

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES**  
**Thursday, 2 April, 1981**

Time — 10:00 a.m.

**CHAIRMAN — Mr. Warren Steen (Crescentwood)**

**MANITOBA HYDRO ELECTRIC BOARD**

**MR. CHAIRMAN:** Committee come to order, please. We have a quorum. I will start the proceedings by turning to the Chairman of the Manitoba Hydro Electric Board, Mr. Kris Kristjanson.

Mr. Kristjanson.

**MR. KRIS KRISTJANSON:** Thank you, Mr. Steen. Have you each received a copy of this statement?

**MR. CHAIRMAN:** Mr. Walding and Mr. Gourlay, have you all received a copy of Mr. Kristjanson's report? Please carry on, Mr. Kristjanson.

**MR. KRISTJANSON:** Thank you. Mr. Chairman, members of the committee, our purpose this morning is to present as clearly as possible the past and present performance and our view of the future of Manitoba Hydro. As you all know, the Manitoba Hydro is a Crown corporation responsible to the people of Manitoba, through the Minister of Energy and Mines. This committee meets annually to afford an opportunity for members of the Legislature to receive the previous year's Annual Report and to hear presentation on the activities of Manitoba Hydro and to afford an opportunity to raise questions for clarification and comment. Those of us associated with Manitoba Hydro will be keenly interested in your comments as they reflect the views of the people we serve.

Let me begin, Mr. Chairman, by introducing the current members of the board. They are: C. E. Curtis, the Deputy Minister of Finance, who ably served as Acting Chairman from August 15, 1979, to September 3, 1980. He is currently a Vice-Chairman of the Board of Manitoba Hydro; Mr. R. J. Scott, Q.C., partner in the law firm of Thompson, Dorfman, Sweatman and Company; A. (Arnold) Brown, known to most of you, MLA for Rhineland and a farmer and businessman from Winkler. Arnold, I am pleased that you made it rain today; C. R. (Clyde) McBain, who is President and General Manager of Ancastr Industries Limited; Bill Wilton, who is retired, a former businessman and Mayor of Brandon; Don Ellis, who is President of Lombard Capital Limited in Winnipeg; and Professor E. Kuffel, who is Dean of Engineering, at the University of Manitoba.

The members of the management team are with us today to help answer questions as they arise. I'll introduce to you Mr. Laurie Blachford, President and Chief Executive Officer, who was appointed January 21, 1980, and who appeared before this committee last year. When he makes his presentation he will draw attention to the people that he has with him. At the conclusion of my remarks, Mr. Blachford will present a statement on the operations during the fiscal year just ended.

Manitoba is blessed with an abundance of hydro-electric energy mainly because the Nelson River drains a vast area which extends from the slopes of the Rocky Mountains to the west, to the Great Lakes Divide to the East of us and includes a part of Montana, North Dakota and Minnesota. The Winnipeg River, which forms a part of that drainage basin, with its generating stations located close to Winnipeg, was developed between 1906 and 1955 and is an excellent source of low-cost hydro-electric energy. When this source was completely developed Manitoba Hydro constructed two thermal plants — one at Brandon and another at Selkirk.

The next source to be developed was the Kelsey Generating Station on the Nelson River. This plant was constructed to provide energy to the International Nickel development in Thompson. It is worth noting that Inco, the International Nickel Company, signed a long-term power contract to enable the development to proceed — by long-term I mean 20 years. This first station on the Nelson was the nucleus from which experience in northern construction developed and was used for later construction of the larger plants on the Nelson River. Kelsey also provided power for the town before the southern and northern systems were interconnected.

Now, to supply the growing demand in Manitoba, the Grand Rapids project was started in 1960 and completed in 1969. When the decision was made to construct Grand Rapids, the engineering and economic analysis showed this project was marginally more economic than additional thermal generation at the then prevailing cost of coal. Today, the people of Manitoba know the correct decision was taken.

Now, it's interesting to recall that when that decision was before Manitoba Hydro and before the government there was sharp debate amongst experts as to whether or not we should develop additional thermal or develop the Grand Rapids project. On the basis of traditional economic and engineering analysis the conclusion was that it was really a toss-up. So when the decision was made, the analysis was presented to the government of the day and essentially the question was, should we go for the short-term economic advantage and develop thermal or shall we take the longer-term view and concentrate on the development of the Hydro potential.

It was the view of the government of the day that it would be better for Manitobans in the long term to proceed with the development of the Grand Rapids project at the mouth of the Saskatchewan River. I repeat, today most of the people of Manitoba would agree that a correct decision was taken. Just to remind you, Mr. Chairman, the price of coal at that time was about \$4.50 per ton and it has increased by a factor of something like 4 to 5.

In 1961, it was perceived that an additional base source of electrical energy would be required when the output of the Grand Rapids was fully utilized. Hence studies were initiated in 1963 to determine the economic feasibility of developing the potential of the Nelson-Churchill Rivers system.

In 1966, both the governments of Manitoba and Canada approved a basic plan which included the construction of the Kettle Rapids Project, the construction of the associated transmission facilities, diversion of the Churchill River and regulation of Lake Winnipeg, in that order. Subsequent analysis showed a substantial economic advantage to deferring Lake Winnipeg Regulation.

It's interesting to note that at that time again, the analysis showed that because of the relatively high front-end costs, it was necessary to find some means of financing which would alleviate the front-end costs and essentially spread them over a 50-year term and in co-operation with the Federal Government of that day an arrangement was entered into whereby the Federal Government financed the construction of the transmission line on the basis of a long-term loan of approximately \$180 million at 5-5/8 percent interest over a 45 to 50-year term. Again that decision has proved to be quite beneficial to the people of Manitoba.

The next source of generation approved for the construction was the Long Spruce Plant downstream from the Kettle Generating Station. This project was consistent with the long-term plan and the plant is currently fully operative. The Long Spruce Plant was constructed in advance of Manitoba's requirements. Part of the output of this plant is being exported at surplus interruptible rates which do not fully cover the costs of the plant. The remainder of the cost is embodied in the Manitoba rates. As time goes on this situation will change and the Long Spruce Plant will be an important source of energy for the growing Manitoba load.

I'd like to refresh your memory, Mr. Chairman, of what happened back in 1966. The then Chairman of Manitoba Hydro appearing before this committee said that a decision was based on providing the lowest cost power for Manitoba in the short run but the plan should be consistent with the full development of the potential of the Nelson River and the Churchill River system — those were the criteria used — and essentially the plan then approved is being followed today.

The next plant scheduled for construction is the Limestone Plant. The basic objective will be to add additional generating capacity to meet Manitoba's requirements and to seek export sales to complement this objective. In other words, export sales are only incorporated so that Manitoba Hydro can provide electric energy to Manitoba customers at a lower cost than would otherwise be possible.

I would like now to turn to a discussion of information which was provided to all Manitoba Hydro staff. This information, or essentially the same information was provided to the people in Thompson on January 27, 1981, and subsequently distributed to the Manitoba Hydro employees. The data provides historical perspective on the impact of the development decisions and the load growth on the Manitoba rates. You will find within that report a chart which indicates the relationship between the cost to the Manitoba customer and the average consumption.

In the early days of the electrical era in Manitoba, consumers were paying at least six times more per kilowatt hour of electricity than they are paying today. In 1905, the year before the first hydro plant on

the Winnipeg River went into service, customers in the Winnipeg area were being charged 20 cents per kilowatt hour. But within the first 10 years of further hydro site development, the average rate had plunged to 3.25 cents, an attractive rate which continued dropping over the next 35 years. I should say that this cost I'm using is a cost indicator which reflects the average cost to domestic and farm customers and I think is an accurate indicator of trends.

On the rural scene meanwhile, farm and domestic customers served by the Manitoba Power Commission, which was formed by the Provincial Government in 1919, were on the average paying rates that fluctuated between 4 and 6 cents per kilowatt hour. During the 1930s Manitoba Power Commission rates began to drop and the cost gap between rural and Winnipeg power customers gradually closed.

Progressively, from the mid-Forties until the late Sixties, the average farm and domestic rates for all Manitobans decreased to an all-time low of 1.25 cents per kilowatt hour. A turning point came during the early Seventies. In referring to the development during the rural electrification days, I am aware that Mr. D. L. Campbell is in the audience, and he was instrumental in pressing for the electrification of all of the farms throughout the province. I also see Earl Mills in the audience and he worked diligently along with many others in putting in the distribution systems required to deliver that energy. But the fact of the matter is that through the leadership provided by people like Mr. Campbell and by the concerted effort of the Manitoba people, the advantages of electric energy were made available to the farm people and for many many years Manitoba Hydro enjoyed very solid support throughout the province because of the great advantages being brought to them through this service. It also had a very marked effect on the price of the product being delivered as the volume of use had a very very direct and marked effect on the cost per kilowatt hour delivered.

