and presented, I want to ask you whether you believe that the \$2.2-billion number is even close to what the actual cost is going to be.

Mr. Brennan: We've been experiencing an awful lot of competitive prices in the large electrical equipment field in the recent past, and so I'm not

confident that it'll go up. You know, certainly, we're purchasing equipment that has a limited number of suppliers, and that causes us difficulty. So I don't think I'd—that the recent past has really made me a little more—I'm not comfortable with the estimate because I think we should have the design complete and know what we're going to actually purchase before I'm real comfortable with an estimate.

So I think it's hard for me to answer your question, Mr. McFadyen.

Mr. McFadyen: Can I just ask whether any estimate has been provided to you that would suggest that the actual project cost is in excess of \$4 billion?

Mr. Brennan: I don't recall that number at all.

* (20:40)

Having said that, I looked at the numbers in two ways, and the—two breakdowns. One was the line and one was the conversion equipment. The—one of the numbers I saw on the conversion equipment, it was more significant than the change on the line.

Mr. McFadyen: Would you just undertake just to get back to us of the latest estimate that Mr. Tymofichuk and Mr. Adams would have provided in terms of the internal work that's been done at Hydro, just to provide us with some indication prior—particularly prior to the PUB process getting under way, so that we know the public and the regulators have access to the information they need to make informed decisions.

Mr. Brennan: I have to take that under advisement in that we have an awful lot of unapproved numbers floating around, and in the past we've always only released approved numbers, numbers approved by the Hydro board.

Mr. McFadyen: Can you just indicate whether there's been any discussion at board level of any of the revised estimates connected with Bipole III in recent months?

Mr. Brennan: I can't recall anything in a recent time. Having said that, the chairman and I talk every day, so certainly the chairman and I talk about issues like that, so I'm sure we would have talked about that in some fashion.

The financial forecast goes to the Hydro board in November, so it'll be discussed there for sure.

Mr. McFadyen: So just to confirm, then, there will be a—just to get the terminology right, a capital expenditure forecast, CEF10, in connection with

Bipole III that will be presented to the board in November. Is that right?

Mr. Brennan: Yes. We revise both the—our operating plans as well as our capital plans, and it all ends up in a new document called IFF10.

Mr. McFadyen: And can you just indicate whether you know at this stage what the number is going to be that's presented to the board in November in connection with Bipole III, whether any decision has been made? Are you going to leave it at 2.247 billion or whether there's going to be any variation to that number when it goes to the board.

Mr. Brennan: I think the recommendation that we'll have will be to leave the number the same and to do the review that I suggested we do.

Mr. Chairperson: Mr. McFadyen. *[interjection]* Mr. Brennan, to conclude.

Mr. Brennan: Sorry.

That would be my recommendation, in any event.

Mr. McFadyen: I'm just wondering, if the internal work has already been done, what's precipitating the need for a further review of the numbers?

Mr. Brennan: I'm not sure the work has been totally done. You seem to have more knowledge than I do in that regard.

We certainly know that there's indication that some costs are going to go up. We also have recent indication that costs are going to go down, and I think we want to take a real good look at the whole thing to see where they go. And I'm of that view, and that's what I would recommend to the Hydro board.

Mr. McFadyen: I guess it just seems really unusual that for every other project there's an annual adjustment even for much smaller projects, but for this project, for some reason it started off at 2.247.8 billion in 2007. The very same number was reprinted in 2008. The very same number was reprinted again in 2009, and I think what you're saying is that the very same number is going to be reprinted again in 2010, even with all of the work that's been done to this date.

I wonder if you can just explain how it is that we've got this very unusual circumstance of the biggest capital project at Hydro having the identical estimate four years in a row when the estimates for every other project are changing on an annual basis.

Mr. Brennan: I thought I did. I thought the answer was—and it's the same thing I'll recommend to the Hydro board—is that we do a major review of that estimate to determine whether there should be a change in it or not. And that's what I would recommend happen. And I think there's a good indication that there's some of that major equipment that will be the same or even go down, but we'll have to wait and see.

Mr. McFadyen: Just based on information and advice that you've been provided up until tonight, would your best guess be that the costs of 2.2 billion—the cost of the project will go up or go down from the 2.2 billion by the time all is said and done?

Mr. Brennan: It's my indication that there'd be a modest change, if any, to the transmission line itself, and I think we have less knowledge about the conversion equipment. And I think that is what's causing us to really take a good look at just what's involved.

Mr. McFadyen: Just note that, in some other cases, costs have gone down and those have been printed, but for whatever reason the number remains stuck where it was over three years ago in connection with Bipole III, and I wonder if you can just indicate how it is that, if a cost goes down, it seems to get printed, but if there's internal advice that the cost is going to go up, then it gets delayed.

Mr. Brennan: I don't think I can agree with your assumption.

Mr. McFadyen: Is there a view, then, that the cost of Bipole III is likely, then, to be less than the 2.247 billion that's already been estimated?

Mr. Brennan: I don't think I'm comfortable in saying that.

Mr. McFadyen: What will the timing be of the revised estimate for Bipole III, then, if you're not going to revise the number in 2010? When would be the next public revision to that number taking place after this review takes place?

Mr. Brennan: I think we'd want one for the filing of the environmental impact analysis, which is a year away.

Mr. McFadyen: So you're saying perhaps late October of 2011, then, by the time a new number comes out?

Mr. Brennan: I think we're proposing the schedule provides a June of 2011 date, but so I think we might have to get something approved prior to the IFF process if we want to file a good estimate with the environmental impact statement.

Mr. McFadyen: So just then to confirm what you're saying is that the re-estimated number and the review that you're talking about will be complete and made public by June of 2011.

Mr. Brennan: That's my best guess at this point.

Mr. McFadyen: The discussion which took place internally after numbers were presented to you, I just wonder if you can indicate whether you provided any advice directly to the minister with respect to the revised internal estimates.

Mr. Brennan: No, I don't think I did. I did talk to the chairman and about what I'd like to do in terms of a review, and he said, take that to the—we'll take that to the Hydro board and get a discussion with the Hydro board and then decide how we're going to proceed.

Mr. McFadyen: I wonder if I can just then direct the question to the chairman and ask whether he has briefed the minister with respect to any revised estimates for this project over the past period of time.

Mr. Schroeder: No, I have not. There isn't a revised estimate. As I understand it, there's a process starting to review, to make sure that when the review is done, that there will be a number that we can live with. So there is nothing—there is no number to discuss with anyone.

Mr. McFadyen: Well, Hydro goes through an annual review of its capital expenditures, and that relates to all of its projects, including Bipole III. And those revised estimates make their way up to the vice-presidents who then bring them forward, and I'm just wondering, Mr. Schroeder, if you're indicating that no such number has been presented, then, in connection with Bipole III, any movement away from the \$2.247-billion estimate.

* (20:50)

Mr. Schroeder: As I understand it, the 2.247 billion is what is currently being recommended and there is a review to ensure, based on further knowledge in terms of the equipment bidding and purchasing, whether that number needs to be adjusted, and that review will take place over the next year, and, presumably, as Mr. Brennan has indicated, we'll be

in a position to deal with that some time next summer.

Mr. McFadyen: I certainly understand that there's a new review process that's been initiated, but the question is whether there's already been a review done and a number presented.

Mr. Schroeder: There has not been a number presented. I thought I'd made that clear earlier.

Mr. McFadyen: And to be clear, you're saying there has not been a number formally presented to the board. Has there been a number that's been brought forward and discussed informally that precipitated the request for a second review of the estimate?

