

Third Session – Forty-First Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Public Accounts

Chairperson
Mr. Matt Wiebe
Constituency of Concordia

Vol. LXXI No. 2 - 7 p.m., Wednesday, May 16, 2018

ISSN 0713-9462

MANITOBA LEGISLATIVE ASSEMBLY
Forty-First Legislature

Member	Constituency	Political Affiliation
ALLUM, James	Fort Garry-Riverview	NDP
ALTEMEYER, Rob	Wolseley	NDP
BINDLE, Kelly	Thompson	PC
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
CURRY, Nic	Kildonan	PC
DRIEDGER, Myrna, Hon.	Charleswood	PC
EICHLER, Ralph, Hon.	Lakeside	PC
EWASKO, Wayne	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	PC
FLETCHER, Steven, Hon.	Assiniboia	Ind.
FONTAINE, Nahanni	St. Johns	NDP
FRIESEN, Cameron, Hon.	Morden-Winkler	PC
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GRAYDON, Clifford	Emerson	PC
GUILLEMARD, Sarah	Fort Richmond	PC
HELWER, Reg	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek	Interlake	PC
JOHNSTON, Scott	St. James	PC
KINEW, Wab	Fort Rouge	NDP
KLASSEN, Judy	Kewatinook	Lib.
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan	Selkirk	PC
LAMOUREUX, Cindy	Burrows	Lib.
LATHLIN, Amanda	The Pas	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Flor	Logan	NDP
MARCELINO, Ted	Tyndall Park	NDP
MARTIN, Shannon	Morris	PC
MAYER, Colleen	St. Vital	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
NESBITT, Greg	Riding Mountain	PC
PALLISTER, Brian, Hon.	Fort Whyte	PC
PEDERSEN, Blaine, Hon.	Midland	PC
PIWNIUK, Doyle	Arthur-Virden	PC
REYES, Jon	St. Norbert	PC
SARAN, Mohinder	The Maples	Ind.
SCHULER, Ron, Hon.	St. Paul	PC
SMITH, Andrew	Southdale	PC
SMITH, Bernadette	Point Douglas	NDP
SMOOK, Dennis	La Verendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather, Hon.	Tuxedo	PC
SWAN, Andrew	Minto	NDP
TEITSMA, James	Radisson	PC
WHARTON, Jeff, Hon.	Gimli	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian, Hon.	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC
YAKIMOSKI, Blair	Transcona	PC
<i>Vacant</i>	St. Boniface	

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC ACCOUNTS

Wednesday, May 16, 2018

TIME – 7 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Matt Wiebe (Concordia)

VICE-CHAIRPERSON – Mr. Reg Helwer
(Brandon West)

ATTENDANCE – 11 **QUORUM** – 6

Members of the Committee present:

*Messrs. Bindle, Helwer, Johnston, Ms. Klassen,
Messrs. Maloway, Marcelino, Mrs. Mayer,
Mr. Michaleski, Ms. Morley-Lecomte, Messrs.
Wiebe, Yakimoski*

APPEARING:

*Mr. James Allum, MLA for Fort
Garry-Riverview
Mr. Tom Lindsey, MLA for Flin Flon
Mr. Norm Ricard, Auditor General*

WITNESSES:

*Mr. Kelvin Shepherd, President and Chief
Executive Officer, Manitoba Hydro*

MATTERS UNDER CONSIDERATION:

*Auditor General's Report – Follow-up of
Recommendations–dated May 2016*

*Managing Cyber Security Risk Related to
Industrial Control Systems*

*Auditor General's Report – Keeyask Process
Costs and Adverse Effects Agreements with First
Nations–dated September 2016*

*Auditor General's Report – Follow-up of
Recommendations–dated March 2017*

*Managing Cyber Security Risk Related to
Industrial Control Systems*

*Auditor General's Report – Follow-up of
Recommendations–dated March 2018*

*Managing Cyber Security Risk Related to
Industrial Control Systems*

*Keeyask Process Costs and Adverse Effects
Agreements with First Nations*

* * *

Mr. Chairperson: Okay, good evening. Will the Standing Committee on Public Accounts please come to order.

This meeting has been called to consider the following reports: Auditor General's Report–Follow-up of Recommendations, dated May 2016, Managing Cyber Security Risk Related to Industrial Control Systems; the Auditor General's Report–Keeyask Process Costs and Adverse Effects Agreements with First Nations, dated September 2016; Auditor General's Report–Follow-up of Recommendations, dated March 2017, Managing Cyber Security Risk Related to Industrial Control Systems; and the Auditor General's Report–Follow-up of Recommendations, dated March 2018, Managing Cyber Security Risk Related to Industrial Control Systems, and Keeyask Process Costs and Adverse Effects Agreements with First Nations.

Before we get started, then, are there any suggestions from the committee as to how long we will sit this evening?

Mr. James Allum (Fort Garry-Riverview): I would suggest two hours. At 9 o'clock we review how we're doing and go from there.

Mr. Chairperson: The suggestion was 9 o'clock. Is that agreed by the committee?

Some Honourable Members: Agreed.

Mr. Chairperson: Oh, Mr. Yakimoski.

Mr. Blair Yakimoski (Transcona): May I recommend we sit 'til 8 o'clock, and we evaluate if we need to sit beyond there?

Mr. Chairperson: Okay, so let me just try this again.

So the first suggestion was 9 o'clock. Is there agreement from the committee? *[Agreed]*

Are there any—are there suggestions as to the order in which we should consider the reports?

Mr. Allum: Well, I think we would want to look at the process costs and adverse-effects agreements first, Mr. Chair, and then see how we're going from there.

Mr. Chairperson: Okay, is there agreement to consider that report first and then go to cyber security second? Agreement from the committee? *[Agreed]* A chatty bunch tonight.

At this time I would like to invite the minister and the president and CEO of Manitoba Hydro to the table. And could you please introduce the staff that you brought with you today.

Mr. Kelvin Shepherd (President and Chief Executive Officer, Manitoba Hydro): Good evening. I'd like to thank the members of the Public Accounts—

Mr. Chairperson: I'm sorry, Mr. Shepherd, could you please introduce the staff that you have with you at the table.

Mr. Shepherd: I will.

Mr. Chairperson: And then we will move to a—opening remarks from the Auditor General and then back to you. So just introduction of the staff.

Floor Comment: Oh, excellent. Okay.

I'd like to introduce two staff that are here with me today—

Mr. Chairperson: Mr. Shepherd.

Mr. Shepherd: Sorry. That always gets me.

I have two Manitoba Hydro staff with me tonight to talk to the Keeyask item: Jeffrey Betker, to my right, is the vice-president of Indigenous Relations and is responsible for the overall management of indigenous relations at Manitoba Hydro; Vicky Cole, on my left, is the director of Community Relations North and the indigenous relations group, and is responsible for managing community relations with communities in northern Manitoba, including the implementation of our partnership and adverse-effects agreements for Keeyask.

Mr. Chairperson: Thank you very much, Mr. Shepherd.

Does the Auditor General wish to make an opening statement?

Mr. Norm Ricard (Auditor General): Yes, I do. Thank you, Mr. Chair.

I'd first like to introduce the staff member that is with me tonight and that's—behind me is Jeff Gilbert.

He's a principal in the office, primarily responsible for conducting investigations, but participated on this audit as a performance audit—in a performance audit capacity.

Mr. Chair, Manitoba's—Manitoba Hydro's development projects can have significant adverse impacts on First Nations communities. As a result, Manitoba Hydro has developed processes to identify potential adverse effects and to identify measures to mitigate or offset the impact to ensure First Nations are in a position to make informed decisions about the development project and are able to access independent legal, professional and technical advice. Manitoba Hydro reimburses First Nations for such process costs. The negotiated adverse-effects agreements consider past, present and future damages caused by Hydro's development projects and identify programs to respond to the effects.

Our audit focused on the Keeyask development project. We assessed whether process costs were reimbursed in accordance with Hydro's approved policies, whether Hydro was properly monitoring in compliance with key provisions of the four Keeyask adverse-effects agreements and with the ratification protocol and whether Hydro met its financial obligations for each of the four agreements.

We found that process costs were reimbursed according to policy, but that verification processes should be strengthened. We noted that the reimbursement policy does not require certification by First Nations that the expenses incurred were actually paid and that a risk-based approach was not used to tailor the verification procedures for each community. We found that compliance with key provisions of the adverse-effects agreements was properly monitored. We noted, however, that the ratification protocol did not include any mechanism to provide all parties with independent assurance that the protocol, including the referendum rules, was adhered to. And we noted that Hydro did not have a robust process for seeking such assurances.

With respect to its funding obligations, we found that Hydro met its guaranteed annual amount obligations for implemented programs and appropriately deferred funding for programs that had not yet been implemented.

Our report included three recommendations. Since the report's release in September 2016, we have conducted one follow-up which was released

this past March. We found that one recommendation was implemented and that our recommendation regarding ratification protocols could not yet be acted on.

Mr. Chair, with respect to our other audit at Manitoba Hydro on managing cyber security risk related to industrial control systems, we released our third and final follow-up in March 2018. We noted that seven of our eight recommendations have been implemented and that significant progress has been made on the remaining recommendation.

So thank you, Mr. Chair.

Mr. Chairperson: Thank you very much, Mr. Ricard.

Does the president and CEO of Manitoba Hydro wish to make an opening statement?

Mr. Shepherd: Yes, I will. Thank you.

Good evening. I'd like to thank the members of the Public Accounts Committee for this opportunity to provide remarks on the OAG report, Keeyask Process Costs and Adverse Effects Agreements with First Nations, 2016, and the associated follow-up report in 2018.

The OAG audit report being discussed today considered Keeyask process costs and adverse-effects agreements with First Nations communities and, where applicable, other indigenous parties. The Keeyask project is a 695-megawatt generating station currently being developed on the lower Nelson River in the Split Lake Resource Management Area. The project is being developed by Manitoba Hydro in partnership with four local Cree Nations: Tataskweyak Cree Nation, War Lake First Nation, York Factory First Nation and Fox Lake Cree Nation.

As most of you are aware, Manitoba Hydro's history with indigenous communities has not always been positive, and there are many challenging legacy issues. While prior hydroelectric projects were constructed within societal norms and environmental considerations of the day, these practices wouldn't—not be considered acceptable today.

Historically, efforts to inform, consult or involve local communities in the process were much more limited and informed by very different understandings of Aboriginal rights and interests. Much work has been done in the years since these initial developments to account for project effects and to rebuild and establish strong working

relationships with the communities affected by our developments.

* (19:10)

Negotiated agreements laid a foundation for how Manitoba Hydro would work with communities on future developments, but these are not the only factor. The impact of resource developments on indigenous people and the environment is now better appreciated and understood as is the need to engage with and involve those most affected by developments, not only for legal reasons, but because it's the right thing to do and results in better projects socially and environmentally.

Efforts are now made to address the potential adverse effects of project development in advance and to plan and develop projects in ways that provide long-term enduring benefits for First Nations in the vicinity of a project.

In this spirit, Manitoba Hydro has worked for many years with First Nations in the vicinity of the Keeyask project. From 1999 to 2009, this involved the negotiation of the Joint Keeyask Development Agreement, usually referred to as the JKDA, which provides a limited partnership arrangement for developing Keeyask as well as a range of community benefits, including training, employment and business opportunities, and the negotiation of adverse-effects agreements with each of the affected First Nations to address the planning, construction, and operating effects of the Keeyask project.

These agreements primarily provide funding for a series of offsetting programs designed to offset the adverse effects of the project after mitigation has been implemented.

The programs are based upon the past experience of communities with hydro-electric development and their perspectives on the most effective approach to addressing effects.

Each of these agreements, the JKDA and adverse-effects agreements were ratified through independent community referendum processes. Also during this time period, Manitoba Hydro and the Keeyask partner, First Nations, worked together to implement both the western science and the traditional knowledge studies required to assess and address Keeyask environmental effects.

Having established the governance processes for developing the project, the partners shifted their

focus in 2009 to finalizing the planning and licensing arrangements. This included completing the environmental assessment, which was filed in 2012 and completing the regulatory process that extended from the date of filing through to July 2014 when a licence to construct Keeyask was issued by the Manitoba government.

As part of this process, other indigenous parties were also engaged to undertake their own traditional knowledge and land-use studies to determine the potential effects of the project on their interests.

Manitoba Hydro has provided reasonable funding to all participating partners—parties—pardon me, so that they have the resources required to effectively and meaningfully participate in these project planning negotiations and licensing processes. Among other things, this funding has been used to cover costs associated with community staffing, travel, office costs, and adviser costs.

This funding ensures that indigenous parties have access to independent technical and legal advisers and that they are in a position to make informed decisions about a project's costs and benefits.

It also provides for the integration of traditional knowledge into project decision-making processes.

All funding is made available on the basis of pre-approved work plans and budgets and is provided on a cost-reimbursable basis consistent with Manitoba Hydro's reimbursement policy. This reimbursement policy is regularly reviewed to ensure its appropriately managing the corporation's financial responsibilities while providing communities in receipt of funding with a clear understanding of the processes for reimbursement. All of these costs have been built into the overall capital cost of the project.