While I'm talking about the farm people, it is also a fact that each time Manitoba Hydro has had difficulty because of ice storms or interruptions of one kind or another which required instant help and co-operation from members of the farm community, that help has always been available. Now we've enjoyed a very excellent winter with a minimum of ice storms and disruptions brought on by nature but it's still conceivable that we might have such an occurrence during the month of April and again, I'm advised and I'm confident that when help is required out through the rural community, the members of the rural community will respond as they have in the past.

Now, as I said progressively from the mid-Forties until the late Sixties, the average farm and domestic rates for all Manitobans decreased to an all-time low of 1.25 cents. A turning point came during the early Seventies when rates began to rise to pay for the large capital costs of northern power developments. These included the Lake Winnipeg Regulation, the Churchill River Diversion, the Jenpeg and Long Spruce Generating Stations. At the very back of this presentation I have a table showing the capital costs of each one of these projects.

By 1979, the average domestic and farm rates returned to the 1942 level of 3.25 cents. However,

current rates for electrical energy in Manitoba are still amongst the lowest in North America, if not the world. The cost of power in the province is the same as that paid nearly 40 years ago, while average annual consumption has increased from under 3,000 kilowatt hours in 1942 to today's average of about 13,000 kilowatt hours or better than a four-fold increase.

Today's rates will be sustained at their present levels until 1984, of which all of you are aware.

In meeting Manitoba's demand for electrical energy almost from the beginning and right up to the early Seventies the installation of Manitoba Hydro's generating capacity closely followed the province's demand for electric energy. Throughout the period of the mid-Forties to 1971 the generating capacity was maintained at about 10 percent higher than the demand as an insurance against emergencies.

If you just have a quick look at that chart from the standpoint of maintaining the lowest possible rates, the closer you can get that demand line to the generating capacity in place, the better your chance of providing energy at a low cost because of the cost of carrying capacity, if you will, or installations which are not fully productive in a revenue sense.

The demand for power in the province grew at a rate of between 6 and 8 percent annually until 1966. Between 1967 and 1974 it increased up to about 11 percent and then the demand or the rate of increase in demand suddenly dropped to between minus 1 and plus 4.5 percent.

Meanwhile the addition of large installations on the Nelson River in the last few years has resulted in a surplus power generating capacity approaching 40 percent which includes the generation of reserve requirements. As the graph on the previous page illustrates, Manitoba's current demand for electrical energy is about 2,500 megawatts, whereas the installed generating capacity is about 4,000 megawatts. Thus the construction of the Limestone Generating Station was deferred until the market for additional power could be assured, since continuation of the Limestone Project would have imposed a higher cost burden on the rate payers of Manitoba.

Recognizing this fact, we have been evaluating the economics of increased power sales to potential new industrial customers in Manitoba, and transactions with neighbouring utilities in Canada and the United States. Such increases in demand will provide firm loads and assured sources of revenue and the addition of capacity will be related to those markets as they develop.

Now what about the future prospects? With only one-third of the rich power resources of our province's northern rivers system developed to date, the remaining 5,750 megawatts of undeveloped power promise a renewable source of energy for decades to come. Now how can we talk about further development when we are currently in a sizeable surplus position? Let's take a look at the future prospects.

Firstly, domestic demand will increase. A very good prospect is Alcan's interest in locating an aluminum smelter in Manitoba, with a potential in-service date of 1984 or 1985. The interest in locating in that province is largely based on the availability of an assured supply of electric energy at reasonable

and predictable costs close to the mid-continent market for aluminum products.

Secondly, there's the Western Power Grid which is so much in the news these days. As you know, considerable activity is currently going on at the Provincial Government level relative to negotiations for proposed construction of a transmission line from Manitoba through Saskatchewan and into Alberta. This direct current line would have a converter terminal in each province. This concept was first discussed in the early Sixties before this committee, I believe, if not in a public forum, by Mr. D.M. Stephens the then Chairman of Manitoba Hydro. At that time he discussed at some length the advantages of integrating thermal systems with a hydraulic system.

Our continuing objective is to provide a supply of power adequate for the needs of the province, to promote economy and efficiency in the generation, distribution, supply and use of power. This incidentally for those who don't recall, is the mandate given to Manitoba Hydro in The Manitoba Hydro Act and until such time as that mandate is changed, that represents our direction from the people of Manitoba. You are all aware of the commitment to retain current power rates until the year 1984. The people of Manitoba can be assured of this, that this will be done, and an adequate supply of energy will be provided.

Beyond 1984, our objective will be to conduct our affairs in a manner which makes it possible to continue to have the lowest rates in Canada. You will of course appreciate that the amount of precipitation in the watersheds will have a very marked effect on these objectives. We are very very dependent on nature and Mr. Blachford in his comments will elaborate on this point.

Our primary objective is to provide a secure supply of energy for the people of this province at the lowest possible cost. Our continuing objective will be to encourage the productive use of electrical energy for industrial, farm and home use. Electrical energy produced from hydro plants is renewable, it's clean, a versatile form of energy which will continue to be used to improve the productivity of the industrial and farm plant in Manitoba. It is also a source of comfort and convenience in the home. The unit cost, or cost per kilowatt hour, will in all probability be very competitive in relation to other forms of energy.

Now if we take a look back into history, I would say that in retrospect the basic decisions to develop the Hydro potential of the Winnipeg River first, followed by Grand Rapids at the mouth of the Saskatchewan River, and then the decision taken in 1966 to develop the potential of the Churchill-Nelson system, were sound and practical decisions. The people of Manitoba continue to benefit from these decisions and foresight. The decision to build interconnections with our neighbours to the east, west and south have proven wise and have benefited the customers in Manitoba.

The decision to build the Long Spruce Generating Plant will within the next few years be advantageous to the power users in Manitoba.

The decision to divert water from the Churchill River to the Nelson was also a wise decision because it increased the supply of energy and improved the economics of all of the Nelson River downstream plants.

The people of Manitoba can be assured of an adequate and continuous supply of hydro-electric energy at reasonable cost. The electric energy costs will continue to be amongst the lowest in Canada and North America.

The record of reliability is excellent. Does anybody remember when they last adjusted their clocks because of an interruption? This record reflects a high level of commitment and competence on the part of individuals working in the district offices, the generating plant, the dispatch office and those who provide support services at the technical, professional and administrative levels.

We have reason to be optimistic and positive about the future. The current negotiations for added sales within Manitoba are encouraging. The negotiations with neighbouring utilities are progressing. Future sales outside the province will be designed to benefit the Manitoba customer.

I will now ask Mr. Blachford to speak to you in more detail about our current operations. Mr. Chairman, is it your wish that you hear from Mr. Blachford now?

**MR. CHAIRMAN:** Yes. Mr. Blachford, would you carry on with your statement, please?

**MR. L.D. BLACHFORD:** Thank you, Mr. Chairman. Before getting into the text here, I would just like to say to the committee that Mr. Alex McKean, assistant general manager of Finance is with us today to answer questions later on. Bob Brennan, manager of Financial and Accounting is with us also; as well as Mr. Tishinsky, director of System Operations; and Derek Gunter, who is manager of System Operations is here also. I would also like to relate to the committee that Mr. Vern Pryor, our new director of Public Affairs, is with us also to hear what goes on with this committee today.

Mr. Chairman and committee members, the year of 1980-81 has been a year of mixed weather conditions which has had major effects on Manitoba Hydro's operations. River flows during the year were particularly variable. The first three months of the fiscal year were months of severe drought. By fall, flows tended to approach normal and the winter has indicated a return to drought. For a utility which expects to produce 98 percent of its electricity from water power, river flows have a major impact on the financial statement of Manitoba Hydro.

It is estimated that the difference between high river flows and low flow conditions could be \$80 million for a full year. Manitoba Hydro can expect that over 90 percent of the energy production will be from water power in the year just completed, however. However, the year will not show the profitability experienced in the 1979-80 year, due principally to the decrease in surplus available for the export market.