Mr. Schroeder: I have heard no changed number from the 2.247 billion. There have been suggestions that, as Mr. Brennan has indicated, that the expectation currently is that the transmission line will be somewhere around what was originally estimated, and the area where there is concern—and he has indicated to me that it could be upward or downward—is in the area of the switching stations and the equipment, the cost of that.

Mr. McFadyen: And so from what you're saying, then, you have had numbers presented, then, in connection with the line and the converter stations.

Mr. Schroeder: I don't know in how many different ways I can say there have been no numbers presented.

Mr. McFadyen: I appreciate that there are some distinctions here. I just want to ask whether informally—just one more time—informally has there been a revised estimate for Bipole III discussed with you, Mr. Schroeder?

Mr. Schroeder: There have been no changes. There have been no numbers that I can recall discussed with me. There have been indications that the transmission line itself is roughly on target and that there are concerns about the switching station equipment both up and down, both upwards and downwards.

I don't have—have not been given a number.

Mr. McFadyen: Now, when you say concerns about both upward and downward, why would you have a concern about a downward movement in the cost of the conversion equipment?

Mr. Schroeder: Well, we would like to record the accurate number when it has been determined.

Mr. McFadyen: I wonder if you would be prepared to give permission to the relevant vice-presidents to address the issue of the current cost estimates on this project.

Mr. Schroeder: We have a process in place and I think it's an appropriate process. I'm not prepared to, just at 9 o'clock one Monday evening, decide to change the manner in which the Hydro-Electric Board governs Manitoba Hydro.

Mr. McFadyen: Can I just ask whether—if Mr. Tymofichuk and Mr. Adams were here tonight, they would say we have absolute confidence that the 2.247-billion estimate is accurate as of today.

Mr. Schroeder: I suppose if they were completely confident, we wouldn't be doing a review. I'm not suggesting that they're confident in the specific numbers right now.

Mr. McFadyen: Can I just ask if those vice-presidents were here, what would they say about their current view as to what the cost of this project is going to be?

Mr. Chairperson: Mr. McFadyen, could I ask you to rephrase that please. You're putting it into the hypothetical context and you know our rules with respect to that issue.

Mr. McFadyen: Okay, what is the view of Mr. Adams and Mr. Tymofichuk with respect to the current estimate of the cost of Bipole III?

Mr. Schroeder: Yes, their views are passed on to the CEO, and you're hearing them here.

Mr. McFadyen: Now, just to Mr. Brennan, if you can just indicate what's the current view of Mr. Tymofichuk and Mr. Adams with respect to the current cost of the Bipole III project in terms of the estimates?

Mr. Brennan: As far as I know, they were part of the discussion we had on doing the review to confirm the estimate and as far as I know, they think that's the appropriate vehicle to use. I don't know otherwise in any event, Mr. McFadyen.

Mr. McFadyen: And I don't doubt that they would support a direction to do further review of the numbers, but what would they say if they were asked what their current estimate of those numbers is based on the advice that they have an analysis that's been undertaken as of today?

Mr. Brennan: I think they'd say what I just said. As far as I know they would.

Mr. McFadyen: I'm not quite sure what you just said.

Mr. Brennan: I think they would agree that when we talked about the estimate that we thought the best thing to do would be to do a comprehensive review of the estimate.

Mr. McFadyen: And so is this an indication that the review that's been done already is faulty in terms of its approach?

Mr. Brennan: I think, as I mentioned to you, that we seem to forget is that the marketplace has been much more competitive more recently than it has in the past and we're not sure to what extent that's been taken into account in our estimates and we want to make sure that everything is considered and we do in fact have a good estimate. And that's what our goal is, and hopefully we'll have that prior to committing to construction.

Mr. McFadyen: So when you say all these things, you're not confident they were all considered in terms of the current estimates. Can you just indicate whether the current estimates are higher than the printed number of 2.247 billion?

Mr. Brennan: I thought we already had. My recollection is the estimate for the transmission line is relatively close to any sort of estimates that have been taking place and the conversion equipment seems to be out from what we thought and—

Mr. McFadyen: And when you say the conversion equipment is out, can you just elaborate on that?

Mr. Brennan: The discussion I was involved in, we discussed the fact that it does not seem to reflect current conditions and that it should.

Mr. McFadyen: Just on the issue of other costs related to the project, can you just indicate what is the current estimate of acquisition of land and other rights of ways and other economic development grants that are being considered as part of the project?

* (21:00)

Mr. Brennan: I don't have that number at all.

Mr. Chairperson: Before I proceed to the next question, we've reached the hour of 9 p.m., and this committee agreed that we would review our sitting at that time.

Mr. Borotsik: Yes, Mr. Chairman, there's obviously a great deal of interest in a number of areas

Mr. Brennan and Mr. Schroeder have brought to this table. I would ask that the committee sit for another hour and then review at that time.

Mr. Chairperson: It's been suggested this committee sit until 10 p.m. and then review at that point in time. Is that agreed? *[Agreed]*

Okay, we'll proceed with the questions.

Mr. McFadyen, are you concluded, sir?

Mr. McFadyen: I'm done, yes.

Mr. Pedersen: A little different pace, Mr. Brennan. I've been a regular at the LICs and a couple of the open houses that the Manitoba Hydro has had. A lot of questions have come out of there that were certainly—I wouldn't say less than forthright, but very vague on, and some of them, if I can just touch back on some of them here.

I believe it was when we had our last Hydro committee meeting in March of this year, I asked you then about separation distances from—between residences, yard sites and the right-of-way for Bipole III. And if I'm correct, I believe you said it was 600 metres, or would be 600 metres. Is that still holding?

Mr. Brennan: You know, I—so's I don't—if I said 600 metres, that sounds like an awful long distance. Just multiplying by three is almost 2,000 feet. It seems to me—you know, I should definitely confirm it, but I thought it was 200 metres, okay. Now—but I will confirm that for you.

Mr. Pedersen: Yes, thank you. If you would confirm that back to me in writing what the separation distance is to be between—and I'm talking about from the edge of the right-of-way, the easement right-of-way, to between residences and yard sites. That would be good if you could confirm that back in writing.

Mr. Brennan: I'll do that for sure. I do, somehow, twig on 200 metres.

Mr. Pedersen: One of the other things that—and I did have a very long visit in one of the open houses last week with Hydro personnel, engineers, your communications person. And I was told that there—you're still talking about the preliminary route. This is—the route is not the permanent route yet, you're still talking about a preliminary route. And I was told that there'll be minor adjustments to the route before the final route selection, before—if I can use the word permanent route selection.

Can you elaborate on what these minor adjustments will—would be and how landowners would be affected or notified about these minor changes?

Mr. Brennan: It's my understanding we now have a corridor, and it's a corridor, you know, that is relatively wide—I'm not sure I know the width—and in that we want to place a transmission line. And there's flexibility within that corridor to try to accommodate people and their concerns. So, you know, I think there is the opportunity, you know, to move the whole line one way or the other, and in doing that sometimes you affect other people, but—so I think it's a, you know, sort of a balancing act. But there is flexibility in making adjustments to where the line is depending on how people are impacted.

Mr. Pedersen: So making these minor adjustments and moving the line over, and it's much more major impact than just simply drawing the line across the map, how will—so if landowners—if different landowners are affected, then, already we have a number of landowners that have been contacted by letter saying Bipole III is coming across your land, now you're saying that you're working within a corridor—and perhaps you could elaborate on just how wide this corridor is. But, also, how will—if you're moving the line over to make these minor adjustments, what will be the process for contacting the newly affected landowners who were not affected prior, and now that this line is moving over, how will you notify those landowners?