Now, to speak to the OAG audit findings, the OAG audit under discussion today reviewed funding to participating parties for planning purposes and through the Keeyask adverse-effects agreements to determine first, if Keeyask process costs were reimbursed in accordance with Manitoba Hydro's approved policies. Secondly, Manitoba Hydro was properly monitoring compliance with key provisions of the four Keeyask adverse-effects agreements and the ratification protocol, and finally to determine if Manitoba Hydro met its financial obligations for each of the four Keeyask adverse-effects agreements.

The audit was initiated in December 2013, and field work at Manitoba Hydro's head office took

place approximately four years ago between March and July of 2014. The audit considered the decade between April 1st, 2004 to March 31st, 2014, and the final audit report was received in September of 2016.

Manitoba Hydro was satisfied with the audit findings. The audit found that Manitoba Hydro was properly monitoring key provisions of the Keeyask adverse-effects agreements and confirmed the strength of our policies and procedures for managing funding arrangements with indigenous communities.

Three recommendations were provided in the audit report. First, the OAG recommended that Hydro require certification that expenses were paid, and for significant expenses require proof of payment. Secondly, recommended that Hydro conduct periodic risk assessments for each First Nation and tailor claim-review procedures accordingly. And thirdly, recommended that any future ratification protocol include a mechanism to provide all parties to the agreement with independent assurance that agreed-to procedures were adhered to in all significant respects. These recommendations were all accepted by Manitoba Hydro and all of them are or have been implemented.

To report on progress on the recommendations: With respect to the first recommendation that Hydro required certification that expenses were paid and for significant expenses required proof of payment, in their March 2018 follow-up, the OAG categorized this recommendation as implemented or resolved and considered the recommendation cleared. Effective May 1st, 2015, and prior to the completion of the audit, Manitoba Hydro's reimbursement policy was strengthened to state: Amounts claimed must represent actual amounts that had been paid or will be paid. This statement, along with a required certification letter from an authorized representative for the community provides reasonable assurance to Manitoba Hydro that all costs claimed have been or will be paid.

An extensive content review and verification of a claim is performed once it is received, and Manitoba Hydro requests additional backup, including proof of payment for higher risk transactions. Further to this, the current version of Manitoba Hydro's reimbursement policy reflects the following: The claim must represent actual amounts that have been incurred. This language continues to emphasize the expectation of claims being representative of the amounts incurred, paid or will be paid. In addition to Manitoba Hydro's previously

implemented processes, this provides reasonable assurance to Manitoba Hydro that all costs claimed have been incurred.

The second recommendation of the OAG asks that Manitoba Hydro conduct periodic risk assessments for each First Nation and tailor claim-review procedures accordingly. Manitoba Hydro assesses risks through the claims-review process, regular internal audits of claims and comprehensive evaluations of Manitoba Hydro's reimbursement policy. Our reimbursement policy allows us to engage an independent, external auditor if there's cause to audit. Manitoba Hydro reviews our reimbursement policy on an annual basis. Risks have been and continue to be identified and addressed through ongoing revisions to the policy and through the evaluation of claims.

In addition to this, and subsequent to the OAG audit, Manitoba Hydro has developed a formal risk-assessment process in consultation with internal experts in corporate risk management and internal audit. This process assesses the agreement, management and financial management capability of an organization. Manitoba Hydro's directors of community relations and relevant financial staff review the current agreements, assess possible risks and put mechanisms in place to manage these risks as required. Staff performed a review of the active agreements in 2017 based on this newly established process, and 2018 assessments are currently under way. We'll continue to undertake these assessments on an annual basis.

Third, the—and finally, the final recommendation from the report stems from the OAG review of the ratification protocol for Keeyask. Based on this review, the OAG recommended that future ratification protocols include a mechanism to provide all parties to the agreement with independent assurance that agreed-to procedures were adhered to in all significant respects.

Manitoba Hydro has indicated that for future agreements requiring a ratification process, we will work with the other agreement parties to develop an agreed-to ratification protocol that may include mechanisms for independent assurance that established ratification processes were followed. The nature and extent of an independent assurance process is something that would need to be agreed to by all parties involved in such agreements. The current status is that all action plans to implement the recommendations are complete.

* (19:20)

In closing, Manitoba Hydro was satisfied with the audit report. Actions to address the recommendations have been implemented. Our response to these recommendations has further enhanced and strengthened our existing policies and processes in place for the reimbursement of costs associated with project development.

In January 2018, Manitoba Hydro responded to a follow-up of previously issued recommendations report received from the OAG, results from which were included in the OAG's March 2018 report.

This concludes my opening statement.

Mr. Chairperson: Thank you very much, Mr. Shepherd.

Before we proceed further, I wanted to remind folks of the process that is undertaken with regards to outstanding questions.

At the end of every meeting, the research officer reviews Hansard for any outstanding questions that the witness commits to provide an answer for, and will draft a questions-pending-respond document to be sent to the presidency of the Crown corporation.

Upon receipt of the answers to those questions, the research officer then forwards those responses to every PAC member and to every other member as recorded having attended this meeting.

Before we get into questions, I wanted to remind members that questions of administrative nature are placed to the president and CEO of Manitoba Hydro, and that policy questions will not be entertained and are better left for another forum. And there is no minister here tonight, so there will be no additional context given in that regard either.

The floor is now open for questions.

Mr. Allum: I want to welcome, of course, the Auditor General and staff here tonight, as well as you, Mr. Shepherd and Mr. Betker and Ms. Cole. We thank you all for joining us on a night when Winnipeggers and Manitobans have their mind, sometimes, on other things, but not this group of people.

We're dedicated and devoted. I'm sure the minister's dedicated and devoted too, but no doubt he has other things he has to do.

I want to congratulate you first; compliment you on what seems to me to be a very positive report, all

things considered. We, on this side of the table, are big supporters of Hydro, do like to see positive developments come out of it, and I think this is an example of Hydro doing their work well and doing it, as you said, for the right reasons. So I just wanted to put that out there.

I think it might be useful if you could—maybe you could tell us what the origins of adverse-effect agreements are or were, and what wrongs that they were intended to address and rectify?

Mr. Shepherd: I will perhaps make a few high-level responses and then ask my colleague Ms. Cole to wade in a bit, but adverse-effects agreements, effectively, for a Hydro project, there are a number of different effects that can occur.

For a Hydro development in a resource-management area that—in the traditional territory of indigenous communities, there can be effects on fishing, hunting, trapping. There's clearly flooding of an area of land that impacts those types of things.

There's changes to water flow because of the water control that's required to operate a hydro-electric facility. There are potentially—therefore then impacts on, you know, cultural and other practices of the community.

In addition to that, typically Hydro projects bring large numbers of people in during the construction and the introduction of many, you know, large numbers of people that may not be familiar with the communities and their traditions and culture can also be impactful to the community.

So there's a wide range of things that can be considered under these types of adverse-effects agreements. Perhaps, I'll ask Vicky or Jeff, but I know Vicky has been involved in—extensively in Keeyask and, you know, may want to comment more on some of the aspects of the adverse-effects agreements.

Mr. Chairperson: Mr. Shepherd, just for your clarification, and maybe for members of the committee as well, we have, as a committee, agreed in the past to allow staff that have joined the deputy or others at the table to answer questions.

However, that was done through a very specific leave that, unfortunately, needs to be asked for and granted in the House, not in this committee, which is unique, again, to this committee. It's kind of a bit of a quirk of the rules.

Now, I also understand that in terms of process, if there's something very technical that you feel that there's just no way that you could answer, I think there might be an opportunity that we could—I'm looking at the Clerk. He's not happy about this. But we could maybe bend the rules.

What I would ask, though, if it's of a more general nature or something that you feel you could maybe simply ask advice on and then answer. And I apologize for that mix-up.

Was there anything further, then?

Mr. Shepherd: Thanks for the clarification. I—my high-level answer is good unless you have some specific areas you want to go into.

Mr. Allum: No. I guess I was kind of—maybe it's the historian in me—asking for a bit of a history lesson about the origins of adverse-effects agreements. I don't think they're a recent phenomenon. I thought maybe you might be able just to educate the committee on the origins of these agreements and where they come from and how long they've been around and that kind of thing.

Mr. Shepherd: Well, I'm probably not the best student of history on hydro development. But, you know, prior developments, historically, many of them did not start out with pre-negotiated adverse-effects agreements. But over time, you know, even for prior developments, there have been various ways of negotiating agreements. So, for example, the Northern Flood Agreement may be one of the biggest and best known in Manitoba agreements that was put into place, should I say, retroactively to try to address some of the impacts and other after-effects from Hydro development.

What I would say is that, you know, historically, there wasn't the same level of proactive engagement, informed engagement, consultation. If you look at Keeyask, which has, you know, as I mentioned, started really over a period from 1999, for over 10 years, there was engagement with communities to help them have the capacity and the advisers and the opportunity to understand the project. That is an example, I think, of a more forward-looking process. It was forward-looking in 1999. Today, I think it would almost be demanded or expected.

And so the concept of free, prior, informed consent, some of the UNDRIP that is not necessarily law, but is making its way into practice, you know, would hold that a developer of a major project would engage communities proactively and ensure that

they're properly consulted and that there is, in fact, a consent.

The ratification votes held by the communities on both the JKDA agreement and the adverse-effects agreements, I think, are an example of an early, you know, pretty proactive form of gaining consent from communities.

Mr. Allum: Well, I thank you for that. That's very helpful. The—of course, the Northern Flood Agreement, I would say, I guess, is the genesis of this 'parsticular' concept. And so have other indigenous groups signed adverse-effects agreements over time, new groups have come on board and Hydro has negotiated with them, and these agreements have come into being? Would that be correct?

Mr. Shepherd: Yes. I think it's fair to say that, you know, we continue to work with various communities. Some of those communities, we continue to explore agreements and arrangements to deal with the impacts or adverse effects. But certainly any new project going forward, it's a inherent built-in part of the process to address those things proactively.

Mr. Allum: So, in that context, there's two issues I want to kind of examine there. When was the last adversed-effect agreement undertaken by Hydro with an indigenous group? Like, the most recent one, would that be fairly recent, or that would be—

Mr. Chairperson: Mr. Shepherd.

* (19:30)

Mr. Shepherd: You know, I wish I had a definitive answer.

What I could tell you is that certainly in terms of major adverse-effects agreements, these would be the most recent major ones that come to mind. There are certainly other agreements that have been place for some time, that we may continue to evolve and continue to work with communities on. But, in terms of major new agreements, these would be the latest examples that I would be aware of.

Mr. Allum: Thank you. I appreciate that.

You had outlined kind of the conditions under which an—adverse agreements would be undertaken in your first answer, and that was very helpful. And, of course, in that sense, it contemplates known

potential adverse consequences that could happen from a development. And—but—so it's—in the Northern Flood Agreement, it was things that kind of had happened in the past and so tried to make compensation for that. But, actually, they contemplate things that would happen or are likely to happen—could happen into the future, whether that's a decade, two decades, three decades down the line.

Mr. Shepherd: Yes, that's true.

Any agreement you enter into is an attempt to not only address known but potential unknown impacts, and so most agreements have some mechanisms in there for there to be a continued engagement and a continued monitoring of impacts. And there's usually some, at least, consideration of the fact that you have to at least leave open the possibility that there may be impacts that are unknown or may be unquantified at the time the project is developed.

Mr. Chairperson: Allum.

An Honourable Member: Or mister.

Mr. Chairperson: Mr. Allum.

Mr. Allum: Just for everybody's clarification, he's used to calling me Allum and so that's a standard operating procedure. Mr. Chair.

So maybe it would be helpful, too, for the committee if you could just tell us sort of the process by which the negotiation is undertaken in leading to an adverse-impact agreement. For example—but—I'd like you to try to take us through the process but, for example, does Hydro seek out parties who may be adversely impacted, or is Hydro waiting for those groups to make themselves known?

So I'm just curious about the process undertaken.

Mr. Shepherd: At a high level—I'm going to stay at a very high level here, but, obviously, it depends on the scope and size of the project. But a project like a Hydro project, like Keeyask—many, many years of engagement with communities. Hydro goes—and other proponents of developments would go through this—typically go through a proactive process of trying to engage communities—not only those that are maybe most obviously affected but other communities that may feel they have impacts. So it's a proactive process.

There is—and Hydro has done this, has taken the approach, in terms of Keeyask, of recognizing that there are different views of impacts and different views of the science. And so, while we rely very heavily on what I would call western science—engineering, data, measurements, quantitative analysis—we also are very respectful of the idea and understand that, in particular, indigenous peoples that have a close relationship with the land and water and a history that goes back hundreds or thousands of years have their own knowledge. And that knowledge is valuable. And so, through the engagement process, you know, typically you have to complete a very extensive environmental impact study, and Manitoba Hydro—and Keeyask, in particular, as well as other projects—has taken the approach of funding Aboriginal traditional knowledge studies and giving strong credence to traditional knowledge to complement the western science.