Manitoba firm load at generation is expected to be 12.7 billion kilowatt hours for the fiscal year just ended, which is slightly less than the previous year. Deliveries to Manitoba customers for the first 11 months of the fiscal year decreased by 0.6 percent to 10.3 billion kilowatt hours. The firm peak demand measured at generation was 2,573,300 megawatts, which was 2.2 percent higher than the 1979-80 peak.

As you know, electrical energy is affected by weather. During an abnormally cold year the

electrical energy used in the province will increase above the requirements for average weather conditions. If the winter is warm, electrical energy will decrease compared with average weather conditions. The year 1979-80 was colder than average and the year 1980-81 has been very significantly warmer than average. If electrical demands in both years are adjusted for average weather conditions, it is shown that the growth in electrical energy for Manitoba needs would have been about 2.7 percent in the year just completed. This is marginally higher than the 2.3 percent annual average rate of electrical energy growth experience in Manitoba over the last five years.

Despite the less favourable river flows, significant quantities of surplus energy were produced during the year. A market was found for all of this production and although the selling price sometimes had to be reduced due to other surpluses in the U.S. market, the average price for the first 11 months for the fiscal year was 14.1 mills per kilowatt hour compared with 13.2 mills per kilowatt hour for the same period in the previous year.

Final financial results for the fiscal year are not yet available. However, for the first 11 months expenses exceeded revenues by \$12.3 million compared to an excess of revenue over expense of \$39.3 million for the first 11 months of the 1979-80 year. The corporation's reserves at February 18, 1981 were \$129.3 million. The main reasons for the difference in financial performance of the two fiscal years are:

- (A) The low river flow conditions noted earlier which led to restricted production and resulted in lower export sales;
- (B) No significant growth in Manitoba sales due to the generally warmer winter this past year;
- (C) Higher interests and operating costs related mainly to fixed charges and new plant brought into service, and
- (D) The increase in interest rates and other expenses due mainly to inflation.

Modifications to our distribution planning criteria have realized economies and customer service reliability continues to be above the Canadian average.

The major rehabilitation work at Great Falls has progressed to the point that all concrete in the new spillway, east and west dams has been poured. Spillway gates were delivered a short time ago and are being erected now. The project cost estimate remains at approximately \$40 million. The need for and extent of repairs to the powerhouse is under review, however these are thought to be of a minor nature.

The major rehabilitation work at Seven Sisters, which was started in 1979 is scheduled for completion in 1983 and is continuing. A tender for the main work scheduled for completion in '81 has just been let. Dike repairs and drainage ditch improvement on the north and south dikes are now complete. Total estimated cost remains at approximately \$25 million. As at Great Falls, repairs to the powerhouse are currently under review and again are considered to be minor.

The Winnipeg-Minneapolis 500 kV transmission line went into commercial service in May 1980. This adds approximately 820 megawatts to Manitoba's

import/export capability. The line has made a noticeable improvement in the reliability of the electric power system and this power system has performed well. No customers have had automatic disc connection as a result of a power disturbance since this new line has been in service and this is attributed to the added firmness afforded by this line. Due to the drought conditions cited earlier it has not been possible to utilize the line to the desired extent, however.

The slow pace of housing and other construction in the province has resulted in fewer customers being connected to the power system than in previous years. The pace of Manitoba Hydro construction activities have been slowed accordingly.

The reduced construction activity resulted in significantly lower financing requirements again this year. Proceeds from a long-term advance of \$110 million were received two days ago. These proceeds will be used to fund in part short-term debt issued during the year to meet the capital requirements. In addition, \$1.3 million was drawn down under the 1977 Nelson River Transmission System Loan Agreement with the Federal Government in connection with the expansion of the HVDC transmission facilities.

On February 28, 1981, the total number of staff on the payroll was 3,726, a reduction of 121 personnel from one year ago and 1,300 or about 25 percent less people than the 4,960 at the peak of construction work in 1975.

During the year, Manitoba Hydro was successful in negotiating two-year collective agreements with all three of its bargaining units. These negotiations were concluded without work stoppages, and the negotiated settlements were in keeping with recent wage settlements in the Manitoba community.

For the year, 1980, Manitoba Hydro was ranked by the Canadian Electrical Association as having the second best overall safety record of the 14 major electrical utilities in Canada that reported to the association. In this respect, Manitoba Hydro has been ranked among the top three of the major electrical utilities in Canada for 17 consecutive years.

Manitoba Hydro has provided input to the feasibility studies undertaken for the Western Electric Power Grid, the Mandan Project and other power export projects. In addition, a study has been made for selection of the Mandan Transmission Line Corridor.

The Hudson Bay Mining and Smelting Co. Limited, Flin Flon, became a Manitoba Hydro customer on April 1, 1981. It is one of the largest single customer loads on the Manitoba Hydro system.

Since 1930, the mining-smelting operation has been served by its own hydro-electric plant at Island Falls on the Churchill River in Saskatchewan, about 100 kilometres north of Flin Flon. The plant was constructed and operated by the Churchill River Power Company which is a wholly-owned subsidiary of Hudson Bay Mining and Smelting.

On March 31, 1981, the water licence issued by the Saskatchewan Government to the Churchill River Power Company expired and was not renewed. The Saskatchewan Power Corporation has become owner of the Island Falls Generating Station.

Manitoba Hydro's current long-range load forecast for generation planning purposes is for an average

annual load growth rate of 3.9 percent over the next 10 years decreasing to an average growth rate of 3 percent in the following 10 years. Historically the growth rate has been 7 percent although, as indicated previously, the average over the past five years has been only 2.3 percent.

Key assumptions in the current load forecast are: A slight improvement over the economic growth realized in the past five years; a continuation of customers practising conservation measures; a supply of natural gas and oil will continue without interruption to the end of the century; and natural gas will remain competitive with electricity for space heating during the period. This forecast is reviewed annually and is currently under study for planning purposes beginning in the 1982-83 fiscal year.

Current in-service dates for Manitoba Hydro's next generating stations will depend on a number of factors, such as: The actual rate of domestic load growth; the extent to which industrial demand develops; whether or not the Western Power Grid goes forward; and the scheduling of the Mandan Project.

Studies are continuing with respect to the Limestone Generating Station and on other potential sites in order to assure Manitoba of an adequate supply of power in the future.

The corporation currently has a number of environmental studies in progress: The overview study of potential generating stations on the Burntwood River is proceeding well; the report on the second phase has recently been issued for review and discussion with interested parties; the study is expected to be completed this year. An overview study of the Lower Nelson River is nearly complete. This information will be useful in the environmental impact studies which will be relevant to the Limestone and Conawapa Generating Stations. The first phase of the environmental study of the Mandan transmission line has been completed. The second phase in which the route will be chosen has not yet begun. Environmental studies for a transmission line between The Pas, Cranberry Portage and Flin Flon has just begun.

In closing, Mr. Chairman, on behalf of Manitoba Hydro's management I wish to commend to the committee the contribution, effort and skills of the employees and staff of Manitoba Hydro in continuing to serve the Province of Manitoba with electrical energy.

**MR. CHAIRMAN:** Thank you, Mr. Blachford. Mr. Walding, you indicated you would like to ask questions and then we'll go on to Mr. Green.

Mr. Walding.

**MR. D. JAMES WALDING (St. Vital):** Thank you, Mr. Chairman. I did have a few questions for Hydro. I'd like to thank Mr. Kristjanson for his presentation first and congratulate him on his appointment. I was interested to see that he spent a number of pages of his report reviewing some of the past history and those remarks did raise a few questions that I wanted to ask Mr. Kristjanson about. By the way, before I do that, can Mr. Kristjanson just remind me of how long he's been the chairman of the corporation?

**MR. CHAIRMAN:** Mr. Kristjanson.

**MR. KRISTJANSON:** Since September 3, 1980.

**MR. WALDING:** Can I ask what the salary is for the position?

**MR. KRISTJANSON:** \$35,000 per annum.

**MR. WALDING:** I assume that's intended to be a part-time position as it is with MTS and MPIC. Can Mr. Kristjanson tell me approximately how much time he would put in on a full-time basis at Hydro?

**MR. KRISTJANSON:** I would say about half time and Saturdays and Sundays would be about as accurate as I could be.

**MR. WALDING:** Is it half time plus Saturdays and Sundays or half the time on Saturdays and Sundays?

**MR. KRISTJANSON:** No, half-time plus Saturdays and Sundays would be one way to answer your question. It's very difficult to be precise on that because it depends on the issues at hand but it's at least half-time and it does in fact involve evening and weekend work.