Mr. Brennan: What we're proposing to do during this exercise is we're coming out with a proposal as to where the line should be, and as a result of the impacts and the input of people through the discussions that are taking place today, we'll decide where we end up with a final proposed route to take to the Clean Environment Commission, and that'll be as a result of all the discussions that take place. And if you move the line, it'll be reflected in the final one, and we'd certainly have to consider what impact moving it would have on other people, so you'd have to talk to them as well.

Mr. Pedersen: If I understand correctly, you are intending or at least it's the goal to go to the Clean Environment Commission with a selected route by June of 2011 and—but, needless to say, tonight, you saw that there was a large group of very unhappy landowners particularly through my area and through southern Manitoba.

Can you go to the Clean Environment Commission with a route, a selected route, and still having those landowners saying no? And I'll preface this by saying, with a lot of the landowners, with many landowners, it's not about compensation, it's not a question of whether it's adequate or whether it should be changed, they simply don't want the line there on their land and they are saying, no, it's not coming across my line—my land.

So can you go to the Clean Environment Commission with a selected route even with these landowners saying, no, not on my land?

Mr. Brennan: I think it'd be incumbent upon Manitoba Hydro to point out where there are concerns by landowners. In other words if we proposed a route that impacted somebody that was opposed to us, I think we'd have to tell the Clean Environment Commission then.

Mr. Chairperson: Mr. Pedersen. *[interjection]* Mr. Brennan, to conclude.

Mr. Brennan: If, in fact, that was where we ended up.

Mr. Pedersen: So, explain then to me when you go to the Clean Environment Commission, by your explanation, and you are explaining to the Clean Environment Commission that, well, this is the route we've picked but I've got a lot—I've got a number of landowners there who are saying no to this, is it up to the Clean Environment Commission then to decide whether this is the best route? Or—explain this process to me here. I'm—landowners are saying no, but the process moves ahead anyway. Like, where—what is the role of the Clean Environment Commission in here then?

Mr. Brennan: I think you're getting past my knowledge, to be honest.

It's my view that Manitoba Hydro will do what it can to accommodate landowners that are disgruntled. We'll do everything we can to try to accommodate that and if, at the end of the day, we end up with some people that are not dissatisfied, I'm positive we'd have to come up with some line and we have to point out people that are—still have issues. But our goal would be to try to accommodate people, and we do that in everything else. I don't know why we wouldn't do it on a setting of a line.

Mr. Pedersen: Well, no doubt it's a worthy goal. I'm just—I'm not sure how we're going to get at this.

With respect to the Clean Environment Commission, you've—Manitoba Hydro has been there many times—different applications, different lines not involving Bipole III at all, does Manitoba Hydro—when particular groups make representation about your application for a particular project, does Manitoba Hydro pay for their legal costs to present to the Clean Environment Commission?

Mr. Brennan: We—organized groups do get funding through the Clean Environment Commission if there's a recognized group of some sort that's organized in some way.

Now, on the—I don't know if that applies to property owners or not.

* (21:10)

Mr. Pedersen: The Clean Environment Commission provides funding? Or, who provides the funding for this—for these groups that are making presentations to Clean Environment Commission?

Mr. Brennan: At the end of the day, it's Manitoba Hydro.

But there's a process usually done either by the government separate from the Clean Environment Commission or some part—I think it's a separate funding agency or a group that's set up to do that, but usually they're organized environmental groups. But Manitoba Hydro makes sure that any disgruntled people when we come up with a final route are identified.

Mr. Pedersen: I'd just remind you, very nicely, that farmers are the environmentalists of the world, when you're talking about environmental groups.

So if—can landowners—and I'm trying to understand the Clean Environment Commission process. Can landowners make representation on their own behalf to the Clean Environment Commission in regards to how this line would affect their property?

Mr. Brennan: You know, I would suggest—you're definitely taking me down a path that I'm not comfortable with in that I'm not close enough to it. I think I should get you some kind of a document that would describe it to you from our perspective, and then, if you have any questions with that, we'll try to respond to you.

Ms. Wowchuk: I just want to say that there is a process and we could provide—the Clean Environment Commission spells out the process and

we can provide Mr. Pedersen with the information on how that process works, and then, if he has any further questions we could get the information.

Mr. Pedersen: So, just to clarify, who is providing me with this information about the process to apply for legal funding to go to the Clean Environment Commission?

Just—all—excuse me, Mr. Chairman—all I want to know, where's the information coming from? Is it coming from the minister's department? Is it coming from Manitoba Hydro? And when will I get this information?

Ms. Wowchuk: I will make the effort to contact—get from—get—have my staff get the information from the Clean Environment Commission and provide it to you—to Mr. Pedersen, Mr. Chairman—as to what the process is when, as far as intervener funding goes, because I think that's what—I think that's what he is looking for now, is how our intervener's funded during the process. And I will get that, whatever information is required, and forward it to him.

Mr. Pedersen: Thank you, Mr. Chairman, and I look forward to that information because, as you could tell from tonight, there is a fair bit of interest in how this process will unfold.

Just a couple other things. When I was at the open house—I was at the landowner information centre and there was two people there all day, so I went back for the open house where there was 15 Hydro employees, lots of information. The Hydro employees did outnumber the public showing up, but that's beside the point.

I asked about magnetic fields. I asked about stray voltage. I asked about effects on GPS in farm equipment and in airplane guidance systems because we're talking about aerials application—aerial spraying here. I asked about the influence of a DC line on people and livestock in relative proximity to it, corrosion effects—these subjects have been bantered a lot. There's a lot of information. There's a lot of misinformation out there.

To date, all I've been told from your engineering staff—and it's not a criticism on your engineering staff—but to date, all I've been told is it's not a problem, don't worry about it. You've told my landowners it's not a problem; don't worry, be happy; the line won't affect you.

Is there—is Manitoba Hydro going to do specific studies based on these topics that I've just mentioned

in regards to having a 500-kilovolt DC line passing in close proximity to their yard sites, to their residences affecting—possibly affecting their livestock, their machinery? Is Manitoba Hydro going to undertake Manitoba-based studies? Because I heard about studies that were done in Oregon and on the line to California—fine, that's good, you've done that study there, but what about Manitoba conditions? Does—is Manitoba Hydro going to do any studies based on that prior to building this line, so that our landowners—so that you can come back to our landowners and say, this is conclusive proof that there is no effect.

Mr. Brennan: There's been a series—extensive number of studies done on the electric magnetic fields and the like, and we've got various brochures that explain what the impacts are and what the studies that have taken place. And it's my understanding that there's no issues at all that we should be concerned about here in Manitoba, and it's not worth us doing any specific studies. It's my understanding that it certainly has been an issue in the past, especially in the '70s and '80s, and it has pretty well been studied to death from my perspective. Now, other people might have a different perspective on that. But that's my view. And Manitoba Hydro does have public literature out on most of those items.

Mr. Schroeder: Yes, just further, I don't know whether Mr. Pedersen has seen the material that we've provided. But there's not just material. This isn't the first DC transmission line in Manitoba. We've had DC transmission going through the Interlake and through farming country for decades in Manitoba, and so this is an issue we're not dealing with for the first time. So that needs to be taken into account and—

An Honourable Member: Don't forget the boreal forest itself.

Mr. Schroeder: If you want to get into that, we can certainly do that. I was hoping that we weren't going to divert things from this discussion.

Mr. Chairperson: Order please, order. I would—the Chair would appreciate if members have comments or questions or answers they would direct them through the Chair. That would facilitate the smooth operations of this committee. Please, I ask for co-operation from both sides.