And so, you know, through that process you identify potential impacts, issues. Through the environmental impact study and licensing process, you identify issues. Clearly, we attempt to mitigate—to take measures to reduce impacts or avoid impacts altogether, if we can, and, ultimately, at the end of the day, however, there are impacts and adverse effects and so it is a process, then, of sitting down and engaging with the community and discussing, because at the end of the day, in order to gain consent, both parties have to come to an understanding and an agreement, and in this case, the adverse-effects agreements were ratified by the communities, so the communities also have to be informed and have an agreement that the agreements are appropriate.

Mr. Allum: So, in fact, that's part of the process of community. I think we were told that it goes through a referendum, quite likely, on that so that there's community consent and it's just not negotiated at the leadership level, but it's—in fact it's—in fact, given consent by the whole community.

Can I ask you, then, what happens from Hydro's point of view where—adverse-impact agreement has been negotiated in good faith. Both parties have come to an understanding about the terms and conditions therein. What happens from Hydro's point of view, like, who signs off on it? Is it a VP, is it a director, how does it—who signs off on these agreements?

Mr. Shepherd: It depends on, obviously, the level of financial commitment that's involved. In this case, the agreements are significant. They went to the Manitoba Hydro-Electric Board as part of the overall Keeyask project. They're part of the costs of the project. They were also considered in the public review process, both the environmental impact review that was conducted by the Clean Environment Commission. They were considered through the Public Utilities Board's needs for and alternatives—NFAT review, and ultimately, you know, part of the project was approved by—issued a licence by the government, required Manitoba government approval, so there's a varied layer of approvals there, I guess, is what I'm saying. If you want to get into specifics, the overall project of which these are an integral part, ultimately was approved by the government, but, clearly, the individual agreements went through review and were approved at various stages.

Mr. Allum: I appreciate that. So the board would sign off on a adverse-effect agreement or the board signs off on the entire project within which the adverse agreement is part of it?

Mr. Shepherd: So I don't have first-hand knowledge because I wasn't there, but I am advised that the board approved the overall agreements but they were then executed by senior management—in this case, Mr. Brennan—who was the CEO at the time.

Mr. Allum: Right, and that would make sense to me, and would those agreements, then, come over to—well, we would have been in government at that point, but would they come over for government for approval as well?

Mr. Shepherd: I believe that the process I described, which was through, first of all, through sort of quasi-independent commissions, the Clean Environment Commission, the PUB and then, ultimately, the project of which these agreements would have been part of, required approval by government. I honestly don't know internally in government whether you—whether there was a review of individual components, but I believe government probably relied upon the recommendations from both the Crown and the independent reviews to make their decisions.

Mr. Allum: I take from that, then, in your experience, no government has sort of sent an adverse-effect agreement back and said, you know, not this one or not these terms or not this amount or

whatever objection government might have. In your experience, has there any—been an example of that?

Mr. Shepherd: Well, my experience is limited, but in my experience, no.

Mr. Allum: So then would the agreement that was undertaken with the MMF, would that be characterized as an adverse-impact agreement?

* (19:40)

Mr. Shepherd: I would say that there's a significant difference between an adverse-effects agreement and the particular agreement you're referring to.

Mr. Allum: So—just so, then, that all of us around the table understand the difference, could you explain the difference between the two types of agreements so that there's no confusion?

Mr. Shepherd: Well, with all due respect, this is about Keeyask, not about the MMF agreement. I would take a substantial amount of time for me to explain all the facets of the MMF agreement. I would simply say that it's a different type of agreement—quite different.

Mr. Allum: Well, we're going to review the time at 9, and we can stay later, if it takes that long. Honestly, I think this is just for a matter of clarification for members here to try to understand the difference between an adverse-impact statement and an agreement like—that was undertaken with MMF.

An Honourable Member: Point of order, Mr. Chair.

Point of Order

Mr. Chairperson: Mayer, on a point of order.

Mrs. Colleen Mayer (St. Vital): I—we're here to discuss, and we've been prepped and we have reviewed the report for the Keeyask project. That's where the questions should be coming from, and those are the questions we should be asking, and I would like to hear what Mr. Shepherd has to say regarding this process and these costs, because that's what's prevalent today.

Mr. Allum: Yes, on the same point of order, Mr. Chair. I think all the questions, to date, have been in relation to what an adverse-impact agreement is, and then—because it's been a matter of public record, I think members of the committee would want to know the difference between what an adverse-impact agreement is and what the nature of

the agreement was with MMF. I think that's a matter of public interest.

Mr. Chairperson: So I'm going to rule it not a point of order and simply because we've had this discussion around this table before. I do like to give a little bit of leeway in terms of asking questions that, again, can be tied back to the report, but, you know, again, are within that scope. We're talking about indigenous relations between Hydro and First Nations.

Now, I do want to ask the members to focus as much as they can on the report, and I'm hoping that we're bringing it back into the areas that will tie it back to this report. But I think I'm going to, at this point, give a little bit of leeway.

* * *

Mr. Chairperson: Mr. Allum—sorry, the question was to Mr. Shepherd.

Mr. Shepherd.

Mr. Shepherd: So I'm going to try to fairly concisely address the difference. So an adverse-effects agreement by—it should be fairly straight-forward. Essentially, there's an identified number of impacts from a development. The proponent, Hydro, in this case, has—may have undertaken to mitigate some of those impacts or to eliminate or reduce them. So there's residual impacts and, typically, an adverse-effects program would then identify a series of programs that are intended to offset those. So a simple example might be, perhaps, for a period of time, you know, fish cannot be caught or consumed from a normal—from the area impacted by development. So we may put a program in place that supports fishing in an alternative area, so to encourage, to basically offset the costs. So there's a bunch of those types of things in an adverse-effects agreement.

The MMF agreement, without getting into, you know, extensive details, was not about a hydroelectric development. It was about a number of transmission projects, and it would be what I would characterize more as a relationship and support agreement entered into to look at providing benefits in—typically, you know, the JKDA part of the Keeyask agreement, for example, provided—really dealt on the relationship, right. It was governance, how the project was going to be managed, involvement in the project, opportunities that would flow from it, employment and those types of things. And so I would say the MMF agreement is—it's not

analogous to that, but it's more in that vein. It's more around what I would call a relationship agreement about how the parties would work together to support proceeding with a project and, in return, there would be economic participation and other benefits that would flow.

Mr. Allum: Well, I thank you for that and I appreciate the answer.

Is there a place where—or maybe you could table it for us, where they would show the difference? I mean, your explanation is perfectly good, but is—does Hydro have a, sort of, somewhere written down a policy that says, this is an adverse-impact agreement, this is what this is? And then is there a separate policy for, I think you call it, a relationship agreement? Is there a separate policy for that, so that we understand that there is a distinction between the two?

Mr. Shepherd: Not to my knowledge. I don't believe we have a policy that would lay this out, but this is what I would call a fairly standard practice in the industry by resource developers and proponents. When they engage, they certainly, as a baseline, as a requirement, have to address adverse impacts and environmental impacts and address those issues.

But again, in today's environment, which is—you know, continues to evolve, but in the, you know, the environment we are in there's a growing need to engage the community that goes beyond just mitigating impacts and engages them in other ways to become involved and support and benefit from the project.

And so, you know, relationship agreement—they are not—there's not a cookie-cutter arrangement here. They will be—they will differ depending on the project, depending on the community and depending upon the needs of the proponent and the community that they're working with.

Mr. Allum: Well, I thank you for that. It's just seeking some clarity so that we understand the difference between these two things.

In a relationship agreement, though, would contemplate adverse impacts?

Some Honourable Members: Point of order, Mr. Chair.

Point of Order

Mr. Chairperson: Mr. Helwer, on a point of order.

Mr. Reg Helwer (Brandon West): Mr. Chair, we are a long ways off the topic of the Keeyask here. You have given the member adequate latitude and he has continued down to explore a road that is not part of this agreement.

Mr. Shepherd has been very patient, and I thank him for his patience, but I would like to see the committee get back to questions on Keeyask.

Mr. Chairperson: I'm going to rule that out of order.

This is extremely pertinent to the conversation that we had in camera before this meeting, where we discussed how—*[interjection]*

So I think this line of questioning, at least to my ears, stems very directly from the discussion that we've had in the past with regards to this particular recommendation, recommendation No. 3, which makes recommendations about Keeyask in a way that cannot be fulfilled under the Keeyask agreement.

And so by asking about its application to other agreements with First Nations, I think it makes perfect sense when the Auditor General has been clear that this particular recommendation—because there's no future agreements being made under the Keeyask project, this application of this recommendation would be made to future projects in general.

So I see this completely in order, so I will rule that that point of order's not in order.

Mr. Helwer: I challenge the ruling of the Chair.

Mr. Chairperson: Okay, the ruling of the Chair has been challenged.

Voice Vote

Mr. Chairperson: All those in favour of sustaining the ruling of the Chair, please say aye.

Some Honourable Members: Aye.

Mr. Chairperson: Those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Nays have it.

The ruling of the Chair has been overruled. The line of questioning has been ruled out of order.

Mr. Allum: Well, I have to respect that ruling, Mr. Chair. I think what we were seeking here was edification of public interest so that the public can understand the difference between these things, but I won't argue the point anymore.

* (19:50)

Does Hydro consult with legal counsel on adverse-effect agreements? They're part and parcel of how you undertake these agreements?

Mr. Shepherd: Yes. You know, any agreement of this nature would involve far too many lawyers on all the sides, and they would have legal support, and they'd be legally binding agreements.

Mr. Allum: So it's put through a legal lens, you said. It's put through a—I think you said an environmental lens, socio-economic lens. So it strikes me as being quite comprehensive. Would that be correct?

Mr. Shepherd: Yes, Mr. Allum. The adverse—the Keeyask adverse-effect agreements are comprehensive. They took years to develop. They involved negotiation with multiple parties, all of whom had qualified legal advice. And ultimately, the intent of Manitoba Hydro was obviously to reach a good agreement that could be ratified by the communities and relied upon.

Mr. Allum: So, in the case of Keeyask, it was quite comprehensive, quite involved, involved a number of different lenses to the satisfaction of both parties. Would that be true of a relationship agreement like the one with MMF?

Mr. Shepherd: So I'm going to have to try to position this a little properly on the MMF issue because I sense you're looking for an answer. So first, I would say there is no legal agreement that had been completed with the MMF. There would be what I would call—so there was an agreement to enter into a negotiation process, a very simple memorandum of understanding to sit down and talk. That agreement led to what I would call a term sheet, if you would call it that. The term sheet had a condition in it that required it to be turned into a legally binding agreement that was more extensive, more comprehensive, more fulsome, and that never happened.

Mr. Allum: So the adverse-impact agreement, then, is understood to be very comprehensive; it has consensus between all of the parties, primarily Hydro and the First Nation. There's consensus among those parties, and so it's an accepted way of doing

business, I think I heard you say, in the industry. Just so I got that right, it's an accepted practice, adverse-impact agreements, accepted way of doing business in the industry.

Mr. Shepherd: Yes, it would be.

Mr. Allum: So has anyone ever described payments undertaken in a adverse-impact agreement as persuasion money or hush money?

Mr. Shepherd: I am—you know, I'm not in a position to describe the universe of what happens in these agreements, but an adverse-effects agreement like the Keeyask agreement was negotiated and, you know, was required for Hydro to fill its—fulfill its obligation and its commitments to the First Nation.

Mr. Allum: So—yes. So I'm simply asking, no one's ever characterized them in a demeaning or insulting kind of way. In fact, it's an understood practice within the industry. It has consensus between the parties. I don't think anybody has ever—and you'll correct me on this. Has anybody ever described an adverse-impact agreement as being negotiated with a 'spencial'—special interest group?

Mr. Shepherd: Mr. Allum, I appreciate where you're going with your comments, but we're talking about an adverse-effects agreement; we're talking about the Keeyask agreement. And clearly these types of agreements, the adverse-impacts agreements for a Hydro project are fundamental. We would not proceed with a hydroelectric development without having an agreement with the affected communities. They're legitimate; they're legal; they're binding. I can't think of other words to describe them, but they're important. And in order to gain the consent and the support of communities, it's essential that we enter into them.

Mr. Allum: Yes, and I couldn't agree more. I think it's absolutely essential that the—and I think honourable members on this side—and I'm sure on both sides of the table tonight would regard them as being fundamental and absolutely essential to working relationships with affected indigenous parties. It strikes me that a relationship agreement is of the same character. It's fundamental. It's essential. It's—enjoys the—a positive perspective between the parties involved.

And so I—you suggest to me that I know where I'm going, but I'm simply trying to understand matters, I think, of public interest, the—and some of which, additional—it might be said, are a rather presentist as opposed to previous. But no one has

ever characterized adverse-impact agreements, to your knowledge, in such a negative light that casts aspersions about one of the parties or the nature of the payments. That—it's—you wouldn't—you've never heard of that before?