**MR. WALDING:** A chairman of one of the other utilities told this committee that he expected to put in approximately one day a week full time at his position but he hasn't quite got down to that target yet. You would see this particular job as being more demanding on your time than one day a week.

**MR. KRISTJANSON:** It's a very challenging and interesting job and provides an opportunity to make a slight contribution to the development of this province and whatever time is necessary will be devoted to that.

**MR. WALDING:** On Page 3 you speak of the 1966 agreement between the Governments of Manitoba and Canada and you mention that there were four items which were agreed to be constructed in that particular order. I've seen the agreement and I don't recall that it specified that those construction projects were to be taken in that order, only that they were to be built in total.

**MR. KRISTJANSON:** If I may just sort of provide a little background to that. It's interesting that back in 1961 it was perceived that an additional source of energy would be required when the output of Grand Rapids had been fully utilized. It was estimated between 1961 and 1963 that the cost of doing the feasibility study would be about \$3 million and the then board and management of Hydro thought that would impose an unnecessary burden. Just remember that because it puts things in a little perspective, that \$3 million might be too much to spend for the feasibility study, so an arrangement was worked out with the Federal Government of the day to share the cost of those feasibility studies on a 50-50 basis on condition that Manitoba would repay the federal share if the studies indicated that it was economically feasible to proceed with that development. From 1963 to 1966 there was a detailed consideration of those possibilities with participation from the two levels of government and Manitoba Hydro.

As I said earlier, the real challenge was to get the Kettle Rapids Project started without imposing an unnecessary cost to the power users of Manitoba; hence, the agreement on the part of the Federal Government to finance that transmission line and modify the repayment schedule to provide relief in the first seven years. Now when that agreement was written it was understood that the Kettle Rapids Project would proceed, a transmission line would be built and the Churchill River Diversion would be completed by 1972 and there was a possibility of regulating Lake Winnipeg some time in the future depending on the development of the other sites along the river. Now as I said earlier, the criteria laid out before this committee at that time was that the development should be beneficial to the power users of Manitoba in the short term and that the water development should be consistent with the full development of the Churchill-Nelson River system over a time.

Does that answer your question or do you have a supplementary question?

**MR. WALDING:** Yes, I do, Mr. Chairman. As I recall the agreement, it was agreed on the part of the Government of Canada that they would finance the transmission line partly because it was an experimental DC line, something that Manitoba Hydro had never done before. And that as part of the agreement, Manitoba would undertake the construction of Kettle, the diversion of the Churchill River and the Regulation of Lake Winnipeg without the third one being as doubtful as you seem to imply, that at some time in the future if it was necessary, it would be done. Now that was my reading of the agreement between them. There was no time frame put in there; there was no qualification that Lake Winnipeg Regulation would only go ahead if it should be seen necessary. There was no differentiation between those three projects that Manitoba would do in return for having the Federal Government finance the transmission line.

**MR. KRISTJANSON:** You may well be right on this and I see Mr. Green nodding his head. I think that the correct interpretation, correct description, of the situation of that time was that the studies had proceeded to the point where all the interested parties said, yes, this is a go situation, we had to get on with the development. They had not proceeded to the point where you could be very definitive or dogmatic about the timing of these things but — okay? That's my recollection of the situation at that time but it was not for the Federal Government to decide, you know, what was going to be done within Manitoba beyond their interest in the financing of it. But the record is very very clear on the results of the subsequent studies and I go back to the point, Mr. Walding, that the primary objective was to develop these structures or projects in a manner which would make it possible to retain the rates to the Manitoba consumer in the short run and have the development consistent with the full development of the potential of the Churchill-Nelson River system in the long term.

**MR. WALDING:** Mr. Chairman, I will concede that in 1966 the plans for doing the actual construction had probably not been developed to a workable stage. The only point that I make is that in this paragraph

that Mr. Kristjanson has written in on Page 3 that what he says about the 1966 agreement being an agreement for those construction projects in that order is somewhat misleading to the committee.

I'd like to move on then to the next step, to 1968, I believe it was, when Hydro itself wanted to modify that agreement or at least what it had agreed to do where it wanted to drop Lake Winnipeg Regulation entirely I understand, and find the additional needed water only by the Diversion of the Churchill River system, sometimes called the high-level diversion. Can you confirm that was the case and that Hydro at that time intended with the approval of the government to drop Lake Winnipeg Regulation?

**MR. KRISTJANSON:** Mr. Chairman, in 1966 there was a clear understanding on the part of all parties that the Kettle Rapids Project would be built; that the transmission line would be built; and that the Churchill River Diversion would be proceeded with and constructed by 1972. It was so clear as a matter of fact that contracts had been let and so far as the supply of energy was concerned if that Churchill River Diversion had been proceeded with at that time as planned and agreed, there was a Letter of Intent exchanged between Saskatchewan and Manitoba to provide somewhere between 100 and 200 megawatts of firm power for the years 1972 to 1975. So not only did the plans provide for meeting Manitoba's requirements but they provided for the possibility of an interim sale to Saskatchewan. Now when the decision was taken to change the order of development and defer the Churchill River Diversion it was necessary to communicate with Saskatchewan and say, sorry, we cannot assure that supply for 1972-75 without the Churchill River Diversion.

Now as things turned out, nature provided an abundance of water in the early Seventies and it would in fact have been possible to fulfill those commitments but there never was any question about those three elements. The question was the timing and the economic value of reversing or changing the order and deferring the Churchill River Diversion. The impact of that has been well analyzed and documented and is on the record.

**MR. WALDING:** Mr. Chairman, it was in either 1968 or in 1969 that Hydro developed its plan for a high-level Diversion of the Churchill River and needed the government of the day to pass a bill to enable it to do that. I'd like to ask Mr. Kristjanson whether he was a supporter of the high-level Diversion plan at the time as was most of Hydro's senior people, I understand.

**MR. KRISTJANSON:** Mr. Walding, I'm prepared to answer your question but it is our hope within Manitoba Hydro, and I think the hope of many people, that we learn from our past and get on with the future; this whole question has been debated back and forth. In 1970, I was in favour of the Diversion of the Churchill River prior to Lake Winnipeg Regulation at the 854 level which was recommended by the Underwood McLellan consultant and your specific question, was I in favour of the high-level Diversion in 1969? The answer to that question is "yes".

**MR. WALDING:** I take it that you now, like most people at Hydro, have found from experience and

further studies that it would have been impossible to put that amount of water along the Burntwood River. Can I assume or can I ask you whether you are still of that opinion that the high-level Diversion was a good scheme?

**MR. KRISTJANSON:** I'm not sure that's a particularly relevant or useful question to date because what has been done has been done and it is the objective of the Manitoba Hydro Board, the management and staff, to optimize the use of the structures that are already in place and get on with focusing on future possibilities.

**MR. WALDING:** Would you agree with Mr. Justice Tritschler who said, and I'm paraphrasing, that it's now widely recognized that it would be impossible to put that amount of water along the Burntwood River?

**MR. KRISTJANSON:** The question you raised, Mr. Walding, is a technical question which I am not competent to answer. It depends on the assumptions that you make about how that water would be used but again I say that in today's world I'm not sure of the relevance of that question.

**MR. WALDING:** Mr. Chairman, Hydro's engineers have told this committee on several occasions that they, meaning Hydro, realize now the impossibility of trying to run that much water along the Burntwood River and that they freely recognize their mistake in backing that high-level Diversion at the end of the Sixties. What I want to know is, does Mr. Kristjanson agree with that view that it would appear to be a consensus in Hydro or does he take a different view that in fact it would have been possible to do that?

**MR. KRISTJANSON:** Let me quote from the Tritschler Report, perhaps that will help answer the question. "The Commission finds that the construction of Lake Winnipeg Regulation prior to Churchill River Diversion did not promote economy and efficiency in the generation and supply of power. The sequence chosen was at variance with the opinion of all Hydro's staff who testified." Now if you wish to ask more detailed technical questions about design, then I'd appreciate, Mr. Chairman, if we could take those questions and we will, by tomorrow, have the answer to it from the technical people that are qualified to answer those questions.