Mr. Pedersen: It's interesting that you would bring that subject up about Bipoles I and II, because I

asked—when—first of all, when Bipoles I and II were built, if I remember correctly if was in the late sixties, around 1970, Bipole I and II was built, I believe. The largest machinery out there was a 4020 John Deere with a 12-foot-deep tiller. We've got a lot bigger equipment now, and yet when I ask about the minimum separation distance between the ground and the line on maximum load, maximum temperature, I'm told on Bipole III it will be 25 feet. I asked at that particular meeting what the clearance was on Bipoles I and II, and I had no answer. So—and Mr. Schroeder's saying no, that's not correct. I would certainly look forward to being corrected on what the minimum separation is—minimum clearance, full load, hottest temperature on—across our farmland.

Mr. Schroeder: Yes, my understanding is that it's 37.5 feet. But we will provide you with the specific. It's close to four storeys and it's way—there's more than 12 feet clearance beyond what the recommended clearance in the country is, taking into account the latest farming equipment.

Mr. Pedersen: Well, I'll certainly look forward to that clarification because at your open houses you're talking about 25 feet, and that's not enough with today's equipment. So there is legitimate concerns about that.

But just one final question and then our colleagues will—my colleagues will take over. But Bipoles I and II were built together, and I'm not an electrical engineer and this is a whole new game for me about learning about DC power versus AC and all the rest of it. But as I understand, a DC transmission line works best when it's in parallel with two lines running side by side. Bipole III is—right now is projected to be off by itself coming down the west side through southern Manitoba and all the rest of it. Where would Bipole IV be built?

Mr. Brennan: I don't think we have a clue at this point in time on that particular issue.

* (21:20)

Mr. Pedersen: Am I not correct? Do I have my electrical engineering wrong that they do work best when they're parallel line—two lines side by side so that you can move power back and forth and it works better in parallel rather than on its own for a DC transmission line?

Mr. Brennan: I think there is two lines in the case of Bipole I. But I believe there is two lines in each one. But there's probably people in the audience that

know more than I do. We'd have to get back to you. I'm not close to that.

Mr. Pedersen: I'll just give up there because I know that there's two lines on each tower, and I'm talking about is two tower—two separate lines parallel to each other, similar to Bipoles I and II. And that's what I—the point I was trying, but I won't waste the committee's time on trying to understand DC power here.

Mr. Gerrard: Mr. Brennan, it's now three years, actually to the day; it was August 25 in 2007 when I asked you in this committee about the option of putting a line under Lake Winnipeg, and in your response at that time, you said you hadn't looked at the option of putting the hydro transmission line under Lake Winnipeg. And I know in the intervening three years that you have started looking at this seriously. You've mentioned that you, in November of last year, that you had a committee looking at it. Why has it taken three years to get this committee to produce a report on the line under Lake Winnipeg?

Mr. Brennan: I think at the time we talked I mentioned the fact that I didn't think—well, I was positive we wouldn't consider it for Bipole III. So the review would take a look at whether we would use it for future bipoles after that, and it's my understanding that's what they're looking at and they should have some findings fairly soon.

Mr. Gerrard: In June of 2009, you said in this committee about the line under Lake Winnipeg, that I haven't been able to come to a conclusion—I haven't come to a conclusion that it's not workable.

Have you—are you still in the same position or have you got any conclusions about the underwater line from what you've looked at so far?

Mr. Brennan: I'm not part of the panel that is looking at it, but—so I don't think I'd second-guess them. It's my understanding that the report is eminent, so we can wait and see what they come up with.

Mr. Gerrard: It seems to me that at every step of the way Manitoba Hydro has been slow and behind when it comes to considering the underwater line. In October of 2007, when I first asked you about the underwater line, you hadn't even considered looking under Lake Winnipeg, and, in fact, underwater cables have been used to transmit electricity for decades, and there's a list easily available of more than 20 such major lines in various parts of the world. And, in June 2009, Mr. Brennan, you said

that, I don't think anybody has studied it at the high voltage we'd like to use it at, at the distance we're talking about.

You know, the first sections of the 500-kilometre high-voltage DC submarine power cable between Norway and the Netherlands had been laid in early 2006. The final section was laid by the end of 2007, with commercial operations starting more than a year before you made this comment that it'd not been studied, and in the first two months of its operation that cable generated revenues of about \$50 million Euro, which was about 8 percent of the cost of the cable, very viable. Why was it that when you commented in 2009, your comments were so out of date in terms of what was known around the world? I mean, it just seems like you had never really seriously considered or adequately considered the underwater Lake Winnipeg route to the detriment of people in Manitoba.

Mr. Brennan: My understanding, based on the information I was given, that underwater cable has been used and was successfully used in some cases for areas that were primarily short distances and were also in areas where there was no viable option at all.

But we should wait and see what the report says when it comes out. It's a—it should out within a month and then we'll get a good understanding of just what it says. I noticed they're—that they had a pretty good panel looking at it. In addition to that, they hired some experts to give them advice as well.

Mr. Gerrard: The problem, Mr. Brennan, is that, you know, you just said that they had not been used for the sort of length that we're talking about while the high-voltage DC line from Norway to Netherlands was 580 kilometres. And so, I mean clearly—and that's been completed since 2007 and operational since early 2008 and working very well by all reports.

Now, I mean, even in Canada we have a company, Transmission Developers, based in Toronto which is in an advanced state of planning an underwater transmission line to run 570 kilometres taking electricity from Québec to New York City, and for much of the route this cable would be buried along the bottom of Lake Champlain, a lake which freezes over like Lake Winnipeg, and then under the Hudson River, and that line would carry up to 2,000 megawatts and is planned to be completed by 2015. Public meetings on that underwater line were held in July.

Why has Manitoba Hydro's planning for a line under Lake Winnipeg taken so long and been so delayed compared to elsewhere in the world?

Mr. Brennan: Well, I'm certainly not an electrical engineer, for sure, and—I'm a chartered accountant—and I think that's why we are waiting for this panel report and let's see what the findings are. If the findings are—Manitoba Hydro will consider them seriously.

Mr. Gerrard: I mean, part of the problem is that this committee may not meet again till sometime next year, possibly not until after the election next year, and Manitobans should know as much detail as possible. And although the report will come out, you know, we may not be able to ask you questions in the way we can today. So I'm just trying to get a little bit more information on, you know, why this has been so slow and why it's taken so long.

This company in Toronto is called Transmission Developers. Have you been in touch with the principals of Transmission Developers? Did you talk to them?

Mr. Brennan: Really, no I haven't and I'm not sure if our staff have or even the panel has. I'm not sure. I don't—certainly our people have a better view of the world as it relates to underground cable than I do.

Mr. Gerrard: I know that in June 1st of 2009, before this committee, you said that we should try to get manufacturers involved in the review process, which is heading in the right direction. But I can tell you that as of August of this year, no one from Manitoba Hydro had even been in touch with the people at Transmission Developers. And, I mean, that's shocking to me that Manitoba Hydro, in the process that you're going through, you're not even talking to major Canadian companies who are in this area.

Why is that? Why has Manitoba Hydro been so slow and so, you know, inadequate in terms of following through on underwater cables and getting the information and making sure that you're in touch with the people who are in this business around the world?

* (21:30)

Mr. Brennan: I think I did what I thought was the right thing to do and that was to set up a panel of experts to look at the issue. They were in contact with manufacturers, as I believe they were, and I have no idea whether they talked to the firm you're

talking about. I certainly don't have any knowledge of them, but I would assume they have. I'm not sure about that particular company, but certainly they have talked to traditional manufacturers.