Mr. Shepherd: So I will—thank you, Mr. Chair. And, Mr. Allum, I'll try to zero in on some key points here.

I think I've explained that an adverse-effects agreement is not the same as a relationship agreement. It's apples and oranges or, maybe, apples and watermelons. They're two very different things.

An adverse-effects agreement is fundamental and required. A relationship agreement is an option. It's a way you may engage, but it's not mandated, it's not required. But often we do enter into relationship agreements as one mechanism to solve issues around projects. So they're very different things. I wouldn't equate the two.

And, in terms of the MMF issue, as I said, we never actually reached the stage of a legal agreement. We clearly had discussions. We did have an agreement on a term sheet. I would say that's fair, and I would say that I agreed with Mr. Chartrand. And we sat down and reached agreements on a term sheet. But one of the key issues in the term sheet was it had to be carried through, and a final legal agreement was never put in place.

So you can't really characterize it as an agreement. And I—in any event, I wouldn't characterize it as the same as an adverse-effects agreement. They're two different things.

Mr. Allum: In the aftermath of some of the excitement around the MMF agreement, Cabinet issued a Cabinet directive, and this—it says—*[interjection]*—and it says—*[interjection]*—if I may, Mr. Chair—

An Honourable Member: Point of order, Mr. Chair.

Point of Order

Mr. Chairperson: I'm sorry, Mr. Allum, but I'm going to recognize the point of order around the table.

Mr. Helwer, on a point of order.

Mr. Helwer: You have ruled on a line of questioning prior to this, Mr. Chair—has been challenged and has been defeated. I would appreciate if you would instruct the member to return to

questioning about the report. He is going down another avenue that is not part of this report.

Mr. Shepherd has been very patient answering his questions that are off another avenue that are not on the Keeyask report.

Mr. Chairperson: Well, it's hard for me to rule that as a point of order without having heard the question, so I'm going to allow the question to be put, and then if the member wanted to raise another point of order, he'd be free to do that.

An Honourable Member: Now I'm trying to raise a point of order.

Point of Order

Mr. Chairperson: Okay, point of order, Mrs. Mayer.

Mrs. Mayer: I'm challenging your ruling, what you just said.

Mr. Chairperson: Okay. My ruling on this issue—okay, the ruling of the chair has been challenged.

* (20:00)

Voice Vote

Mr. Chairperson: All those in favour of sustaining the ruling of the chair, say aye.

Some Honourable Members: Aye.

Mr. Chairperson: Those opposed, say nay.

Some Honourable Members: Nay.

Mr. Chairperson: In my opinion, the Nays have it. The ruling of the chair has been overruled.

Mr. Allum: So are adverse—maybe I just think about this differently—are adverse-impact agreements included in the Cabinet order?

Mr. Shepherd: Mr. Allum, with respect, I don't think the Cabinet directive that you're referring to really has any relevance to the Keeyask audit.

Mr. Allum: Okay. I guess, though, the Cabinet order seems to talk about a variety of different agreements, including a kind of a vague reference to other agreements, I think the wording is, or something like that, so I'm asking your opinion in your capacity as the head of Hydro whether you believe

adverse-impact agreements are part of the Cabinet directive that you received just recently.

Mr. Shepherd: Broadly speaking, I would say this: That adverse-effects agreements are normally for a major project like Keeyask, as I described, part of a very long, detailed review process. They ultimately come back to a fairly scientific approach, coupled with the Aboriginal tradition of all these studies, an environmental review, a licensing process, and I think if we went through all of those things, the requirements of the directive would be quite well-satisfied.

Mr. Allum: So is an adverse-impact agreement similar to a community-benefit agreement or are they also different categories of agreements that Hydro undertakes in relation to a development?

Mr. Shepherd: They are two different agreements. They aren't the same animal. A benefits agreement is quite different than an adverse-effects agreement.

Mr. Allum: So we talked about community-benefit agreements and relationship agreements being separate and apart from an impact agreement, which I think we're starting to understand, and this is merely for the edification of all members of the committee so that we understand the difference between and among them.

What other kind of agreements are signed out there—similar kind of agreements but different? Are there examples of those, of similar agreements but different than a community-benefits agreement or an impact agreement?

Mr. Shepherd: Again, thank you for the question, and it's a broad one and it depends on the project, but Hydro and various projects has entered into various types of agreements—community development or community-benefit agreements, land-acquisition agreements, easement agreements, adverse-effects agreements, joint business-development agreements, procurement agreements. There's a wide range of agreements that are involved in, you know, a significant project. It's a commercial type of project but you have to deal with multiple stakeholders, and stakeholders have a wide range of interests and often you address those by entering into appropriate agreements with them.

Mr. Allum: Well, I thank you for that and I've heard from the vice-chair on several occasions that you've been quite patient in answering questions, and so I want to thank you for your patience as we try to understand the nature of an adverse-impact

agreement, both in relation to Keeyask and how they operate, and then in relation to other agreements that are undertaken and, as you've indicated for the committee tonight, there are a variety of them, each, I suppose, with a different function and a different purpose, and that those—some go to the board for sign-off. Very few, it sounds to me, go to Cabinet for any kind of sign-off.

And I just conclude that my portion, Mr. Chair, by saying, I have to say, it would have been helpful for the minister to be here tonight to clarify the adverse-impact statement of whether it's included under the Cabinet order or not, and so I guess we'll look forward to a different forum for us to be able to talk about that, because that's a—I guess understood to be a political question, and so, again, I want to thank Mr. Shepherd for his time and apparent patience here tonight.

Mr. Brad Michaleski (Dauphin): Thanks, Mr. Shepherd, for coming here tonight.

Can you tell me how much money has been paid to First Nations, to date, and how much is going to be paid for the—on the Keeyask project?

Mr. Shepherd: Thank you for your patience. I wanted to make sure I had accurate information.

So, with respect to Keeyask, to March of 2018, we have expended \$162.9 million in process costs. There have been payments made, to March 2018, of \$34.5 million in adverse-effects and mitigation costs.

Mr. Chairperson: Mr. Michaleski, did you have a follow-up question?

Mr. Michaleski: No.

Mr. Chairperson: Oh, okay.

Ms. Klassen. Thanks for your patience, Ms. Klassen.

Ms. Judy Klassen (Kewatinook): The systemic racism that exists and permeates into all aspects of our Province, especially our Crown corporations and especially with Hydro—is the issue of racism and discrimination addressed at all in these adverse-effects agreements? If not, why not?

Mr. Shepherd: Thank you for the question. And the issue of racism is one that is a serious concern and one that, you say, is—and I would agree—is an ongoing challenge for all of us to address.

So, in the Keeyask project, certainly, as part of the Joint Keeyask Development Agreement, we've

made significant commitments to the First Nations around employment, training, business opportunities. While those don't directly go to the issue of racism, they do go to the issue of providing opportunity to ensure that there is participation, that benefits 'frov' employment and training and business opportunities flow, and I believe those do help offset and move us forward down the path of addressing those issues.

* (20:10)

In addition to that, the board of the KHLP, the Keeyask hydro limited partnership, which is the four Keeyask partners and Manitoba Hydro, have had a very strong focus on issues of racism and harassment on the project. We're extremely concerned about those incidents and those types of events. And they do occur, as they occur in everyday life, I think, and are something that we have to continually work to address. And so we have a very strong respectful-workplace policy. We have engaged indigenous people to work in our employment referral services to support our indigenous employees on-site. We have undertaken an extensive amount of training for everybody at the site, mandatory cultural awareness training and those types of initiatives to help create the right environment. I'm happy to say that to date, we've had well in excess of 40 per cent of the labour on the Keeyask project is indigenous, from indigenous people, and over half of the indigenous labour is from our Keeyask Cree Nation partners. So that's, I think, a very strong commitment to engaging in employment.

In addition to that, we far exceeded the commitments that we made in the JKDA for business opportunities for our indigenous partners and joint ventures that they have. So I think racism is something that is a challenge, and it's a very serious concern. I know our partners on the project talk to us and to myself personally about it on a regular basis, and we continue to find new ways to try to address it, but it is a concern and it is an issue.

Mr. Chairperson: Just a reminder to members, I do try to allow for a line of questioning or a series of questions, so I appreciate that the member for—Ms. Klassen, you indicated you want to continue to ask questions. That's no problem. We'll make sure that we recognize you in a series. Just to let everybody know. And I do have a speakers' list, so if you put up your hand and I've nodded at you, I've got you on my list, and you can rest assured you're on there.

Ms. Klassen: Todd Maywayashing, his family was here yet again today, and, you know, it's just so disheartening that the racism he faced, the harassment and the bullying and to be made to sleep in disgusting quarters, covered in blood, and then for him to end up passing away because he had no one to go to to fight for him. That has to stop, and now for him to be told by Hydro and for—and the family to be told to take it up—it's not our worry—take it up with the Human Rights Commission, you know, that's completely—shouldn't have to happen that way; there should be provisions in place to help our young indigenous people. When we trust other places to take them on, we shouldn't have to bury them. And it's happened to my own family. You—my mom is from Lake Man., so I know Barry, I know Mary, and for them to have to bury their little boy, it's quite disheartening.

So I encourage Manitoba Hydro to start adding to that conversation. I encourage everyone to start adding to that conversation because it needs to happen, and it exists, and I face it every day in my riding, and I face it here in Winnipeg. So I want that sensitivity training to be addressed.

So that's what I want to say on that part, but my other question was Hydro manipulates water, largely in the North. It destroys my people's lives. It destroys our animals and especially our fish's lives. I'd rather it all stop, but until that happens, rather than my people only getting 162.9 plus 32.5 over a set period of time, which destroys our lives for generations to come, wouldn't it be beneficial for the Province and her Crown corporations to enter into resource-sharing agreements with my people, something that will benefit them for generations, because you're taking generations of our livelihoods away from us.

What are your thoughts on resource sharing agreements? The Province of Ontario just—Katherine [phonetic] Wynne, or Ms. Wynne, just recently made a wonderful announcement. Why aren't we moving in that direction, and why isn't our Crown corp. trying to fight for our people, if you so care for our people?

Thank you.

Mr. Shepherd: First, let me extend my sympathies to you and the other members of the community. It's a terrible event to lose anybody, and a workplace accident of any kind is serious, and a workplace accident that results in a death is a tragedy. So I—you have my condolences.

On the broader question of resource sharing or revenue sharing, it's an evolving field. If you look back to many, many years ago, when the original Hydro developments were done, there was really no concept of engagement or participation from that point of view. As we move forward, particularly with our Wuskwatim project and now with Keeyask, we have sought to engage the communities in a number of ways. Certainly, the adverse-effects agreements are part of it, the Joint Keeyask Development Agreement, which creates employment and business opportunities in other part. But we also have a project participation arrangement with the communities, and the intent of that is to provide an ongoing benefit, as the project goes into service and generates electricity, that there's an opportunity to share some of the revenue or benefits from the project.

And so that's also an element of Keeyask, in that we actually have—it is a partnership, and there are agreements in place that will provide the First Nations partners an opportunity, over the life of a project, to benefit from it.

Mr. Tom Lindsey (Flin Flon): Just before we leave the topic that Ms. Klassen brought up, I'd just—would ask a couple of questions around that, as well, that Manitoba Hydro—did Manitoba Hydro undertake their own investigation after the fatality, or did they just leave it up to Forbes Bros.?

Mr. Shepherd: So, with respect to the workplace accident, Todd was an employee of Forbes, Forbes was a contractor to Hydro. So it—but—so Forbes did undertake an investigation. Manitoba Hydro did work with Forbes and review—see the results of their review. Our employees were also interviewed by workplace health and safety, and we're looking forward to the report from workplace health and safety. But we don't have the—we did not undertake somehow a third separate review from those reviews. And it would be unusual for us to do that, because we aren't the prime responsible for doing that on this project—on this particular project.

If it was an accident that, for example, occurred at the Keeyask site proper, there's a different relationship there, and there Manitoba Hydro, ultimately, has the overall safety 'primership' for everybody on the site, and we would undertake our own investigation. But in this—because of the particular location and the nature of this project, that didn't fall to us to do. We certainly work with Forbes. We are working—have worked co-operatively

with workplace health and safety, but we will rely on workplace health and safety and look forward to seeing the results of their review.

Mr. Lindsey: So you don't think that Manitoba Hydro has any actual responsibility? As long as you hire a contractor, then the responsibility is all shifted to them? Is that your take on that?

* (20:20)

Mr. Shepherd: No. Respectfully, no. That's not what I indicated.

Ultimately, the contractor works for us. They have safety obligations that they're—they have to meet. But, in terms of—you asked did we complete an independent investigation, and my reply was, in this case, no.

We work closely with Forbes. We've seen the results of their investigation. We've participated with workplace health and safety and we'll, you know, obviously look forward to seeing the results from that, but that's, you know, the kind of mechanism in place on this particular site.

If it had been a different site and a different situation, we might have a different process in place, but in this particular situation, Forbes is really responsible for the safety of their employees and the safety of the job site.