**MR. WALDING:** Mr. Chairman, I was not asking about the sequence of Lake Winnipeg Regulation and Churchill River Diversion and I'm not asking a technical question, I'm only asking for Mr. Kristjanson's opinion and whether he shares that opinion with Hydro's senior engineers who have told us that they now realize that the high-level diversion of Churchill River Diversion was a mistake and it would have been impossible to put that amount of water down. Mr. Justice Tritschler towards the end of his report, which I don't have in front of me or I'd quote it, also recognizes that and suggests that it is widely accepted that it simply was impossible to do. Now Mr. Kristjanson seems somewhat reluctant to answer the question as whether he agrees with that or not. If he doesn't want to answer it, that's fine, I'll go on to something else.

**MR. KRISTJANSON:** Mr. Chairman, I don't wish to withhold any information or opinion. There was a study undertaken by Underwood McLellan in 1970 or thereabouts, and they recommended the Churchill River Diversion at the 854 level. Right? It was at that point in time if you want to personalize this that I was prepared to modify the position I had taken up till that time.

**MR. WALDING:** I would assume from that, Mr. Chairman, that Mr. Kristjanson doesn't still support the high-level Diversion of the Churchill River.

Also on Page 3, you say that the Long Spruce plant was constructed in advance of Manitoba Hydro's requirements and part of the output of this plant is being exported at surplus interruptible rates which do not fully cover the cost of the plant. Can you indicate to me the rate at which we would have to sell power from Long Spruce in order to fully cover the cost of the plant?

**MR. KRISTJANSON:** I will refer that question to management because I do not have those detailed figures with me now. I mean in a general sense if we were getting the Manitoba domestic rates, then the revenues would be sufficient to cover the costs.

**MR. CHAIRMAN:** Mr. Walding, would you like to direct your question to the General Manager of Hydro or do you want Mr. Kristjanson to bank that question and come back with an answer at a later time?

**MR. WALDING:** I would be glad to hear an answer from anyone who can supply it, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Blachford, are you in a position to answer Mr. Walding's question?

**MR. BLACHFORD:** The operating costs for Long Spruce for the year just ended are estimated to have been the equivalent of 21.2 mills per kilowatt hour.

**MR. WALDING:** I'm sorry, would you give me that again?

**MR. BLACHFORD:** 21.2 mills per kilowatt hour is the estimate for the costs for the 1980-81 year.

**MR. WALDING:** Mr. Chairman, I'm just going from memory now; at our committee meeting last year where a number of figures were given for various generating stations, I seem to recall that the figure given for Long Spruce was considerably less than that. I have found it, Mr. Chairman, and the figure given to the committee last year for Long Spruce was 8.2 cents.

**MR. CHAIRMAN:** You are directing your question to who, Mr. Walding?

**MR. WALDING:** To Mr. Blachford and asking why there is that . . .

**MR. BLACHFORD:** I understood your question to be, how much would it have to be sold to equate the costs of the power from Jenpeg? The number I gave you is the common bus cost at Winnipeg which is the cost of the generation plus the transmission to

Winnipeg and that's what it should be sold for at the common bus in Winnipeg to cover the costs.

**MR. WALDING:** To make sure I understand that, you're telling me that when the Winnipeg price gets to 21 mills that would be sufficient to cover the cost of Long Spruce?

**MR. BLACHFORD:** That would be sufficient to cover the cost at the common bus around Winnipeg, yes.

**MR. WALDING:** What does that mean?

**MR. BLACHFORD:** You don't add in the distribution.

**MR. WALDING:** I see.

**MR. BLACHFORD:** The equivalent cost in mills, not cents, for the current year — oh, I'm sorry, we don't have it for the current year — but it's 8.89 mills per kilowatt hour, not cents.

**MR. WALDING:** You're giving me a figure of 8.8 mills as against the 8.2 mills that the committee was given last year, so it's not very much different.

Mr. Chairman, still to Mr. Kristjanson, further to Page 3 at the bottom, where there is reference to Limestone — I want to come back to this a bit later — I have some other questions on it.

Mr. Kristjanson speaks of the basic objective of Limestone will be to add additional generating capacity to meet Manitoba's requirements. Now, do I understand from that it would be your intention not to proceed with Limestone until such time as Manitoba's needs have used up that considerable reserve that is there?

**MR. KRISTJANSON:** Mr. Chairman, if Mr. Walding would read the rest of the sentence it says, to meet the Manitoba's requirements and to seek export sales to complement this objective.

**MR. WALDING:** How is that different from what I read?

**MR. KRISTJANSON:** Would you restate this question, please?

**MR. WALDING:** Yes, I believe it's always been that the purpose of Manitoba Hydro to provide power for Manitoba users and it's only any surplus over that, that is sold for export sales. I'm asking you from this statement, does this indicate that you intend to delay Limestone until Manitoba's needs have risen to a point where we need extra power?

**MR. KRISTJANSON:** Mr. Chairman, that's not a correct interpretation, with respect. Our primary responsibility as spelled out in The Manitoba Hydro Act is to meet the requirements of Manitoba customers at the lowest possible cost. If there are possibilities for exporting power which enhances our opportunity to provide low-cost power for the people of Manitoba, then that would be consistent with our mandate, but it also is the primary responsibility of the government of this province to judge when export sales shall be made. Even in the old days, on export sale was required the consent of the government of the day but from a Manitoba Hydro



point of view export sales are designed to enhance our capacity to provide low-cost power for the customers in Manitoba.

**MR. WALDING:** What Mr. Kristjanson is saying is that if the provision of power to Manitobans is not the first criterion, that in the case of Limestone he would be prepared to build this plant for export purposes as the prime reason.

**MR. KRISTJANSON:** From the standpoint of the responsibilities in Manitoba Hydro the prime reason is to provide for an opportunity to provide Manitoba customers with their power at the lowest possible cost. So export sales are complimentary to that basic objective; but it, I gather that the construction on Limestone was stopped because there was no assured market. Is that right? Mr. Blachford, when was the decision taken to defer further work on Limestone until such time as a market was available? Do you remember that?

**MR. BLACHFORD:** I believe it was in 1978 when it was definitely shut-down, they definitely began to wind it down.

**MR. WALDING:** I thank Mr. Blachford for answering that question. It has been a subject of some debate in the House but that wasn't the question that I asked.

**MR. BLACHFORD:** May I round this out by indicating that it was 1977 when it was deferred for the first time to a later date.

**MR. WALDING:** Mr. Chairman, I want to go back to the question that I asked Mr. Kristjanson and I believe it is an important one. When I first asked the question I asked Mr. Kristjanson whether it would be the intention to delay the construction of Limestone until such time as Manitobans needed the power. He suggested that wasn't the case and that there was more to read. Then I went on to ask him, then is he saying that Limestone would be built for export purposes, and it would also as a secondary benefit help Manitobans? Now I hear him sort of going back on that and I am not clear now what is the answer to both those questions.

**MR. KRISTJANSON:** Mr. Chairman, if I may repeat, the primary responsibility of Manitoba Hydro under The Manitoba Hydro Act is to make the service to the people of Manitoba the primary responsibility. If opportunities exist for export which will be to the advantage of the consumers in Manitoba, then we will proceed with that.

**MR. WALDING:** So you are telling me then that the first priority will be to build for the needs of Manitobans. You have also indicated to us that . . .

**MR. KRISTJANSON:** Mr. Chairman, might I just clarify that — build for the purpose of doing the best possible job we can do for the people of Manitoba, the people that use electrical energy in Manitoba.

**MR. WALDING:** Then I repeat the question. Since we have a surplus of power at the moment would it not follow from your statement here that Limestone

should be delayed until such time as Manitobans need Limestone power?

**MR. KRISTJANSON:** Mr. Chairman, I would say that does not necessarily follow because there may well be opportunities for export sales which will make it possible to provide the service to the people of Manitoba at a lower cost than would otherwise be possible. We have some ample evidence in our history to demonstrate that this can be so.

**MR. WALDING:** Mr. Kristjanson, I would remind you that the building of generating capacity to serve Manitobans has always been Manitoba Hydro's first priority and that any power that has been sold has been surplus to Manitoba's requirements as of that time, and it has always been seen that by selling power on an interruptible basis that it is there for the use of Manitobans as the demand increases. I hear you now telling me that you have dropped that program and that you are prepared to build for export purposes, hoping, or on the assumption that Manitobans would also get some benefit out of it. Now if that is the case then that is a major change in Hydro policy. Are you confirming that?

**MR. KRISTJANSON:** Mr. Chairman, I repeat that if opportunities exist to advance development and get sufficient revenue to cover those costs, then the decision will be fundamentally based on whether it is good for the consumers of Manitoba in both the short and the long term.