Mr. Gerrard: Well, I mean, it would seem to me that it would be essential to—you know, Manitoba Hydro should be—not just, you know, one manufacturer, but talking with a variety of people and understanding this field very, very well because the underwater line has the potential to be a lot shorter than this line down the west side and more environmentally friendly than the line down the east side, and it is very disturbing, right, to me and I think to many other Manitobans that the effort that was put into the underwater line has not been more substantial than it has been and has not been pursued with more effort and more vigour.

You know, I mean, there are now books. I have one here on submarine power cables. This is a field in which there is, you know, a very substantial knowledge and expertise, and it just doesn't seem to have got into the people at Manitoba Hydro. Why is that?

Mr. Brennan: I don't believe I agree with you. I think the people that we put on the panel are very motivated, people that have a good knowledge of underground cable. We also allowed them to hire experts in the field, and they also had the ability to talk to anybody they wanted.

So I think, from my perspective, I did everything I should have done, and I think the—we should wait for the results of the findings of that report and see what it says. But I'm confident that we've got a good group looking at it.

Mr. Gerrard: Well, I certainly hope that we've got a good report and a substantive report. I think that it should have, you know, been produced several years ago instead of now, given the state of the knowledge, and that it would have been highly desirable had we had it here so that we could actually be discussing the report and what's in the report and the merits or lack of it of various recommendations.

You know, we're stuck, as we've heard, with out-of-date estimates for certain of the—for the line, the \$2.2 billion, and some real questions about how accurate that is, and we've got a company which we want to believe is a leader in the world, but when it comes to underwater power cables, you know, every step along the way so far we hope the report will, you know, take that in a new direction. The

information has not been as adequate, certainly, as we would like so far.

I have—let me move on to another area. In your time line that you presented, you have an environmental impact statement to be submitted June the 30th of 2011, and, then, September 2012, The Environment Act licence anticipated.

Can you tell the members of the committee how long it'd take from—for Wuskwatim, the dam, from the time that the environmental impact statement was submitted to government until the environmental licence was granted?

Mr. Brennan: I think I'd have to get you the exact number. It was longer than that period of time.

Mr. Gerrard: Are you concerned about the fact that this may take considerably longer than what you've got in the plans?

Mr. Brennan: I think I always have concerns as to whether we can meet various schedules. So I think I'd be hopeful that we could meet it. But I think if it's well controlled, it's possible, yeah.

Mr. Gerrard: On the consultations which you're—have been doing on Bipole III, can you give us an estimate of what the cost to the consultations have been so far?

Mr. Brennan: I can't give you an estimate, but we can get that cost for you.

Mr. Gerrard: Can you tell me, are some members of the general public being paid to come to the consultations?

Mr. Brennan: Not to my knowledge.

Mr. Gerrard: Okay. That's my questions.

Mr. McFadyen: Just on power exports, in the presentation you made reference to term sheets and other discussions already under way with other jurisdictions. Obviously, it's in the interests of the Province and Hydro to enter into these agreements to the south, east, and west. Can you just indicate from a technical perspective, when we enter into these export agreements, does the power, in essence, after being converted in the southern part of Manitoba then get transmitted from those converter stations into our export markets?

Mr. Brennan: Yes. Once it's into the AC system though, it just goes anywhere, like water down a bunch of pipes.

Mr. McFadyen: In terms of the location of the southern converter stations which are east of Winnipeg, was that location selected because it's closer to the probable export markets for Manitoba Hydro? In other words, it's more convenient in terms of exports to Minnesota, Wisconsin, and Ontario, or was it selected for some other reason?

Mr. Brennan: The main reason, certainly there's a whole series of reasons, but the main reason was a pretty good separation from Dorsey.

Mr. McFadyen: And would—in terms of power sales to Saskatchewan, what would the routing—how would the routing work in terms of sales of Manitoba electricity to Saskatchewan, in terms of transmission?

Mr. Brennan: If it was a major sale, the best thing would be to tap the DC line.

Mr. McFadyen: Just—if you can explain, just quantify major sale, and when you tap the DC line, is it just a matter of building cables off the DC line, or do you have to install converter equipment on that side, as well, to facilitate a power sale of that nature?

Mr. Brennan: It would require conversion equipment.

Mr. McFadyen: And so in the context of the current discussion, is the west-side route in any way related to the potential for sales to Saskatchewan?

Mr. Brennan: It's certainly a consideration, but having said that, there's no sale there yet, so—certainly there's benefits of having it there, should there be a sale but, you know, I don't think you build transmission lines on speculation.

Mr. McFadyen: And how large a sale would it have to be? You said it would have to be a major sale. How large a sale would it have to be in order to justify the expense of conversion equipment to convert from DC to AC?

Mr. Brennan: I think that would require a fair amount of studies to find out just what is the best route. Even a major sale might, depending on where it's going and what's required, it might be best to have an AC line take it in so I don't think I'm qualified to answer that.

Mr. McFadyen: So, at present there are no studies that would indicate exactly the best means of transmitting power from Manitoba to Saskatchewan then. That would be a function of the size of the deal that you entered into and then the technical advice

that you got subsequent to that agreement? Is that the right way to describe how the process would work?

Mr. Brennan: I go back a long way and there's been a lot of studies. You know, east-west studies over the years with western grid and like, so, I think there's been a fair number of various types of studies and to various levels of detail.

Mr. McFadyen: The publications that have been put out by Hydro and the government in connection with Bipole III have stated that the purpose of Bipole III is to enhance domestic reliability as well as to facilitate power sales into the United States. Are those accurate statements in terms of the current publications?

* (21:40)

Mr. Brennan: The main purpose that Manitoba Hydro has advanced the need for Bipole III is reliability. You know, as I mentioned earlier, the line was supposed to be in service now. So, you know, it was, I think, wanted earlier, it was before now, before 2010. So reliability is the main issue for sure. The next benefit, of course, is to make sure that we have a vehicle to take generation out of the north.

Mr. McFadyen: Would you ever begin spending money on a transmission line prior to a power sale being entered into?

Mr. Brennan: I don't like spending money at any time, and spending it before you had something firm, you know, you'd have to know something was coming after, I would think.

Mr. Chairperson: Mr. McFadyen?

Mr. McFadyen: No, I think that's it. Thanks.

Mr. Borotsik: A couple of questions, Mr. Brennan, and I know my colleague from Turtle Mountain has some as well. Back to the land, the land acquisition, land purchases. We heard tonight that there are a number of individuals who are—to put it politely—somewhat reluctant to enter into any types of negotiations with Manitoba Hydro with respect to placement of those towers and the line, the Bipole III. You said that you are prepared to do anything to accommodate the people. In fact, you also said, we do that in everything we do, and everything else.

I wrote you a letter not that long ago with respect to the secondary land-use program. There are

individuals who have towers currently on their agricultural property. Manitoba Hydro, quite a number of years ago, purchased the property, in fact, have title to that property, and those individuals, those producers, those farmers, have been using the property up until just recently when Manitoba Hydro has decided to charge those producers for using Manitoba Hydro land. I wrote you a letter. You came back, and said, well, that's really too bad, we're just going to charge them what we feel is reasonable on a five-year term. You also said that I would also want to assure you that no user is being denied access to farmlands because of non-payment. There have been letters sent from Manitoba Hydro suggesting that if those producers do not sign the lease agreements that they will be charged with trespass, that they will not be allowed on the land that they've in fact planted and would like to harvest.