Mr. Lindsey: Subsequent to the fatality, or prior to, has Manitoba Hydro ever done any kind of audits or investigations into any of your contractors but Forbes Bros. in particular, to ensure that they are meeting their obligations?

Which—I'm sure they must have contractual obligations that they sign with Hydro. So has Hydro ever undertaken to ensure that they're meeting their responsibilities, specifically to workplace health and safety and training and all those things that come into that? Has Hydro ever done that prior to, or subsequent?

Mr. Shepherd: Forbes is one contractor among many that we use. They're obligated to follow safety standards and practices, and we do engage in regular reviews with our contractors. As well as, obviously, requiring them contractually to do things, we engage with them.

We certainly, in event of any, you know, incident, concern, engage directly with the contractor and we'll review safety practices with them. I can't speak offhand to exactly the engagements we may

have had with Forbes outside of this incident, but we have had other reportable—I would say safety incidents, not necessarily accidents, but concerns, with Forbes as well as other contractors.

And in each of those, we sit down and we go through a thorough review with them and look at their practices and procedures. And I must say I—based upon the review I've seen, and I'm looking forward—and I'm not making any decision on the ultimate outcome of the review because we need to see what workplace health and safety has said but I believe, you know, Forbes basically has good safety practices. They follow certified safety procedures and, generally speaking, our contractors do have good safety records, but there are incidents and there are accidents. And those are all things we have to learn from and try to take proactive steps because safety is our top priority and nobody wants to have an employee injured on the job.

Mr. Lindsey: So Forbes Bros. has had some issues elsewhere, not necessarily with Manitoba Hydro, but they've had a couple of fatalities outside Manitoba Hydro.

So, at any point, after any of those fatalities or incidents, accidents, did Manitoba Hydro ever sit down with Forbes Bros. and review policies, procedures, to make sure that Forbes Bros. not only had stuff in a book but that it was actually being applied out in the workplace so that—did Manitoba Hydro talk to any workers, or did they just rely on some papers that Forbes would have provided?

Mr. Shepherd: So the—I believe the other fatality you're talking about was the terrible tragedy with the tower falling down in Nalcor and—can't remember just what year it was, 2017—where two Forbes Bros. employees were killed in the fall.

You know, Forbes immediately instituted a safety stand down nationally while they reviewed that. They contacted us proactively, reviewed the results of what happened. And so we certainly understood, you know, what had led to that incident so that we certainly engaged with them on that.

In terms of other work sites, other activities, we have Manitoba Hydro employees that are directly employed by Manitoba Hydro that work in close proximity, not always, but in close proximity of the sites, that are on the sites, that observe the sites. And, certainly, part of that process is for them to report any concerns back to Manitoba Hydro, whether it's quality or procedure or safety issues. So we do have

people that are in a position to observe whether things are happening properly in the field.

Mr. Lindsey: But Manitoba Hydro doesn't have any formal process to actually go out and ensure that policies, procedures, are being followed as what they're set out to be followed. It's just if somebody sees something somewhat informally, they may report back to Hydro, but there's no actual mechanism, particularly on these worksites that aren't, as you've characterized them, directly Manitoba Hydro's. They're remote; they're separate. So you don't—or Manitoba Hydro doesn't have any mechanism in place to formally, every now and again, once a year, once every two years, go out and review and make sure things are being done as they're supposed to be done.

Mr. Shepherd: Mr. Lindsey, with, you know, due respect, I would tell you I'm not the expert on safety procedures. I do know that we have a very, very good safety management system. We have extensive policies; we have extensive training. Our executive is fully committed to safety. I, myself, go out and do personal safety visits. I've seen our people working in the field.

For a contractor like Forbes, in a work project like they are undertaking, they are responsible for the safety of their employees and the safety of the worksite. And it's not—and Hydro takes, I think, the steps we need to take to ensure that our contractors are certified, that they're safe. But we don't, to my knowledge, go out and try to implement a safety policy for a subcontractor. It is their safety policy, their safety obligation.

And, you know, perhaps, you know, people will find that odd, but I would suggest to you, that is the way the regulation works; that's the way the safety practice works. And I'm as upset as anybody about the tragic incident with—but, I mean, to—I wouldn't suggest that, in the context of a Keeyask review, that I'm really in a position here today to go through a full review of safety practices and procedures.

Certainly, I believe we have a very strong program. We have safety concerns; we have safety issues. We work on them all the time, but I don't—and I'd be—I'd welcome the opportunity to sit down and talk about safety, but I'm not, you know, really prepared here today, nor do I have the material in front of me, to go through an extensive kind of review of everything to do with safety, in particular with respect to that particular project.

Mr. Lindsey: Okay. Just to get back to where I was originally going to start asking questions, so you've talked about the adverse-impact agreements, and you've talked about if a new major project comes on, that—did I hear correctly that then you would undertake to do an adverse-effects agreement process with any new project that came on?

Mr. Shepherd: As I understand it, Chair, if there was another major Hydro development, it would almost certainly have effects and impacts that would require that type of process. Not every project has significant impacts, and not every project requires an adverse-impacts agreement, but a Hydro development—a major Hydro development almost certainly would.

* (20:30)

Mr. Lindsey: So, if you're building a dam, that would require it. What about if you're building transmission lines, because, I mean, obviously, Keeyask is more than just a dam, it's transmission lines as well, right. So is there any part of that, building the lines, that gets any kind of agreement? Is it the same adverse-impact agreement? Is it some different kind of agreement?

Mr. Shepherd: What I will tell you is that in most—I'm going to say most because every project is unique and so you have to evaluate every project and go through an assessment and typically an environmental impact review—but in our experience most impacts from a transmission line would be orders of magnitude. I'm not sure how many, but a hundred times, a thousand times, hundred thousand times less than a hydro development. It's just not that type of impact.

There are impacts, and to the extent we can, we mitigate and we believe we largely mitigate or have ways to mitigate the impacts from a transmission line development. So, in general, we haven't entered into adverse-impact agreements related to transmission lines, in general, because largely the effects after mitigation are, in our view, small, and we find other ways and agreements to work with communities, and if there are residual impacts they typically are addressed in different ways than an adverse-effects agreement.

Mr. Lindsey: You've talked about that if something happened that wasn't expected with a community that had an adverse-effect agreement in effect, that something changed, that there would be a

mechanism to renegotiate that agreement, recognizing the new issue, whatever it might be.

Mr. Shepherd: While I have to admit I'm not familiar with every clause in the adverse-effects agreements for Keeyask, I'm advised there is a clause in the agreement that specifically deals with unforeseen effects, and so it's contemplated in these agreements that there could be something that hasn't been addressed and there's a mechanism to deal with it.

Mr. Lindsey: What all communities actually have adverse-effect agreements in place now?

Mr. Shepherd: For Keeyask, which is the project we're talking about tonight, it's the four Keeyask Cree nations—Tataskweyak, York, War and Fox Lake.

Mr. Lindsey: So there are adverse-effect agreements in place for the other dams that are already part of Hydro's system?

Mr. Shepherd: There would be a comparable adverse-effects agreement in place for Wuskwatim. Again, that was a project that was proactively negotiated and entered into an agreement in advance of construction.

To my knowledge, all the other Hydro developments, I wouldn't characterize them as adverse-effects agreement, I would characterize them as settlement agreements, because they were entered into after the projects had been built and sometime after the effects were seen.

Mr. Lindsey: So is there a mechanism that would allow a community to renegotiate a settlement agreement if something is different than what was originally contemplated?

Mr. Shepherd: They all have similar unforeseen and unforeseeable consequence clauses, so it's not necessarily a matter of renegotiating the agreement. It's a matter of understanding the impact, what's changed, and entering into a process to try to determine what's appropriate.

Mr. Lindsey: So I know some of the things that are affecting at least one of the communities in my constituency is the fluctuating water levels, and specifically talking about the community itself, Indian Lake, the O-Pipon-Na-Piwin Cree Nation that—the effects on that community were rather immediate and continue to be an issue. And now there's some sort of licensing process in place that talks about Hydro's ability to hold back water or

release water to maintain certain levels for productivity or to safeguard Manitoba Hydro's ability to produce power. But that in and of itself now will have more adverse effects, particularly on that community.

So what's the process, then, to either compensate or recognize or mitigate the effects? Because obviously it affects shorelines, it affects fish breeding, it affects just about every facet of their life there.

Mr. Shepherd: Well, thank you for the question, and I'll attempt to clarify the situation to some perspective.

So Manitoba Hydro operates its facilities—its water-control facilities under water licences from the Province of Manitoba. That licence regime has not changed for many years. We continue to comply with the licence regime. And so these fluctuating levels and other things are part of the licensed—licensing conditions that we operate under. We take all care and effort to ensure that we comply with the licences.

I think in terms of individual communities, there's no doubt that water conditions are different than they were 100 years ago, before Hydro development. I think there's no argument that there are impacts from Hydro development. Some of the water-control facilities are not necessarily for Hydro development as much as they are for flood management—to help mitigate the impact of varying water levels on things that are really somewhat unrelated to Hydro.

So it's a complex question. Many communities have concerns about the licences. The water licences are managed through an independent process through the Province of Manitoba. And so I think there is a process there to review those. But what I can tell you is that, you know, we don't arbitrarily or unilaterally set those conditions. They're set through the Province through regulation and we operate within the regulation.

Mr. Lindsey: So some of these licences—and correct me if I'm wrong, I'm relatively new to Hydro and a lot of issues there, so some of the licences are not necessarily up for renewal, but they're temporary and the process is started now to make those licences a permanent thing. And that's what's raised the issue again, particularly with South Indian Lake, because they do suffer a lot of negative impacts.

Certainly, it's different than it was 100 years ago, but it's different every year. There's no constant anymore. It's always changing.

So what process does that community have with the effects of Manitoba Hydro's projects?

Mr. Shepherd: Thank you, Mr. Lindsey, for the question.

We would have to go substantially later than 9 o'clock for us to get into a discussion of water licensing. What I would tell you—

Mr. Chairperson: If I could just, quickly, Mr. Shepherd.

So, when we suggest a time in committee, that's only a suggestion. We as a committee have a long-standing tradition to continue on as long as is needed to make sure all the questions and all the answers are thorough. So please don't feel hindered by the time limit that was said at the beginning. We—I know committee members have a long list of questions. We have quite a long speaker's list and we'll make sure go as long as we need to.

*(20:40)

Mr. Shepherd: I'll—respectfully, I was just suggesting that it's a very complex subject. It's not something that I feel that I can answer in a simple question, but what I can tell you is that the licences have been in place. The Augmented Flow Program, for example, which is a licence that's renewed annually by the government on that—in particular, on South Indian Lake, it's been in place since 1977.

Many of the other licences are—I don't think there's any such thing as a permanent licence. You may be confusing the term final licence with permanent. A final licence is not permanent; a final licence has different meaning under the regulation.

And so we have licences that are in various stages of renewal and extension for various facilities, and it would take a substantial amount of time and expertise, which I have a very high level of knowledge of, but would not profess to know the details on, to explain all the details around licensing. But I would say that at the end of the day, we operate under licences that are provided through an independent, you know, authority through the Province, and we have to comply with the licence, and the licence has to meet the requirements.

An Honourable Member: Point of order, please, Sir.

Point of Order

Mr. Chairperson: Point of order, Mr. Yakimoski.

Mr. Yakimoski: Mr. Chair, you'd mentioned before that you'd allow a line of questioning to continue along a singular line. And Mr. Lindsey started off with some workplace health and safety questions and now has detoured, taken his discussion elsewhere. You cautioned Ms. Klassen on it, and you did say we had quite the lengthy list. Can we stick to what you'd actually said before, that along one singular line of questioning and go to the other questions, perhaps, and come back to Mr. Lindsey?

Mr. Chairperson: So, just to clarify, and I'm—I apologize to the committee if it came across that I was saying to Ms. Klassen that she had to stay to a certain line of questions. What I was trying to express was that she did not need to panic that I would somehow move on from her line of questions, because I wanted to give her the space and the time.

As I've indicated here tonight, we have plenty of time here to discuss these issues. I think members are prepared to stay as long as it takes to make sure that we ask all of these questions. I do have a substantial speakers' list, so I will, as I always do, ask members that, if you can keep your comments reasonable in terms of the time limit that you're taking—I think we've done that here tonight—I'll ask that you do that. But we currently have four and maybe five—so that would be six and seven, so I have about six or seven still on the speakers' list.

So we do have time to do this, but I will, I don't know, agree with the—your comments that members should be as succinct as they can while also understanding that I'm going to give them the time to ask the questions that they've come here to ask this evening. And, of course, that applies to all members, not just certain members around the committee table.

So, with that caution, if we can move forward.

* * *

Mr. Lindsey: Certainly, in the spirit of being respectful to all members of the committee, I will cede the floor.

An Honourable Member: That's magnanimous.

Mr. Lindsey: I try.

Mr. Kelly Bindle (Thompson): I think I'll completely change the subject and talk about the Auditor General's report. My question concerns the

GAA's in there. I understand the GAA's are with the communities. Is that correct?