**MR. WALDING:** So you are then confirming that this is a change in Hydro's historic policy.

**MR. KRISTJANSON:** Mr. Chairman, I don't think it's a change in basic policy. I repeat as I said earlier, Mr. Walding, the question of temporary exports and otherwise are fundamentally the responsibility of the government of the day and that has been so for many, many years.

**MR. WALDING:** Let me put it in a different manner then. Are you telling me that there is no change in Manitoba Hydro's long-term policy, but that it is the government that is telling you to do this?

**MR. KRISTJANSON:** No, Mr. Chairman, what I am saying is that I don't see this as any major change in policy of either Manitoba Hydro or the government.

**MR. WALDING:** Mr. Chairman, since there may be others on the committee wishing to ask questions I don't wish to take up all the time. I'll pass to another member if you wish for the time being.

**MR. CHAIRMAN:** Mr. Green, do you wish to ask a question?

**MR. SIDNEY GREEN:** Mr. Chairman, I thank Mr. Walding, although I must say that I'm finding his questions very interesting and very pertinent and I think maybe he's doing me too much of a favour by letting me go ahead, but I'll accept his generosity.

Mr. Kristjanson, has there been any major change in the senior staff of Manitoba Hydro in terms of the number of positions since you were aware of it in previous years?

**MR. KRISTJANSON:** Mr. Chairman, I'm not sure that I understand the question. When you say since I was aware of it, are you going back to 1961?

**MR. GREEN:** You left in 1972 or 1973.

**MR. KRISTJANSON:** 1971, I believe.

**MR. GREEN:** Since 1971, has there been any major changes in the senior staffing, that is, the staff that you would be directly acquainted with and operating with?

**MR. KRISTJANSON:** As you know, Mr. Blachford was appointed about a year ago.

**MR. GREEN:** I'm not talking about the names, I'm talking about the squares that the names go into.

**MR. KRISTJANSON:** The answer, Mr. Chairman, is yes, there have been some changes, just talking about the squares, the organization.

**MR. GREEN:** Are there more squares or less squares?

**MR. KRISTJANSON:** There are more squares.

**MR. GREEN:** There are more squares. At the very top there are now two squares where there used to be one; that is, the Chairman of the Hydro and General Manager used to be the same person, under Mr. Bateman and under Mr. Cass-Beggs. I am asking you whether there are now two squares where there used to be one, where Mr. Bateman was the Chairman and General Manager, and Mr. Cass-Beggs was the Chairman and General Manager?

**MR. KRISTJANSON:** Mr. Chairman, the answer is yes.

**MR. GREEN:** The fact is that you are now doing the work that was being done for a period of months by Mr. Curtis?

**MR. KRISTJANSON:** That is correct.

**MR. GREEN:** And Mr. Curtis was the Deputy Minister of Finance.

**MR. KRISTJANSON:** That is correct.

**MR. GREEN:** How often does the Board meet?

**MR. KRISTJANSON:** Mr. Chairman, once a month.

**MR. GREEN:** Once a month. Mr. Curtis was a full-time Deputy Minister of Finance and was also the Chairman of the Hydro Board?

**MR. KRISTJANSON:** That is correct.

**MR. GREEN:** Mr. Kristjanson, I appreciate the fact that when one has a responsibility and accepts it conscientiously, as I am sure you do, that it's on your mind all the time, that you give it your whole being, so to speak, and that's what you meant when you said it's at least half-times and Saturdays and Sundays. Is that right?

**MR. KRISTJANSON:** Mr. Chairman, I do take a very keen interest in the responsibility.

**MR. GREEN:** That's what you meant when you said that it's at least half of your time and also Saturdays and Sundays. Is that right?

**MR. KRISTJANSON:** That's correct.

**MR. GREEN:** Am I being unfair in putting it that way?

**MR. KRISTJANSON:** Mr. Green, I don't think you are being unfair. I may have overstated it by saying Saturdays and Sundays, but the intent was that . . .

**MR. GREEN:** Mr. Bateman — that's probably a Freudian slip of the tongue — Mr. Kristjanson, the fact is that just as on Saturdays and Sundays, I am continually thinking about getting new Progressive candidates to the Progressive Party, on Saturdays and Sundays, you are continually thinking of your responsibility for Manitoba Hydro. That wouldn't be unfair, would it?

**MR. KRISTJANSON:** Well, that's your interpretation and . . .

**MR. GREEN:** Is it an unfair interpretation, when you said that you worked half-time plus Saturdays and Sundays?

**MR. KRISTJANSON:** Mr. Chairman, I don't think that's an unfair interpretation.

**MR. GREEN:** But, Mr. Kristjanson, just as I do, you also probably spend some time with your family on Sunday?

**MR. KRISTJANSON:** That's correct.

**MR. GREEN:** As a matter of fact, after you were appointed Chairman of Manitoba Hydro, on Sunday both you and I, who are very conscientious about thinking about our work at all times even when we are having fun, we were out with our family on Sunday afternoon in Gimli and wound up at the same place.

**MR. KRISTJANSON:** Correct.

**MR. GREEN:** So when you say that it's half-time plus Saturdays and Sundays, you're not really talking about the time that you are at your desk, you're talking about your devotion to your job; is that not right?

**MR. KRISTJANSON:** Mr. Chairman, if this term Saturdays and Sundays is going to cause difficulty in terms of our basic objective of developing the resources of this province, I would be happy to withdraw the comment about Saturdays and Sundays.

**MR. GREEN:** That's fine. That's a good start, Mr. Kristjanson, although I am willing to concede — I don't even want it withdrawn — all I want it is understood that you give your whole self to your job regardless of the amount of time that you are

actually at your desk, you consider, you are thinking about the people of Manitoba and Manitoba Hydro all the time, even when you are out with your family and your children, and I would accept that.

**MR. KRISTJANSON:** Mr. Chairman, I think that's a slight overstatement but I'm not sure . . .

**MR. GREEN:** Mr. Walding asked you the question about how much your salary is and you indicated it is \$35,000 a year. I am saying that that's the same work that was being done by Mr. Curtis when he was a Deputy Minister, and that there are now two squares where there used to be one, as between yourself, Mr. Blachford, as against Mr. Bateman handling the job, as well as being the General Manager, that's all. What I am saying is correct, is it not?

**MR. KRISTJANSON:** There are two squares where there was one before.

**MR. GREEN:** Okay. What is Mr. Blachford's salary?

**MR. CHAIRMAN:** Is that question directed to Mr. Kristjanson?

**MR. GREEN:** Yes, I would think that the Chairman of the Board should be able to tell me what the General Manager of Hydro is making.

**MR. CHAIRMAN:** Mr. Kristjanson.

**MR. KRISTJANSON:** I believe that information was provided at the meeting last year, isn't that correct?

**MR. GREEN:** Do you know, Mr. Kristjanson, or could you guess? Well, find out. I won't be unfair; find out what he's making. Ask him, if you like.

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

**MR. CRAIK:** Mr. Chairman, on a point of order, these two are both Order-in-Council amounts; they are set by Order-in-Council.

**MR. GREEN:** During the year . . .

**MR. CHAIRMAN:** Mr. Green, would you let Mr. Craik finish his statement.  
Mr. Craik.

**MR. CRAIK:** Well, Mr. Green wants to go on with his gamesmanship. He also knows very well that he can go down and find this out from the filing of the Orders-in-Council in both cases. That in no way suggests that it should not be given but let's not, on the other hand, mistake the intent here of Mr. Green trying to portray that this is the only way he can get the information. He has the information; it has been made abundantly public.

**MR. GREEN:** On the point of order, I am not trying to convey that impression. I merely, innocently want to know what the salary is and I want the gentlemen who are sitting there, and who know, to save me the trouble of going down and looking at the Order-in-Council so I can have it.

**MR. CHAIRMAN:** Mr. Kristjanson.

**MR. KRISTJANSON:** Mr. Chairman, to answer your question, it is \$62,000.00.

**MR. GREEN:** So the two squares are now \$97,000, where there used to be one square at, I would say, in the neighbourhood of \$60,000.00?

**MR. CHAIRMAN:** Is that a question or a statement?

**MR. GREEN:** That is a question.

**MR. CHAIRMAN:** Directed to Mr. Kristjanson?

**MR. GREEN:** To the Chairman of Manitoba Hydro.

**MR. KRISTJANSON:** Off the top, I am not aware of what Mr. Bateman was being paid but I can tell you back when Mr. Fallis was the General Manager and Mr. Stephens was the Chairman of the Board, I was aware of the salaries at that time when Mr. Fallis was earning \$25,000 a year and Mr. Stephens about \$22,000 or \$23,000.00.