So if you are prepared to do anything to accommodate people and, in fact, you say you do everything possible to do it, why is it that you're trying to charge these people revenue now off of lands that they've been farming for quite a substantial amount of time—first question. Second question: If they don't farm the land, is Manitoba Hydro prepared to maintain that land with respect to spraying and control of the land? Two questions and then one more question after that.

Mr. Brennan: I think, based on—first of all, I didn't say we'd do anything to accommodate, we'd do as much as reasonably possible to accommodate people, and that would include these people as well. It seems to me that all we really need to get out of this land, from my perspective, without looking at the particular line in question, would be to get the amount we're paying for taxes. I mean, you know, if the farmer uses it—if you paid the taxes, I think I'd be happy. Having said that, maybe we should take a look at our policy. Maybe—and I'm doing this only as something we should look at, maybe we should be selling the land back to the farmer and let him do whatever he wants with it. Like—we got, you know, with an easement on it.

Mr. Borotsik: Well, then I suggest that the individuals you're negotiating with now, if you're going to negotiate easement rights and you're going to buy property from them, that maybe in 20 years or 25 years, Mr. Brennan, that Manitoba Hydro would change their policy and not allow them to, in fact, farm land that they have currently at the present time. Is that what you're saying? I would be very nervous just with what you had said right now, that

you're prepared to sell it back to them. Is—then I'm suggesting that if these people who get an easement from Manitoba Hydro would have to, 25 years from now or 20 years or 10 years or five years, whatever time you wish to change your policy, are going to be impacted by any decisions that you make right now with these individuals.

Mr. Brennan: I sure didn't explain that very well. I was trying to accommodate you, and so—well, I scared you anyway, but I didn't mean to do that.

What I was trying to say was, and maybe I should start over again, we shouldn't be trying to hurt anybody—like, we got the land. It's going across their farmland. We allow them to farm it, and we should continue to do that. And if in fact we're—the only thing I think is a reasonable thing is to recover the taxes we're paying, and I see no reason why we don't even work out something to give them the land back with an easement back to us, and I'm prepared to look at those things. Now I'm doing it off the top of my head in talking to you. But I'm trying to determine what's best for those people and Manitoba Hydro.

Mr. Borotsik: Yes, we're trying to do the same thing, and that's why we've entered into some written communications with you. And, as a matter of fact—*[interjection]* As a matter of fact Manitoba Hydro attempted this same policy, I believe in 2009, when then the minister responsible for Manitoba Hydro, a fellow by the name of Mr. Selinger, and said, I'll quote: I'm sure the member will understand that Hydro is for the benefit of all Manitobans, including farmers. If there's some specific issues that can be worked out here to allow Hydro to protect its right of ways and provide energy to all Manitobans and allow the farming community to have access to the land for agriculture purposes, I'm sure we can work that out. So even now, at that time, the minister responsible for Hydro and now the Premier, had indicated his desire to make it work out.

But, in the meantime, you're sending letters to landowners saying: you either sign the lease or come springtime we will charge you with trespass.

So I would ask Mr. Brennan that you look at this sooner than later because, yes, it's not a lot of money, I can assure you. Well, I don't know the numbers, I guess the question I should ask you. Why are we irritating all of these producers for how much money, Mr. Brennan?

Mr. Brennan: I don't want to irritate producers for something that we shouldn't be doing. So I'll look at it and take care of it.

Mr. Borotsik: I'd like to switch gears a bit, and I do know that we're dealing with the financials. So maybe we just have one or two questions on the financials, and I know you're an accountant, Mr. Brennan, so this should be pretty good for both of us.

On page 87 of the 2009 financial statement, it shows—

Floor Comment: I'll have to get the 2009. I've got 2010.

Mr. Borotsik: Okay. Well, that's good. Keep 2010 because I'm going to ask the question on that.

It came on the report and you call me out of order, you can call Mr. Brennan out of order. Because 2010 financials were on the presentation that Mr. Brennan showed us.

Mr. Brennan, in 2009 you'll notice, on page number 87, net income is shown as \$298 million. Correct? If you go to your 2010 statement, page 69, you'll notice that net income is \$266 million. Page 69, net income for 2009—

Floor Comment: That is correct.

Mr. Borotsik: —page 69, so 2009 net income is \$266 million. On the 2009 statement, that we just looked at on page 87, net income is identified at \$298 million. It's always been my understanding that when you take from one statement in 2009 and transpose it on the column on a 2010 year-end that the numbers are the same.

Can you tell me why there's a \$32-million adjustment?

Mr. Brennan: Could I refer you to page 98 of the 2010 statements and note 25 at the bottom of the page indicates that the 2009 has been reclassified in order to confirm to the presentation and we have in the current figures.

Mr. Borotsik: Well, that's fine and good that note 25 tells me that you changed the numbers from 298 to 266.

Floor Comment: The reclassification did that.

An Honourable Member: Was that audited?

Mr. Brennan: And they have been audited.

Mr. Borotsik: [*interjection*] No, it has nothing to do with IFRA.

* (21:50)

Yes, if I can, Mr. Brennan. Okay, so you've reclassified it. You've taken it, but there's a \$32-million adjustment, reclassification as you've called it, a \$32-million reclassification. In fact, I've looked through the statements and found out that the majority of that comes from finance expense; about \$32 million, actually, is finance expense.

When you have an audited statement in 2009, it's signed off to be factual, to be actual, that all of the numbers to that date, ending March 31st, 2009, those are the numbers. Where did the adjustment and the reclassification come in, and when did you realize that there was a \$32—or \$32-million readjustment on finance charges?

Mr. Brennan: Let me give you the analysis we gave the auditors, and I'll send it to you. But it's been audited, it's—the auditors agree with what we did and it's pretty straightforward, but I'll send it to you and you can feel comfortable or whatever, and we'll—but we will answer it for you. I don't know where the exact [*inaudible*] reclassification occurred. I don't, but I would've at the time.

Mr. Borotsik: Take my word for it, it was finance charges is where you've got the majority of the—

Mr. Brennan: But I'm not sure why it occurred, but—

Mr. Borotsik: Thank you. Actually, I'm not quite convinced why it occurred either. It's a fairly substantial reclassification, or error correction, if you will, if you want to use the proper term. They corrected an error from the 2009 audited statement. This is an audited statement that was signed off by yourself, by Mr. Schroeder, by all the auditors that said all of the numbers that are presented in this report are factual. Now we find out that there's a \$32-million change in the—in fact, the majority of it was in the finance costs and finance charges. That's fairly substantial. So, yes, I would like to have some explanation as to why there has been that readjustment to the finance charges upwards, not downwards, so that we can find out exactly what happened in the two statements.

Mr. Brennan: First of all, I would not agree it's a correction. It is a reclassification to make the statements comparative.

Mr. Borotsik: Make the statements comparative of what? You said there was \$298 million in net income in 2009, and it's actually 2 million—266 million in 2009.

Mr. Brennan: To the way it was recorded in 2010. But I'll give you the statement. But I don't want to leave on the record that it's a correction; it's not. But it is—it's making adjustments to the previous statement to make it the same for comparative purposes.

Mr. Borotsik: Well, I'm not an accountant and I certainly don't understand that rationalization, but I have friends who are accountants. And I would really like to see the rationalization that you've promised to send me, and I would hope we can do that sooner than later, if possible.

Mr. Brennan: I'd be happy to.

Mr. Borotsik: Thank you. We know that we've got some issues with extraprovincial sales. Not so much with the volume. We do know that the volumes from 2009 to 2010 have increased, and, again, you talk about extraprovincial sales quite a bit in your presentation, so we can talk about comparables.