Mr. Shepherd: Yes, so GAA—you almost threw me there with the acronym, but yes, that is in place with the communities.

Mr. Bindle: And I understand, if—when you're negotiating these agreements, that it would take into account, I guess, community members that are affected that would have been trappers or fishers from the actual Keeyask project.

My question is: If a trapper that's a member—a trapper in that area that's affected by the construction is a member of a community that's getting a GAA, is he, I guess, compensated through the community—or she?

Mr. Shepherd: It's an excellent question, and the answer is no. But, generally speaking, trappers have licences, commercial licences, and so we negotiate separate agreements with trappers to address the impacts of the development on the commercial trapping places.

Mr. Bindle: Okay, and that would—I would assume that would go under either a GAA or a one-off, sort of lump sum compensation, is that correct?

Mr. Shepherd: The trapper agreements are typically lump sum agreements and they're separate from the GAA amounts.

Mr. Bindle: Okay, and is there a mechanism in place? I understand you have a mechanism for ongoing GAA or new arising issues. Is there one in place for those one-offs?

Mr. Shepherd: Generally speaking, we enter into a one-time arrangement with the—for—to compensate. And so because it's, by its very nature, it's a one-time agreement, payment's made one time and then the situation is considered settlement. There's a release, and, you know, the issue's done.

Mr. Bindle: If a new adverse effect arises, is there a mechanism?

Mr. Shepherd: Generally speaking, no. I mean, typically, we've, you know, we would work with a trapper. We'd enter a compensation agreement. If there's something substantially different arises, then it would require a new agreement. But it's not a—there's not a, really, a reopener, if you want to call it, typically, in these agreements.

Mr. Bindle: And switching back to the community GAA, if there is a negotiating—I guess a mechanism

in place to deal with changing events with a GAA, like, an ongoing annual amount, what would be the procedure for them to, I guess, what would be the recourse if they did have a, say, a question or a complaint or a clarification, where would they, like, where do they go? Is it—would they go to the, I guess, the council, and then the council would approach Hydro, or is it—is that how it works?

Mr. Shepherd: For anything that's a collective agreement, and you have to distinguish that trapper agreements are with individual trappers, but these other agreements are all collective and they're with the community, and so a chief and council is the mechanism that the community members deal through.

Mr. Ted Marcelino (Tyndall Park): This question is for the—I'll give Mr. Shepherd a break, and this is for the Auditor. *[interjection]* About two minutes.

Sir, this report, Keeyask report, the Keeyask Process Costs and Adverse Effects Agreements with First Nations, did you dig deeper than just the process costs and adverse-effects agreements? Did you find—or did you look for the basis for the business practice on the part of Hydro in entering into these benefit agreements? Do you have—do we have any legal basis for it, or is it something that you did not look for?

Mr. Ricard: That is definitely something that we did not look into. I would characterize that as very much policy oriented, looking into the merits of a particular policy decision. So we—what we do in our audits is we look specifically at a decision that's made and look at the processes to implement that decision. And what we did here was focus on the processes around making the process cost claims and processing the claims, the processes around monitoring compliance to the agreements and whether or not Hydro met its financial obligations with respect to the adverse-effects agreements, but not—we did not question, nor would we ever question or challenge the merits of that policy decision.

* (20:50)

Mr. Marcelino: Thank you for the answer. The next question is, the reason behind this audit, would that be something that was done in writing? Like, who initiated it? I think it's important because we now find ourselves dealing with a report that's positive.

And the question that I have is actually whether this was waste of taxpayers' money—which I don't believe it is—but I want to know how it is initiated,

and if you have any records of that particular source letter or source concern?

Mr. Ricard: So let me just—before I answer specifically, it's very important for the committee to understand that all audits in the—in our office are initiated by the office.

The only audits that would be initiated outside would be special audit requests through section 16 of the act, and that would be through the Minister of Finance (Mr. Friesen), through the Lieutenant Governor-in-Council or through the Public Accounts committee by resolution, but even those requests are at my discretion to accept or decline.

So just because of the language you used, I would be very careful. The—all audits are initiated by the office and they're initiated because we think the subject matter of a topic is significant to the Province and significant to the people of the province and to the—and we hope to the Assembly.

I can tell you this: the origins of this audit, like what prompted us to want to audit it, go back several years before I was Auditor General, but it's a combination of different things. And I think, as I recall, there were media stories about adverse-effects agreements or process cost payments questioning the merits of that.

And so—and we have a citizen concern line, and as I recall, there were—or, at least one concern expressed about the payments, how they were being made. I don't have the specifics, but—so there were a number of factors that caused us to believe that an audit that would allow us to describe the payments and describe the controls in place around ensuring the payments were appropriate, would be in the public interest and would be of value to the Assembly.

Mr. Marcelino: Thank you for the answer, and the third question I have is regarding the way that we have accepted the premise that Manitoba Hydro's development projects have impacts, sometimes adverse, to or on First Nations communities. Is that something that we could agree on?

Mr. Ricard: Well, Mr. Chair, I think—I'm not too sure the nature of the question here, but I guess the very first line in the background section of our report on page 7, we say that Manitoba Hydro development projects can adversely impact First Nations communities. And we further go on to say,

to understand those potential impacts, Hydro consults with First Nations.

So if the question is can these development projects have adverse effects on First Nations, I think the question is clearly yes. I mean, I think you meant—definitely, I've heard Manitoba Hydro acknowledge that that's the case, so.

Mr. Marcelino: So, if I were to suggest that what Hydro claims as its best business practice of paying for adverse impacts and adverse effects, including, but not limited to, mitigating the—those impacts and maybe trying to resolve those effects by, well, compensating for it, is good business practice, I would think that Manitoba Hydro deserves praise for that, doesn't it?

Mr. Ricard: Everything that you've described is a public policy decision, and I'm prohibited by my act to comment on the merits of public policy decisions.

Mr. Marcelino: Thank you for the answer.

My fourth question, I think—is that the fourth? I'm 72 years old. The main impact of those payments by Manitoba Hydro to the First Nations communities over a period of time that somehow indicates that they're trying to help out those communities, is that something that, if you can characterize them, is that something justified in accordance with auditing procedures?

Mr. Ricard: Mr. Chair, I have to say I don't understand the question. If—so maybe if I could get him to rephrase or repeat?

Mr. Marcelino: I will rephrase the question. I'm sorry. It's just that maybe my premise, my preamble, was a little bit too convoluted, right?

So those adverse-effects agreements, they were entered into willingly, and then there's that ratification protocol. Is that a practice that's common in the resource industry, as Mr. Shepherd claims it is?

Mr. Ricard: I really can't comment on whether adverse-effects agreements are common in the industry. I would rely on Mr. Shepherd, his knowledge, in that regard.

And in terms of the ratification protocol, I would just comment that I think it's a very important document in that it ensures that the community members are in agreement that the identified adverse effects, the identified programs, that they were in favour of those in terms of how to mitigate the

adverse effects. So our report commented on the need for independent assurance that the ratification protocols were, in fact, adhered to. So from that respect, I would just leave it at that, I guess, that the adverse—yes.

Mr. Chairperson: I see that we're nearing the agreed time for the committee to sit.

Mr. Allum: I was just discussing that with my friend from Elmwood. Given that there appears to be a number of government members who want to ask questions and we still have Mr. Marcelino still under way, maybe the right thing here is to look at 11 o'clock. But, you know, I'm just suggesting that to the committee.

Mr. Chairperson: Is there agreement that we'll sit until 11 o'clock and see the clock at that time and revisit? Is that agreed? *[Agreed]*

Mr. Marcelino: Same question to Mr.—your two minutes are up. No more break.

* (21:00)

Would you say—I'm directing the question not to the Auditor, but to Mr. Shepherd. Would you say that the ratification protocol that ratifies the agreements of all four First Nations that were parties in the Keyask agreement, was that something that we copied from other jurisdictions?

Mr. Shepherd: Generally, no. And I'd say, first, these were ratification protocols that were negotiated individually with each First Nation, so it met our mutual arrangements that needed to be put in place. These protocols are relatively new, as I mentioned, so in particular, you know, the protocol required to ratify both the Joint Keyask Development Agreement and the adverse-effects agreement was new.

I think they were developed, you know, obviously, you know, with due diligence and good intent. And both parties tried to execute them in good faith, and we believe they were. But could there be improvements made? Absolutely. I think, as you will learn and you go forward and practice evolves, you learn from your past experience. I think the Auditor has pointed out some concerns, and those are concerns that we would try to address in any future agreement. But they're not cookie-cutter-type agreements.

Mr. Marcelino: Thank you for the answer, Mr. Shepherd.

So when there are new development projects that Hydro will enter into, is there a threshold as to how much would be the minimum amount so that you would enter into some kind of an agreement with a First Nation or First Nations communities?

Mr. Shepherd: Maybe I could just ask for some clarification. You're talking specifically with respect—*[interjection]*—to a Hydro development? *[interjection]*

Mr. Chairperson: Mr. Marcelino.

Mr. Marcelino: Sorry, thank you. Ah, newbie.

The question really is: When do you practise that good business practice of entering into that adverse-effects agreement? When do you do that, and when do you not? Is it discretionary on the part of the board, the chairman, or your vice-president or whoever is in charge of your indigenous relations?

Mr. Shepherd: Generally speaking, it depends on the project and the approach we take. And, you know, perhaps for clarity, we don't generally go from impacts to compensation. We first talk about how to avoid the impacts. So perhaps we change the design of the project; we change the location of the project; we reduce the area of flooding. So first step is to take steps to avoid impacts.

Secondly, we may take steps to mitigate the impact, which essentially is to say we can do something technically so that the impact is essentially not there.

Thirdly, and this is what we do with many of the programs that are delivered, we attempt to offset the impacts.

So I mentioned previously the fishing example. If the community can't fish for a period of time in the water, we offset that by compensating the community to obtain fish from a different location, and we'll compensate them for the incremental costs of doing that. So we're attempting to offset the impact. And then only, finally, do we move to compensate. And we compensate for residual impacts that we can't avoid, mitigate or offset.

So your question of do you enter into an adverse-impacts agreement, it depends on the situation. For any large Hydro project, and these are the projects that typically now, you know, like Keeyask or in territories that fall under the Northern Flood Agreement, we have comprehensive implementation agreements that arise out of that, and all those comprehensive agreements require us to

enter into an adverse-effects agreement before we proceed with new development. And so there isn't really an option, I would say, for that type of project.

Mr. Marcelino: There's one thing that really struck me as odd, and—if I can find it—there's mention about \$110 million that are supposed to have been still pending payments towards the GAA. Is that correct? Is that something that I read correctly?

Mr. Shepherd: So, generally speaking, without getting into all the numbers because there's dollars in constant—2015 dollars and then there's adjusted for inflation, but essentially that represents a liability which is the forward looking view of payments over the next life of the project—50-plus years, 80 years, and so we carry that as a liability because we are obligated to carry—to make those payments going forward.

Mr. Marcelino: So I would say that you have put \$110 million in suspense accounts? Not really?

Mr. Shepherd: No. It wouldn't be an expense account. It would be—so first of all it's considered a capital expense, not operating expense. It's charged to the capital cost of the project. It's essentially an amount that sits on the balance sheet as a future liability. It will be drawn down and—over time.

Mr. Marcelino: Thank you. Two-minute break, Mr. Shepherd?

To the auditor, again, would you recommend, sir, that legislation be passed by the Legislative Assembly of the province so that there could be a legal basis or a foundation for what Hydro does because Hydro is an independent Crown corporation? Would you suggest that there be legislation to promote that kind of accountability so that they cannot just enter into an agreement without any legal basis? Is that something that you could suggest us to do?

Mr. Ricard: It's certainly not something that I could do today. Anything that we recommend to the Legislative Assembly comes out of an audit that we do, and what you're asking is not linked directly to the nature of the audit that we looked at. In fact, it borders on legislating public policy in an act, so it's likely not something that I would ever approach.

Mr. Marcelino: I just want to say thank you to the auditor and to Mr. Shepherd.

Mr. Chairperson: Ms. Mayer? No?

Mrs. Mayer: No, I didn't have a question.

Mr. Chairperson: Okay. Mr. Lindsey.

Mr. Lindsey: Let's—I just want to ask a question for clarification from the auditor, if I could. When you were preparing this report on Keeyask, I see that it says you focused on Keeyask, but did you look at Keeyask and the agreements in relation to previous dam projects in those agreements to make a comparison to how they work at all, or did you just look very specifically and very narrowly focused?

Mr. Ricard: We specifically looked at Keeyask and tried to keep our focus narrow in order to conduct the audit as efficiently as possible.

* (21:10)

Mr. Lindsey: I see that you did make some comparisons in your report to amounts for some future dam projects as well as some other existing projects. Is that correct? Page 9.

Mr. Ricard: So what we're doing with figure one is trying to provide the committee with a picture of where Keeyask sits in relation to the other active projects. So as to not put 145 million of processed payments in isolation, we felt it was important to show it in context.