**MR. GREEN:** At that time the two squares wouldn't —(Interjection)— Mr. Chairman, the fact is that if my friend, Mr. Enns, wants to get into looking what has happened to salaries in that time and try to make a thing of it, I am trying to direct myself to the fact that the Minister has felt that there should be a separation between the direction and the chairmanship and this has merely resulted in two squares totalling \$97,000, or thereabouts, where there used to be one involving approximately \$60,000.00. If you want to compare that to 20 years ago, I'll ask other questions, but I am merely trying to ascertain whether that is the fact.

**MR. KRISTJANSON:** Mr. Chairman, I am not able to answer the question as to how much Mr. Bateman was being paid but I am sure that that is a matter of record and if it's your wish, we will find that information and produce it tomorrow.

**MR. GREEN:** Mr. Chairman, I'll go on to another subject.

You have indicated that in 1966 when the agreement to develop the Nelson River was signed with the Federal Government, that there were four components to the agreement: the transmission line, the financing assistance, and as far as physical components, the Churchill River Diversion and Lake Winnipeg Regulation, and the transmission line was also a physical component. That is correct, at least in paraphrasing it — have I left out anything of a facility?

**MR. KRISTJANSON:** No. I repeat, the Kettle Rapids project, that was a key component and there was much discussion at that time about whether or not it should be Kettle Rapids or whether or not we should start with the Burntwood River plants and that sort of thing, but that was resolved in favor of Kettle Rapids. The transmission line was the second-most important component, and the Churchill River Diversion was always considered an essential component because it adds a lot of water and was perceived to increase the feasibility of the Kettle Rapids Project.

**MR. GREEN:** But in 1966, you indicated, in answer to Mr. Walding about Lake Winnipeg being one of the components, that at that time, although that was one of the components, the Federal Government, in your view, didn't intend that that was a requirement. What actually happened, and the order in which they happened, would be up to the Manitoba Hydro.

**MR. KRISTJANSON:** Well, it would be a function of the more detailed studies that were to follow. But, Mr. Green, since we're on the subject and we really believe that the public interest is not particularly well served in rehashing this but the one point that has been . . .

**MR. GREEN:** But you've done it. If you hadn't done it, I wouldn't do it. You say in 1966 . . .

**MR. CHAIRMAN:** Mr. Green, Mr. Green . . . Mr. Kristjanson was in the midst of answering your question.

**MR. GREEN:** Well, let's talk about the public interest, yes.

**MR. CHAIRMAN:** Mr. Kristjanson is in the midst of answering your question. Would you show some patience?

**MR. KRISTJANSON:** Mr. Green, what I was about to say was that in 1966, when all of these possibilities were being discussed, and let's face it, in matters of this kind, there are many many different options, and there is no absolute truths in these matters. About the only thing you can do is on the basis of the evidence before you at a particular point in time, make a judgement and proceed and hopefully the consequences, that is, the wisdom of the decision is judged by the consequences that flow there from. But from 1963 to 1966 there was a concept of regulating Lake Winnipeg in a manner which would make it possible to have year to year storage which would have raised that lake substantially higher. Remember that? There was even a provision for, I've forget what you call it, flood line at about 721 or 722, flood reserve so that concept was dropped. There was also a concept of using pumped storage that is regulated Lake Winnipeg and pumping the water out as required, and there was a third concept of developing a structure that would essentially divide the lake in two at the narrows so that you could use the north end of the lake for storage, that would give you storage from year to year. Again that concept was studied and dropped but we did have in 1969-70, no, I'm sorry, in the late Sixties had a report from an independent consultant which indicated that if we spent more than \$20 million for the regulation of Lake Winnipeg that it would not be a wise use of funds. So there were a whole lot of discussion that went on over a period of years on this thing.

**MR. GREEN:** Yes, Mr. Chairman, I'm really trying to agree with you and I think if you'll listen to the question very carefully, with respect, you'll see that although I am not objecting to your answer that it really doesn't involve that much. Now I'll repeat. In 1966 when the Federal Government and the Provincial Government entered into the agreement,

although there were facilities mentioned, the actual implementation of those facilities and the way in which they would be built, the time in which they would be built, whether or not they would indeed be built was something that was left to Manitoba Hydro. (Interjection)—Excuse me?

**MR. KRISTJANSON:** Well, Manitoba Hydro and the Government . . .

**MR. GREEN:** Okay, I didn't really intend that the government would be interfering with that unless there was some policy decision, but then I'm correct in saying that in 1966 the agreement did not compel Manitoba to proceed in any particular way. It mentioned what were considered to be needed facilities and it didn't say when the facilities would be built or how they would be built or even if they would be built.

**MR. KRISTJANSON:** Well, Mr. Chairman, I would say that when the Federal Government agreed to provide the funding for the transmission line, we had at the time agreed to build it and we also agreed to build the Kettle Rapids project. Now, I agree that there was clear understanding of whether or not there was a commitment with the Federal Government to proceed with the Churchill River Diversion immediately and I would have to review the record on it.

**MR. GREEN:** I would suggest to you that you don't know at this point and I'm going to suggest that what you earlier answered mainly that whether or not you would go ahead, the time framing, which you would go ahead; the nature of the facility, all of that was left to Manitoba Hydro both with regard to the Churchill River Diversion and Lake Winnipeg Regulation both of which were called for in the agreement.

**MR. KRISTJANSON:** Both of which were suggested in the agreement.

**MR. GREEN:** Okay, and there was no definitive statement as to whether or not indeed they would be built or when they would be built?

**MR. KRISTJANSON:** Mr. Chairman, we'll review the wording and come back to this tomorrow if you wish but certainly I cannot conceive of any responsible government committing \$180 million over a 50-year term to build a transmission line without having a pretty clear understanding or commitment that we're going to build the generating facilities required to use the line.

**MR. GREEN:** I'm not arguing with that and I think that that's what Mr. Walding was saying, that Lake Winnipeg was committed and the Churchill River Diversion were committed both in the agreement and you were the one who answered, they were mentioned, but as to when they would be built, in what sequence they would be built or how they would be built, or if they would be built at all would depend on efficiencies and studies. That was your answer as I'm trying to paraphrase it to Mr. Walding. Is that not correct?

**MR. KRISTJANSON:** That's correct.

**MR. GREEN:** That's correct, and I want that on the record. Then it's not correct to say that in 1966 both the Government of Manitoba and Canada approved a basic plan which included the construction of the Kettle Rapids projects, the construction of the associated transmission facilities, Diversion of the Churchill River and the Regulation of Lake Winnipeg, in that order. That the agreement in 1966, did that call for the building of the facilities in that order? That's not correct, is it?

**MR. KRISTJANSON:** Mr. Chairman, I would ask that I have an opportunity to review the agreement and the supporting documents.

**MR. GREEN:** Perfectly okay, but you cannot now say to me that it was included, those facilities in that order. You cannot now tell me without reviewing whether it included those facilities in that order?

**MR. KRISTJANSON:** Mr. Chairman, I'm just asking Mr. Green for the opportunity to review the document and the supporting documents because it's possible that in writing this that I was reflecting what I understood to be the views at that time but in that sense . . .

**MR. GREEN:** This statement could be misleading. Is that right?

**MR. KRISTJANSON:** Mr. Chairman, that is possible.

**MR. GREEN:** But you wouldn't want me to fire you because you've made that statement, even though it could be misleading to a Legislative Committee, that you've come in and written a statement that those facilities were listed in 1966 in that order? Now wouldn't I be a proper S.O.B. if I fired you because I said you were misleading a Legislative Committee by making that statement? I mean that would be horrendous, would it not? Would that not be horrendous, animal-like, barbaric?

Is it not a fact that at the time of the great freeze the reserves of Manitoba Hydro were roughly and this is before the ruddy freeze, were roughly estimated to be approximately \$40 million?

**MR. KRISTJANSON:** Sorry, would you repeat that?

**MR. GREEN:** That the reserves of Manitoba just before the rate freeze were approximately \$40 million?

**MR. KRISTJANSON:** Mr. Chairman, I'd like to refer that question to Mr. Blachford.

**MR. BLACHFORD:** I would like to refer this to Mr. McKean. I'm sure he knows where to find these numbers better than I do.