Extraprovincial sales, particularly into the U.S. because there's not much of any that goes to Ontario and Saskatchewan: we recognize that there's been, in fact, more kilowatt hours sent to the U.S. this past fiscal year than the previous fiscal year, yet there's been a reduction of some 33 percent in revenue. That, and I'll ask you the question, I assume that's because the spot market or the what you referred to, I think, is the, well, I call it spot market, is substantially impacted at the present time. Can you tell me what the projection—and I saw your projections going forward in your presentation with extraprovincial, and they're—they—I think they dipped this next year and then they go up. Can you tell me what it is that you're basing your projections on that you're going to have those increases in price going forward into the U.S. market?

Mr. Brennan: I think the numbers—the number definitely dipped earlier on in the year and the last part of this year, but mainly the first three months of this year. They've recovered pretty dramatically. I think we've recovered about 80 percent of them—80 percent of the price differential—and we expect our net income for the year to be pretty close to what it was last year. And so, for the most part, we think it's recovering fast. The economy in the States was hit—their industrial customers was hit quite strongly, and some of it is recovered and some of it hasn't, but we do expect in the long term for it to recover.

All the sales we're looking at, of course, are firm sales and won't be covered by the spot market.

Mr. Borotsik: Yeah, just looking at your presentation on page 4, the net extraprovincial sales are anticipated in dropping in 2011 and then increasing in 2012, 2013, 2014.

Again, I go back to my question: What are your assumptions to suggest that the net extraprovincial sales are going to increase in 2012 and 2013? What do you base those assumptions on?

Mr. Brennan: The big thing is the wind farm coming into service later in the year.

Mr. Borotsik: You're suggesting we don't have capacity now? I looked at the slides and I thought I saw that there was extra generation capabilities at the present time without the wind farms coming onside.

Are you suggesting that the 138 megawatts from St. Joseph is going to increase that?

Mr. Brennan: It's not going to increase the capacity; it's going to increase the volume of power we have available.

Mr. Borotsik: Well, again, I go back to my question. As I understand it, I haven't got time to go through it here but, as I understand it, there is surplus generation right now available to us with our hydro-electric generation. If that is the case, it's not the 138 megawatts that's coming on line; it's there at the present time.

Mr. Brennan: For the most part, we can export everything we produce up to the maximum of our transmission capability. We got room to export the wind generation as well. *[interjection]*

Mr. Borotsik: Yeah, thank you. *[interjection]* Thank you, Mr. Chairperson. We're having some conversations going on here, I understand, and I'm—there's some great answers coming and some great questions.

If I can, with respect to cost of production, there's sometimes a credibility gap when we talk about capital—oh, darn—capital projections. You did project Wuskwatim at being an \$800-million capital project at one time. That project's now come in at \$1.6 billion for a 200-megawatt generation.

Can you tell me what the cost of production for per kilowatt hour is on that 200 million—that 200 megawatt?

Mr. Brennan: I can't give it to you off my head. We can calculate it for you and give it to you.

Mr. Borotsik: Yeah, I would really appreciate that. I would like to know what your amortization or your depreciation is, what period of time both the dam and the generation equipment is going to be, what your cost of production ultimately is on the \$1.6-billion capital?

And you did just say, Mr. Brennan, if I heard you correctly, that you could, in fact, provide us with the cost of production from Wuskwatim?

Mr. Brennan: We can give you a series of numbers as to what it'll cost to produce energy out of that. It, of course, is going to last an extended period of time. The cost of production coming out of it will gradually go down till the end of the service life of the facility.

Mr. Borotsik: I didn't know the time was going so fast, so I'd—my colleague—

Mr. Cullen: Thank you very much, Mr. Chair.

Speaking of wind farms, in your presentation earlier you talked about the St. Joseph project, and there was a little flag in there that was raised on the panel, and it talks about the ecoenergy deadline, March 30th. What happens if the construction on the facility isn't up and running by that March 30th deadline?

Mr. Brennan: The wind producer is going to get—not get that revenue.

Mr. Cullen: Well, how much is that revenue?

Mr. Brennan: It's a function of the energy it produces. I'd have to get you that number too. Of course, it's not our number. It's not something that we're overly concerned about. We were concerned before we negotiated the price.

Mr. Chairperson: The hour being 10 p.m., what's the will of committee? We said we'd review at this point in time.

Mr. Borotsik: I wonder if we could just extend for 15 minutes. My colleague here does have some questions with respect to the wind, and I think it's very important if we could do 15 minutes—10, 15?

An Honourable Member: And pass the reports?

* (22:00)

Mr. Borotsik: Whoa, I never said that. Listen to presenters?

Mr. Chairperson: It's been suggested that this committee continue sitting for the next 10 or 15

minutes to allow Mr. Cullen to conclude his questions. Is that agreed? *[Agreed]*

Mr. Cullen, to continue, please, with your questions, sir.

Mr. Cullen: So the—you have an arrangement or some kind of an agreement with Pattern Energy and if, for some reason, the construction isn't completed by March 31st, then it is Pattern Energy that is on the hook for that particular loss. Is that correct?

Mr. Brennan: Yes.

Mr. Cullen: Now, not knowing what that—what kind of financial implications that will have for Pattern Energy, you know, obviously we're interested in the long-term viability of the operation. If Pattern Energy are going to be missing out on funding, will that not have some kind of a serious implication in terms of their bottom line?

Mr. Brennan: I think they're counting on it.

Mr. Cullen: Well, we—I guess, big picture here, now we've got a commitment from either the government or Manitoba Hydro for a \$250-million loan—*[interjection]*—\$260-million loan. Maybe, Mr. Brennan, you could confirm what the amount of that loan is and whether it is Manitoba Hydro or the Province of Manitoba that is funding—providing the funding for that loan.

Mr. Brennan: Manitoba Hydro is providing the funding to the loan, and it is for \$260 million including everything, and it is \$260 million.

Mr. Cullen: You indicated earlier that you've made some payments to date to the tune of just under \$80 million. How does that money flow? Does Pattern submit to you invoices for that or how does that—how's that cash flowing?

Mr. Brennan: Yes, we have an engineer that verifies, an independent engineer from—away from Pattern, that gives us an indication how much work's been done and the money that's been spent putting that out. We have made sure that their \$95 million is invested already and that's taken place. So that we get in—progress statements as to how the plant is being installed, and we've given them four advances, I believe, for \$80 million.

Mr. Cullen: In our last committee meeting, the minister indicated that actually Manitoba Hydro will be making money on that loan. Is that possible?

Mr. Brennan: Yes.

Mr. Cullen: When is the expectation this loan will be paid back? What are the terms of the repayment schedule?

Mr. Brennan: The term of the sale, I believe, is 27 years and the loan is 20 years and I'll confirm that.

Mr. Cullen: I would appreciate if you would confirm that.

Mr. Brennan: I do know it's shorter than the sale period. It's shorter than the sale period. I think it's 20 years.

Mr. Cullen: Surely in the agreement that you signed with Pattern Energy, if something happens to Pattern Energy itself, if the company becomes financially insecure, what ownership role or what happens to Manitoba Hydro's stake in this?

Mr. Brennan: We would obviously, at the end of day, end up with a wind farm if—unless it could be sold at a higher price or something. But now, the one thing is that we take the amount of the loan payments and interest off what we pay them for the wind we're purchasing.

Mr. Cullen: What else is Manitoba Hydro responsible for? Are you responsible for any other infrastructure associated with the wind farm?

Mr. Brennan: They're responsible for taking the transmission from the wind farm to the station, and we're making sure that the station is adequate to take the—accept the energy.