So 145, as compared to 223 in total, or even in the adverse-effects agreements, to, say, currently 17 million versus 32 in total—that was the—part of the objectives of the audit was to provide the Assembly with information on the nature of these two types of funding and total amounts. And so the table was just meant to provide a context to the Keeyask project.

Mr. Lindsey: I thank you for that. I just—I'm, like I said earlier, I'm somewhat new to this process, so I'm just trying to understand, in my own mind, how you arrive at some of your processes.

So it—for me it—when I see this, it looks to me like you've kind of looked a little bit at some of the other projects just for comparison sakes' and then focused on Keeyask in particular.

Mr. Ricard: Well, it's fair to say we looked at them for totals, but we didn't look at, you know, the process payments, for example, with respect to Bipole III or Conawapa or Wuskwatim, like, we didn't expand our audit to look at how those process claims were being audited. We focused purely on the processing of the Keeyask claims.

Mr. Lindsey: I appreciate that. Thank you very much. So just to get back to Mr. Shepherd, as my

friend Mr. Marcelino says, your break time is over, I guess, for now.

Just—I just want to look at the makeup of your board. There's a shortage at the moment. And, in your opinion, will this impact your abilities to run the corporation to ensure that everything complies with processes and policies that are in place?

An Honourable Member: Point of order.

Point of Order

Mr. Chairperson: Mr. Johnston, on a point of order.

Mr. Scott Johnston (St. James): Mr. Chairman, that question is totally irrelevant to the report in front of us. And it's not even fair that that member would ask administration that type of question. So, with all due respect, Mr. Chair, I think that that question should be ruled out of order.

Mr. Chairperson: Mr. Lindsey, on the point or order.

Mr. Lindsey: Yes. I'm merely trying to make sure, in own mind, that what's happening with hydro today will allow hydro to operate in compliance with policies and procedures and all the things that are talked about in this audit report. So I just want to make sure that, you know, okay, we've got this report that talked about how things work—can we ensure that things are still going along the right way in the future, or do we have to wait somewhere down the road to find out that oops, things didn't go properly? So that was the point of that line of questioning.

Mr. Chairperson: Well, I'm going to suggest, rather than rule, that I think Mr. Johnston is on to something in terms of us making sure that we're connecting our connections—or our questions as closely as we can to the report. And I take Mr. Lindsey at his word that he's trying to do that, and I encourage him to continue to do that to make that connection.

And I know, as somebody who represents communities in the North, that he's very passionate about these issues, and it's been a long time since he's been able to ask hydro questions, so I'm sure he's very eager to ask as many as he can. But I will suggest that he keeps it as closely related to the report as we can.

Mr. Lindsey: I appreciate that, Mr. Chair, and I apologize if that was getting a little far afield. I felt that it did relate to this report and the operations of

Hydro going forward to ensure that future audit reports give us the answers that we need. So I would still kind of appreciate an answer.

Mr. Shepherd: Well, certainly I think the current board is fully capable of executing the functions that have been assigned to them. I think the composition of the board, the membership of the board, is obviously a matter of—it's not my purview; it's the matter of the government and the lieutenant-general to appoint the board, and I'm pleased that we have a board, and I'm sure that they will do their very best and have the capabilities to execute their accountabilities.

Mr. Lindsey: I appreciate that, and thank you for that answer. I think that that will conclude my questions specifically around Hydro.

I mean, my understanding, then, is that something different takes place in order for us to move on to the next topic. Is that correct?

Mr. Chairperson: Yes. Just for—I've had a few questions now around the table. Because we, at the beginning of the meeting, suggested that we deal with the reports separately. We will deal with this report, make sure there—all questions are asked and then move on to cyber security, which I understand members have quite a few questions about as well.

Ms. Janice Morley-Lecomte (Seine River): Since this report was published in September of 2016, has Hydro commissioned any additional external audits, other than the two previously noted?

Mr. Shepherd: No, we haven't commissioned external audits. We have, as I mentioned in my remarks, though, undertaken an enhanced level of risk assessment around different agreements, and as was recommended by the auditor. And should those risk assessments and reviews indicate the need for an audit, we of course would pursue one.

Ms. Morley-Lecomte: Can you explain what the risk assessments would mean that you would continue?

Mr. Shepherd: Yes, the—

Mr. Chairperson: I'm sorry. Can we just ask you—Ms. Morley-Lecomte, can we ask you to repeat the question? I've been requested from Hansard and, I think, members of the committee, if you could just speak up a little bit so we can get that recorded properly.

Ms. Morley-Lecomte: Can you—sorry. Can you please explain what you identify by risk—mean by risk?

Mr. Shepherd: Yes. Thank you for the question.

So, you know, when we talk about risk assessment, first, it's an internal evaluation where we look at a variety of factors around our—around the agreement and around the community's capacity. So we would, for example, review the skills and capabilities that the community has in their administration. We would review their resourcing to understand whether they had sufficient people to process the volume of claims and processes in place. We would look at our history to understand whether, you know, we saw signs that indicated there might be some difficulty. So, for example, perhaps a community is not staying current with their expenses and, as a result, is unable to manage their cash flow because they're not processing stuff. Totally entitled to the cash, but they haven't went through the process, so then they're—so those are signs that there may be administrative or other issues and that we have to spend more time and resources to work with the community to ensure that the processes we have in place are adhered to and that they're proper.

You know, if, through the reviews of claims or expenses, we saw irregularities that couldn't be addressed or explained to our satisfaction, that might be another sign that we might have to, you know, undertake a more extensive audit or review. So those are examples of some of the things.

* (21:20)

Mr. Chairperson: So, just—there's been a request from some members of the committee to take a short recess to attend to what needs to be attended to. So I'm going to suggest, can we break for 10 minutes and come back? And I'm—I am going to just caution members, I'm going to call the meeting to order in 10 minutes. So if we can keep that very tight. Is that agreed by the committee? *[Agreed]*

Thanks. See everybody back at 9:30.

The committee recessed at 9:20 p.m.

—————
The committee resumed at 9:31 p.m.

Mr. Chairperson: I'd like to call the committee back to order. Thank you, everyone, for respecting the 10-minute break.

I will keep moving down the speakers list.

Mr. Yakimoski: Well, thank you very much, Mr. Chair.

I have some questions, and I thank you, Mr. Shepherd, for your time.

One of the things I did notice that within the CAA, the guaranteed annual amounts, it's for programs that they're supposed to be putting in place, the First Nations groups, and some of them haven't been put in place yet. Is there—might there be in the future additional costs if these are not brought forward for quite some years? Because it is for the life of the structure—probably speak on that a bit, if there's going to be an extra cost to any of those GAAs.

Mr. Shepherd: In regards to the cost of the GAAs, they're set out in the agreement, but the timing of program implementation can vary. So the GAA payments, themselves, are adjusted by an inflation factor going forward. But programs—there's a number of programs under the agreement. The timing of them can vary. The community may not be, you know, have the capacity to implement a program at the time. There may not be the need to implement a program at a time. So we, basically, defer the cash associated with those, but we've recognized the liability and the cost of the project upfront.

Mr. Yakimoski: If a program is deemed, in the future, not to be beneficial—one of the programs that were identified, say, now, and, then, in the future, deemed there is no benefit to the First Nations community—is there any opportunity for them to discuss it, to open it up, to continue to look at it, moving forward?

Mr. Shepherd: Yes, thank you for the question. So the programs that are laid out are not set in stone. There is a process in the agreement: additional programs can be added, programs can be changed. And so that's—there is, essentially, flexibility in the agreement recognizing that these projects are very long-lived projects, that you need to have some flexibility to adjust to changing circumstances.

Mr. Yakimoski: I noticed within figure 1 of the report, they referenced Bipole III with process payments. Were there any GAAs for the bipole project?

Mr. Shepherd: So, to try to just to put the context around this, bipole is a project that consists of two convertor stations—one in the south at Riel, one in the

north at Keewatinook—and a transmission line. The Keewatinook convertor station is in the traditional 'territory' of Fox Lake Cree Nation, and so there are impacts and annualized payments associated with the convertor station; not necessarily with the line itself, but the converter station. So you can think of that as a very big development in a territory, in a traditional territory of a First Nation.

Mr. Yakimoski: So Conawapa, there are substantial adverse-effect payments there; I believe it's—what is it, \$5 million, according to figure 1 within the document, page 9? But that is not going forward, but there are still adverse effects that have to be paid. And is there any monies that's still on the books or still money owing because what I understand is some of these GAAs are for the life of the program or the structure. And this one's no longer going forward. So are there still things—liabilities?

Mr. Shepherd: Short answer is no. There are no future obligations related to Conawapa. The—when the—in 2014, those—the adverse-effect payments ceased. We did carry on with—to complete some Aboriginal traditional knowledge studies, stuff that had enduring value as an asset to potentially the future—should the project ever, you know, become real many years down the road, there's some value from that. But those projects have been now completed and wound up, I think effective—I'm trying to remember whether it was—December 31st, 2016, I believe, was the last expenditure on Conawapa.

Mr. Yakimoski: Last question, and I noticed within this same document, there's quite the difference. So we know Bipole, as well as Keeyask, are quite substantial investments—huge, huge. But the process payments are quite substantially different. I would like you to elaborate, just so I'm clear; I think I understand why the differences are. Talk for a bit as to why there's such a substantial difference in the process payments.

Mr. Shepherd: Yes, you are correct. There is a substantial difference in the process costs. I think the best way I could describe it is that on Keeyask, a very major project for First Nations that went through a very extensive consultation process to negotiate a major agreement, the Joint Keeyask Development Agreement, big adverse-effects agreements. And, in fact, leading through a formal ratification vote. So you can imagine, there's—those costs, those process costs are really for advisers, for legal advice, for communities so that they can travel, attend meetings, all those sorts of things. And over a

10-year period, you know, with four communities and that extensive engagement, it gets very large.

Bipole, the process, is substantially different. We did not enter into agreements—or few agreements, but very small agreements related to Bipole. We didn't have major adverse effects. There are some around, as I mentioned, the converter station that we entered into agreements on. We didn't hold community ratification votes. We went through a different environmental review process and the impacts from transmission is substantially different.

So although there is significant environmental costs in terms of going through the environmental licensing process, it's a very different process in terms of how we engaged—had to engage communities on Bipole. Just fundamentally a different nature and level of engagement that's required.

Mr. Yakimoski: And thank you, Mr. Shepherd. That was kind of what I wanted you to talk about a little bit there.

Thank you, Mr. Chair. I'm done with this line of questioning.

Ms. Klassen: I had a question. Are the adverse-effect-agreement payments to the First Nation continuing despite being hindered by the lack of a full Manitoba Hydro board?

Mr. Shepherd: The agreements are continuing and, really, our agreements we've entered into and—really are not impacted by anything to do with the board.

* (21:40)

Ms. Klassen: I asked for the payments. Are the payments continuing?

Mr. Shepherd: Yes, the payments are continuing. They're part of an agreement that's in place, and the payments are continuing.

Mr. Chairperson: Any further questions?

An Honourable Member: Question.

Mr. Michaleski: I just thought on one of the comments you had made on—kind of follow-up to what Mr. Yakimoski was asking. You're talking about that level of money that's spent towards the process costs, and you're talking about the changes in the levels of engagement.

Is there anything to suggest, like—because those dollar amounts are escalating quite a bit, is there anything to suggest a ceiling someplace, because, at this level of increases, you have to think that it's going to have a serious effect on rates, eventually, and the ability of hydro to move forward. Any thoughts on that?

Mr. Shepherd: I'll thank you for the question. Certainly, the environment continues to get—it continues to change, standards continue to change environmental legislation and is continuing to progress and becoming more expensive to go through reviews and compliance. And, I think, I—it would be fair to say that both the expectation and the need to engage our indigenous communities in those consultations continues to be very different going forward than it was historically. So there is a practical limit on costs.

And the practical limit on costs is that the project and the benefits from the project has to be able to sustain them. And so you have to evaluate that with each project. But I would say that all resource developers, and whether you're building a hydro project or a wind farm or a pipeline, all of us are facing escalating challenges around getting through the regulatory process and being able to actually implement projects.

And I don't know what the cap is. What I can tell you from a practical point of view, at some point, if you can't get a project approved economically speaking within the cost of the project, then you can't go ahead with it. That's the practical nature of the challenge.

But it's not unique to Manitoba Hydro. I think you could talk to TransCanada, Energy East, Kinder Morgan, Enbridge—there's a wind farm in Saskatchewan that wasn't licensed after going through a very expensive process. So all these projects are facing increasing hurdles through multiple environmental and review processes.

Mr. Michaleski: So correct me if I'm wrong, but Keeyask, when did it get the green-light go?

Mr. Shepherd: The project was licensed, I believe, in July of 2014, at the—after the completion of the PUB-NFAT process, the needs-for-and-alternatives study, and, after that, they made a recommendation to government, and it was approved by government in July of 2014.

Mr. Michaleski: And so what was the process costs up to green light?

Mr. Shepherd: So I'll have to find the exact number, what—but what I can tell you is that the OAG audit went to March of 2014, so the number in the audit is pretty reflective. There may be some slight changes, you know, the difference between March and July, but largely the audit covered the costs prior to project approval.

Mr. Michaleski: So—and also, it's getting late, but the process costs that went to First Nations versus other. Do you know that difference?

Mr. Shepherd: I don't know the number off hand. I can tell you that there were other indigenous communities and groups engaged during the process, and we could find the exact number. But I would tell you by far and away the vast majority of the process funding went to the four communities.

There were other communities that were engaged, but obviously not to anywhere near the degree that the four partners were.

Mr. Chairperson: Any further questions on this report?

We'll now move on to discussion of the second report that we are considering this evening. So this is the Auditor General's Follow-up of Recommendations, dated May 2016: Managing Cyber Security Risk Related to Industrial Control Systems and the follow-ups following those.

I will now open the floor to questions.

Mr. Jim Maloway (Elmwood): I have a brief statement and then several questions. Two to the Auditor and several to the chairman of Hydro.

I just wanted to begin by saying that Manitoba Hydro—as the Province—Manitoba Hydro and the Province are aware, the energy sector of all industrialized countries are prime targets for a cyber attack. CBC reports in October of 2017, Communication Security Establishment, the CSE, the federal government cyber agency, said publicly the Canadian government's computer networks had been hit by state-sponsored cyber attacks on average of 50 times a week. And CSE reports at least one per week actually succeed.

The report did not name the foreign states behind the attacks, but common knowledge in the cyber security industry has identified China, Russia, Iran and North Korea as the major players in cyber warfare. The report goes on to say that some 600 attempts each day to attack the government

cyber systems by small-time hackers and other players not related to foreign governments.

I mention this report to highlight the frequency of these attacks on government computer networks. Cyber security experts say that these state-sponsored hackers targeting the energy sector are looking for anything they can find on government policies, any classified information, any proprietary information. Canada, they say, has been a special target when it comes to US defence concerns, but they reference testimony in the US Senate committee in 2015 that hackers specifically targeted Canada with a view to crippling parts of the North American air defence.

Suffice to say that reports are quite common in the technical media that the energy sector is a prime target for cyber attacks and that energy firms throughout North America are quite worried about them. The site that has the energy sector that monitor and run operations become more connected from smart grids and smart devices in a growing Internet of things. It's actually increasing the risk of cyber attack that can result in physical damage.

Today—USA TODAY published an article in 2015 that—what—the cyber attackers have successfully compromised the security of the US Department of Energy computer systems more than 150 times between 2010, 2014 according to federal records. A more recent article published in April 2018 cited 70 per cent of security professionals believe cyber attacks could cause catastrophic failure and 'endustry'—energy disruption. In the last few months, the US Department of Homeland Security in the United States has identified state-sponsored hackers sponsored by Russia called Dragonfly, and they've attacked companies in the United States, Turkey and Switzerland's power generation, transmission and distribution companies. And, of course, most recently reported by the New York Times in March of 2018, the US administration is accusing Russia of engineering a series of cyber attacks that targeted American and European power plants, Western and electric systems that could have sabotaged and shut off power plants at will. And US officials and private security firms saw the attacks as a signal by Moscow that it could disrupt the critical facilities in the event of a conflict.

* (21:50)

Now, I wanted to begin with the first question to the Auditor General and that is this: According to the follow-up report of March 2018, the Manitoba Hydro managed cyber security risk related to industrial

control systems audit is included under the section of no additional follow-up reviews scheduled. In the original report from 2014, the report had stated that security risk related to ICS were not identified and noted the significant impact interruption of electricity and gas would have on the people of Manitoba.

Can the Auditor General please comment on whether he believes that Manitoba Hydro has taken sufficient and robust steps to mitigate the cyber security risk to industrial control systems?

Mr. Ricard: So our original report included eight recommendations, and that report was issued in March 2014. By June 30th, 2015, four of our eight recommendations had been implemented by Hydro. And by September 30th, 2016, another three had been implemented.

That left us with one recommendation, and oddly enough recommendation No. 1, I would argue it's the—it's probably the biggest recommendation in that report, the biggest of the eight and the more time consuming and involved to implement. So it's not surprising after three years that it is still in the process of being implemented.

In our March 2018 progress report we do note that we believe they've made significant progress in addressing that recommendation. And just for your benefit, I'll just read the recommendation because it is—it addresses a lot of what your preamble was addressing. It says that Manitoba Hydro identify, assess and mitigate all industrial control systems, cyber security risks, and that this be performed on a priority basis for assets critical to operations. It's a huge recommendation that we knew would take significant effort. And I think we are pleased with the seriousness with which Manitoba Hydro addressed all of our recommendations and with the way they're addressing this particular recommendation.

Mr. Maloway: And my follow-up question to the auditor is as follows, that in the follow-up report of March 2018, there's still one recommendation that remains in progress, which you'd discussed. Recommendation No. 1, that Manitoba Hydro identify, assess, mitigate all industrial control systems, cyber security risks, that has to be performed on priority basis for assets critical to operations. And you did state that there was significant progress that's been made.

Seems to me that we need more detail about the amount of—on this progress report, and I'd like you to comment about that. Like, what specifically have they done versus what specifically have they not done?

Mr. Ricard: So this a very, very technical area so what I can do is refer to the OEG comment that we put in the progress report on page 42 that attempts to describe at an understandable level the efforts that have been made by Manitoba Hydro.

And so let me just read that because I think it captures a lot of the—a lot of important steps. So we say that Manitoba Hydro has developed a risk management program for industrial control systems, cyber-security risks. They have identified the sites with critical assets based on established criteria. Further, Manitoba Hydro identified the existing cyber security controls at these sites and assessed them against baseline security controls. And then we list the CIP version 5 standards, and the NIST and the Manitoba Hydro policies as what was the basis for the baseline security controls.

What's really left for them to do is to conduct ICS cyber security risk assessments on those critical sites to see which ones require additional control—well, which ones require additional controls. It was—it's an important step to ensure that all the critical sites have the baseline controls, because that wasn't there when we did the audit, and it's an important—and well, critical first step, but, I would suggest, it's also critical and still, even though we said significant progress, there is still a lot of work to be done to make sure that, for those critical assets, where the risks are judged to be sufficiently high, that the baseline security requirements aren't sufficient.

So that's what's left to be done at Hydro.

Mr. Maloway: I'd like to ask my next question of the president, and that is that I'd like to know what relationship Hydro has with BTT, the old OIT that became BTT, and also tell me how many times its operations, Hydro operations, have been cyber attacked?

Mr. Shepherd: I had to get some clarification. I wasn't exactly sure what BTT meant, but, as I understand it, it's the counterpart within the province.

And so—my colleague Mr. Linean [*phonetic*] meets regularly with counterparts at BTT. They certainly exchange information. Cyber security is one of the topics they discuss. They also, you

know, work together to leverage joint capabilities, procurement and other activities that are beneficial.

In terms of attacks, attacks is, like, a broad term. There really isn't a day goes by that there isn't a phishing attack, if you want to call that an attack, a phishing attempt, or other attempts to penetrate security. So I think your question is: Are there successful attacks? And I would say no.

We have had incidents. We have certainly had phishing attempts that have been successful, and we've had to mitigate. We've had a ransomware attack that we had to, basically, deal with. There was no impact, because we had proper procedures in place to mitigate it.

And, if you look at attempts to penetrate—but, you know, you see those types of things happening on a daily basis, but the important thing is to understand they are happening, to monitor them, to ensure that we have the proper steps in place.

And so, at this point, I think I'd be safe to say we haven't had an attack that's had a—any kind of substantial business impact.

Mr. Maloway: It seems to me—I do recall, the BTT, the old OIT, they had a security division, as well, and, at that time, they were one of the best-run operations in Canada for sure.

In fact, the British parliament was shut down on—with an attack, denial of service attack, I think, for like a day or two, and BC government, parts of the BC government was shut down, and Manitoba was perfectly protected.

And I did go over there a couple of times, and they would show me where the attacks were coming from. You could actually see them. So I just, you know, wonder why we wouldn't have a province-wide, you know, within the Hydro and the government, have a consistency there.

You know, we did try a number of years ago. You will know that Hydro was, I think, had SAP as an ERP before the government did. The government bought the system. It'd never been implemented in the government anywhere in the world, but yet you had it in Hydro at that time.

And there was talk about, you know, doing what they did in Nova Scotia, where they got a better price on their SAP system by having the provincial government, the City of Halifax and the largest hospital all buying seats in there, and they got a bunch of better pricing.

* (22:00)

Here, what we did is we took on SAP and the bloody city of—I mean the—pardon me, the City of Winnipeg, you know, went out and bought Oracle. And we were trying to get a system here where we could leverage. You know, we could have a—the municipalities and the hospitals and so on all sort of on the same system so that we could develop a better fibre optic system for speed and so on, you know, and for the schools and for the hospitals and kind of get this operating, the whole system operating in one.

And so here we are, all these years later, finding out that, you know, Hydro has its own security system and the province has its own security system. But it's good to hear that they're communicating with one another.

So you're saying here that you have, you know, never had a—that—were you affected by WannaCry at all? No?

Mr. Shepherd: No. I mean there were attempts obviously across the globe with the WannaCry virus but we had no operational impact from it.

Mr. Maloway: Sure. Now, are you aware that blockchain is, you know, quite the topic nowadays, especially as it relates to bitcoin. But, certainly, you know, energy companies are looking at blockchain as a way to make their system more safe. It won't make it a hundred per cent safe, but there are energy companies as we speak considering implementing blockchain technology into their system.

I had a number of examples that I could give you, but have your IT people done any work on the blockchain idea to see whether it would be helpful in mitigating some of the cyber risk?

Mr. Shepherd: Thanks for the question. I mean, I'm not sure exactly how it's relevant to the audit; it wasn't part of the recommendation. But I can tell you that we continue to look at all technology. Blockchain would be certainly something that's on our list. I don't think it's particularly relevant to industrial control systems, but it is potentially relevant to other commercial transactions in the energy business.

Mr. Maloway: I would suggest you take a look at that. I mean, that's why I guess they're auditing in the first place, is because your system is not as good as it should be and there was improvements that had to be made. And I just think that you should try—the whole

government should try to have the best systems possible and we did in the security.

There's lots of, you know, components to the BTT or the OIT system, and the security is just one of those. And when you've got just, you know, a few blocks away from where you are one of the best systems in Canada, or at least had, seems to me that you would want to be checking with them.

And I think it's only fair that you should be looking at blockchain because these other companies here, Tokyo Electric Power Company and others are doing actually pilot programs on blockchain right now. And it's not going to solve your problem a hundred per cent but it's going to be a big improvement over what it was.

And we see all too often that people, corporations, entities embark on yesterday's technology. And you know, as the government you are still not operating, I don't think, on Windows 2000. At least I read that recently. And, you know, it's like you just get finished one upgrade in your system and already it's out of date. You know that's true. So and it's a big commitment on the part of the government, on the part of Hydro to make a commitment to systems, and then you got to make sure these things are going to work properly. So it's a very, very—it's not a simple process.

So I just want to know whether you're going to make a commitment here to look at blockchain. Don't just rule it out as you move forward trying to improve the system.

Mr. Shepherd: Certainly, thanks for the advice. And we'll continue to monitor technology and implement the best technology we have and continue to make the best efforts we can to ensure that we have a secure system; including, you know, working closely with government.

Mr. Chairperson: Any further questions with regards to the—either report? Okay, seeing none, I will now put the question to the committee.

Auditor General's Report—Keeyask Process Costs and Adverse Effects Agreements with First Nations, dated September 2016—pass.

Does the committee agree that we have completed consideration of Managing Cyber Security Related to Industrial Control Systems of the Auditor General's Report, Follow-up of Recommendations, dated May 2016? *[Agreed]*

Does the committee agree that we have completed consideration of Managing Cyber Security Risk Related to Industrial Control Systems of the Auditor General's report, Follow-up of Recommendations, dated March 2017? *[Agreed]*

Does the committee agree that we have completed consideration of Managing Cyber Security Risk Related to Industrial Control Systems of the Auditor General's Report, Follow-up of Recommendations, dated March, 2018? *[Agreed]*

Does the committee agree that we have completed consideration of Keeyask Process Costs and Adverse Effects Agreements with First Nations, of the Auditor General's Report, Follow-up of Recommendations, dated March, 2018? *[Agreed]*

The hour being 10:06, what is the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: Before we rise, it would be appreciated if members would leave behind any unused copies of the reports so that they may be collected and reused at the next meeting. And that's not just something I'm reading. That's something that the Clerk has asked that we definitely do, so please if you could leave those reports behind, it would be much appreciated.

The hour being 10:06, committee rise.

COMMITTEE ROSE AT: 10:06 p.m.

The Legislative Assembly of Manitoba Debates and Proceedings
are also available on the Internet at the following address:

<http://www.gov.mb.ca/legislature/hansard/hansard.html>