Mr. Cullen: Going back to your earlier comments, the energy that's produced by St. Leon, is that intended for the export market?

Mr. Brennan: It goes into our system and would probably end up either meeting our load at some point in time or a firm export sale or the spot market. Like, it's just another generation source as part of our system.

Mr. Cullen: So just to confirm then, you're comfortable that you can buy the energy and then turn around and sell it and still make money on the venture?

Mr. Brennan: Over the life of the sale, it could be used for all kinds of various parts of our system. It could be meeting our load; it could be power going to you.

Mr. McFadyen: Just—I just want to follow up on a question with respect to the added costs incurred by Hydro in connection with the transmission from the

wind farm into the hydro system. Do you have an estimate of the cost to Hydro of that project? And can you indicate whether or not that is outside of the scope of the numbers that have already been presented in connection with the project.

Mr. Brennan: You're saying from the station to the wind farm?

Mr. McFadyen: Right. Hydro was paying—Pattern is paying to build the windmills. Hydro is paying for the cost of transmission from the wind farm to the station. What is the cost of that transmission project to Hydro in order to get the power from the wind farm into Hydro's system?

Mr. Brennan: If I—I don't think I said that, did I? If I did, I screwed up. The—they're paying to get the power to our substation. So they're paying that cost, not us. We're just making sure that the substation can accept it.

Mr. McFadyen: And so the cost of the transmission then is borne by Pattern Energy then?

Mr. Cullen: Yeah, well, just to clarify then that Manitoba Hydro are building the substation. What cost is that substation?

Mr. Brennan: It's an existing substation. We're making sure it's a, you know, whatever's required to bring it into the substation. Any work within the substation is ours. Like they bring line up to it and we don't let other people in our substation, so we'll do whatever is required to make sure it comes in.

Mr. Cullen: Did Manitoba Hydro expropriate some land in the Rural Municipality of Montcalm?

Mr. Brennan: It didn't go to expropriation. We were proposing to do that but we worked out an arrangement.

Mr. Chairperson: Further questions?

Mr. Borotsik: Yep. I have more time. Thank you.

An Honourable Member: I was trying to hurry through it.

Mr. Borotsik: Well, no, we still have—now we were given five minutes. Can you provide me with any correspondence that Manitoba Hydro has received from its export customers expressing concerns regarding the east-side Bipole III? So we've gone through your presentation. We know that you've got a number of export customers. Some have got terms sheets. Some have got agreements. Some have got MOUs. Can you please send me any correspondence

you have with any of those agreements, any of those MOUs or any of those term sheets that express concerns about a Bipole III on the east side of Manitoba?

Mr. Brennan: I think I'd have to take that under advisement. Sending you a letter that somebody else sent us to give to you, I'm not sure was part of the thing. I'd have to check.

Mr. Borotsik: Well then, I'll ask a question. Are—do you know of any concerns that have been identified in any of those MOUs, any of those term sheets, or any of those agreements that have identified a concern with a Bipole III on the east side, a transmission line on the east-side Bipole III delivering power to those customers? Do you know of any concerns that have been registered by any of your customers?

Mr. Brennan: I think their concern is to get the power to them, and I don't think they—I don't think that's been part of the discussion of MOUs.

*(22:10)

Mr. Borotsik: Well, we've been told, Mr. Brennan, that there are a number of your customers who don't see—that see the transmission line on the east side of Manitoba as being a huge impediment on you signing export agreements with those customers. And you're telling me now that you, in your opinion or any of your experience with those customers, that not once have those customers said that if you come down a transmission line on the east side, we will not accept your power. And I'm hearing you say that. Their concern is the power, not the transmission line and how it gets there. Is that correct?

Mr. Brennan: Almost all of our export customers have concerns about the ability to build transmission lines, and the more sensitive the area, the more the concern. That is discussed all the time.

Mr. Borotsik: Then are those concerns built into your agreements, and if they are, can we see those concerns?

Mr. Brennan: No, those concerns are not built into a—

Mr. Borotsik: What funding has been provided and committed to Aboriginal organizations and communities for Bipole III environmental work?

Mr. Brennan: There has been some to acquire some traditional knowledge as to where the substation especially should go in the north.

Mr. Borotsik: Have—has Manitoba Hydro committed funding to Aboriginal groups with respect to environmental issues with either a east-side or a west-side line?

Mr. Brennan: Yes.

Mr. Borotsik: And how much money have you provided, and to which Aboriginal organizations or entities have you provided that funding?

Mr. Brennan: I don't have that available.

Mr. Borotsik: Would you provide that, Mr. Brennan, as to the amount and to the organizations, the entities, the organizations and the Aboriginal groups that you have, in fact, funded? Manitoba Hydro is funding organizations with respect to environmental issues on the east side. Can you give us the amounts and the organizations?

Mr. Brennan: I have no trouble doing that as long as there's no restrictions I'm not aware of.

Mr. Borotsik: I don't suspect there'll be any nondisclosures. If you're giving out the money, you have certainly the control as to whether you do or do not make that available, and since it is public money, it would be commonplace that you would have that—those—that monies—the monies that are expended in those organizations should be recorded and reported.

Mr. Brennan: I said I was prepared to do it as long as there's no restrictions.

Mr. Borotsik: Mr. Brennan, you have a new program. It's called, I believe, a community development initiative or something to that effect. In your presentation, you mention, that there's \$5 million that's going to be given to communities that are in proximity, I think, is the term, to Bipole III. Have you ever had a program like that before in Manitoba Hydro where, in fact, you've given R.M.s and municipalities and communities economic development money in proximity to transmission lines?

Mr. Brennan: Yes, we did it associated with Wuskwatim transmission.

Mr. Borotsik: The transmission line went where from Wuskwatim, and who was the community that received the economic development initiative money?

Mr. Brennan: There was a series of communities. It's a line that connected Wuskwatim to the northern transmission system.

Mr. Chairperson: Mr. Borotsik, one minute.

Mr. Borotsik: One last minute. Hydro staff have been meeting on the west-side transmission line. Can you tell me what the No. 1 concern that has been raised in these consultations? Now, I assume you get feedback from all of these open-house meetings and information meetings. What would be the No. 1 concern that's being identified and registered in some of these meetings?

Mr. Brennan: I think it depends what part of the province you're talking and what area. I think in the southern part it has been the routing of the transmission line.

Mr. Borotsik: I'm sorry?

Mr. Brennan: The routing of the transmission line.

Mr. Borotsik: Yes, I suspect that a lot of the concerns are the routing, but can you tell me who is expressing the concerns about the routing and what their concerns are? Is it with respect to agriculture? Is it population nodes registering concern with the transmission line too close to population? Can you tell me—can you be a little bit more expansive as to what the—No. 1, what the concerns are in these meetings?

Mr. Brennan: I think agricultural people have different concerns than people in the north, and their concern was using agricultural land for a transmission line. I think that was certainly one of them, if not the highest.

Mr. Chairperson: We've reached the agreed upon time of 10:15 p.m., and I just wondered, are there

further questions from committee members? Or should we proceed with the calling of the reports.

An Honourable Member: Call the reports.

Mr. Chairperson: Shall the Annual Report of the Manitoba Hydro-Electric Board for the year ending March 31st, 2008, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

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

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

Some Honourable Members: Pass.

Some Honourable Members: No.

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

The hour being 10:16 p.m., what's the will of committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Thank you to members of the committee. Please leave the additional copies of the annual reports on the table if you don't require them, please, and we'll use them for subsequent meetings.

The hour being 10:16 p.m., committee rise.

COMMITTEE ROSE AT: 10:16 p.m.

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