**MR. CHAIRMAN:** Mr. McKean, perhaps you could sit at this. I don't know, are those mikes working? Yes, I'm told that the mike is working. Perhaps for the convenience of the committee if it would be possible, Mr. McKean, you could please join us at the table and sit alongside Mr. Blachford?

**MR. MCKEAN:** Mr. Chairman, I could maybe refer you to page 11 of the report.

**MR. GREEN:** Mr. Chairman, may I for the moment, ask the Chairman, and I want you to know that I am not asking for it, I'm asking the Minister in charge of Energy. I disclaim any request for it myself. Does he want these people sworn?

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

**MR. CRAIK:** Mr. Chairman, if I have a request to make, I'm perfectly capable of asking for it. I don't need Mr. Green to act on my behalf.

**MR. GREEN:** Mr. Chairman, I asked the Minister whether he wants those people sworn as Justice Tritschler recommended and as he said should have been done with previous officials who were produced on behalf of Manitoba Hydro. Does he want those people sworn? I don't.

**MR. CRAIK:** Mr. Chairman, first of all, this is not a Court of Law. Mr. Green may want to and if he requests to have it done that's his decision. I agree with him that it has been done on other occasions. I have done it on one occasion myself, but with what I thought was due cause. If he feels there's due cause to do it, so be it.

**MR. GREEN:** Mr. Chairman, I certainly don't feel that there was cause then or now. I wish, Mr. Chairman, to be consistent. The Minister said that he thought that the Chairman of Manitoba Hydro should be sworn and Mr. Justice Tritschler said that he thinks that people appearing before Legislative Committee should be sworn and therefore I'm now giving the Minister the opportunity to be consistent with his past practice and ask that these people be sworn.

**MR. CRAIK:** Mr. Chairman, I want to take advantage of the opportunity to tell Mr. Green who seems to think that he is in the midst of a Court of Law case here and he knows more about that sort of thing than some of us at this table, that if I felt that someone should be sworn, I would certainly request it. I have done it on one other occasion and I did it with due cause and I would do it again and if he wants to —(Interjection)—

**MR. CHAIRMAN:** Mr. Green would you permit Mr. Craik to finish his answer. He was very patient and he let you ask your question. (Interjection)— No, he's not. Mr. Craik.

**MR. CRAIK:** Well, he's obviously not interested in the rest of it, Mr. Chairman, so why don't we proceed?

**MR. GREEN:** I knew he was finished, Mr. Chairman. The fact is, Mr. Chairman, I merely wish to make the point that I saw no reason for it, there was no reason for it. Mr. Cass-Beggs tells the truth whether under oath or not under oath as I expect these people are doing the same thing. Now I want to ask what the reserves were at the time of the rate freeze?

**MR. CHAIRMAN:** Mr. Craik on a point of order.

**MR. CRAIK:** On a point of order, Mr. Chairman, in the event Mr. Green may be trying to put words into somebody else's mouth, let me say I disagree.

**MR. GREEN:** That's not news, Mr. Chairman. I've asked what the reserves were just before the rate freeze and before there was any rate freeze, the amount of reserves that had been accumulated.

**MR. McKEAN:** Mr. Chairman, I refer you to Page 11 of the report. We all have copies. The reserves for ten years are shown there for each year ending 31st of March. I'm referring you there because I'm not too sure which date you're asking me at this point but as you see there at the 31st of March, 1979, the reserves were \$96 million and in 1978 was \$50,350,000, and 1980 it was \$141,616,000.00. This is at the bottom, on Page 11. There's a ten-year history and a consolidated balance sheet and the bottom line under Liabilities there shows reserves. These are the balances as of 31st of March of each year. I'm referring to that page because I then would, I'm not sure what date you're asking but these are the . . .

**MR. GREEN:** I was really referring to the 1979 date, and I want to make sure that I'm not incorrect that those \$45 million would not include any moneys paid in by consolidated revenues to stabilize the rate.

**MR. McKEAN:** The 31st of March, 1978, you will see the balance was \$15,350,000, and the 31st of March, 1979, it was \$96,013,000.00.

**MR. GREEN:** Did either of those figures include any amount paid in from consolidated revenue to stabilize the rates? So we had \$90 million reserves before there was any rate stabilization.

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

**MR. CRAIK:** Mr. Chairman, may I ask, what do you consider that the legislation was passed for two years ago? Do you not consider that a contribution in kind from the consolidated revenue?

**MR. GREEN:** That's right, that's what I'm talking about.

**MR. McKEAN:** Starting after rate freezes, Mr. Craik.

**MR. CRAIK:** On the \$141,616,000 you show.

**MR. McKEAN:** The \$96 million though was the year before the rate freeze. Now the \$141,616,000 which is the following year, in that same year the Government of Manitoba sustained cost to do with foreign exchange, which amounted to, I think, approximately \$36 million, the first year, which is in that 31st March, 1980.

**MR. GREEN:** Then I was wrong by a year, I was using \$40 million, but it doesn't make it any worse. There was \$96 million in reserves built up including a \$50 million addition from the previous year without any assistance from consolidated revenue.

**MR. McKEAN:** The assistance by the consolidated revenue was in the year ending 31st March, 1980.

**MR. GREEN:** And if we took out all of that assistance, the reserves would not have been below \$96 million without that assistance.

**MR. McKEAN:** Not in that first year.

**MR. GREEN:** All right, and therefore the so-called rate freeze, if it had not been installed could have been implemented without any decrease in reserves, without any contribution whatsoever from consolidated revenues.

**MR. McKEAN:** For five years, are you asking?

**MR. GREEN:** No, I am talking about up until this statement, and the next statement.

**MR. McKEAN:** Well the current year, Mr. Blachford has already announced that in the present year we are going to deplete our reserves by approximately \$14 million.

**MR. GREEN:** If we took the worse situation and those reserves were depleted by \$14 million, then without receiving any assistance from consolidated revenue, the worse situation would be that we would have \$82 million in reserves instead of \$96 million in reserves, without a penny in contributions from consolidated revenues.

**MR. CHAIRMAN:** Mr. Blachford.

**MR. BLACHFORD:** Mr. Chairman, this is not as Mr. Green states, this is not the worst case, this is the way it came out. The worse case could be many million dollars less than that.

**MR. GREEN:** Mr. Blachford, I have to deal with realities. Based on your existing operations and without any assistance from consolidated revenues and given the bad year that you've had and the drought that you had, that the reserves of Manitoba Hydro would still be \$30 million higher from the \$50 million that it was in 1978, and you would have \$82 million in reserves, taking \$14 million off without one cent contributed from consolidated revenues.

**MR. BLACHFORD:** That's the actual case.

**MR. GREEN:** That is the actual case. Well, we are interested in actualities, and that is the reserve program and the freeze on rates could have been instituted to this "beleaguered, mismanaged, terribly operated, wasteful," and I use all of those in quotation marks, without one cent from consolidated revenues as a result of the good system that you walked into.

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

**MR. CRAIK:** Mr. Chairman, since we are on this sheet, I think I would suggest and request that we be able to deal with these things like we were dealing with that page. Otherwise we can't really get at the specifics.

I think, Mr. McKean, you said that the consolidated revenue in kind contribution in this last year shown here was around \$37 million.

**MR. McKEAN:** That is my understanding.

**MR. CRAIK:** Yes, that would be the year ending March 31, 1980. In the current year that just finished

yesterday or the day before, I think the consolidated revenue costs were around \$17 million or so?

**MR. McKEAN:** I defer you, Mr. Craik — my understanding is it was around \$10 million, but as you know our only information is what we get . . .

**MR. CRAIK:** It depends where the currencies ended up at the year end, and I think in the estimates just tabled for 1981-82 the figures back up to between \$30 and 40 million.

**MR. McKEAN:** In the year we are going into there is another major refinancing of a Swiss issue, so I would expect that in the year that we are about to enter that the amount would be quite high.

**MR. CRAIK:** Mr. McKean since you were involved when we worked out the details on the rate freeze, we estimated that at that time the projection of the costs of the rate freeze with foreign currency losses over a period of five years, would have come to a certain figure, somewhere up in the order of \$200 million.

**MR. CHAIRMAN:** Mr. Green on a point of order.

**MR. GREEN:** Why have I been usurped from having the floor?

**MR. CRAIK:** Well let me get back, Mr. Green, then for . . .

**MR. GREEN:** Mr. Chairman, the rules of the committee are that you proceed and then somebody wants to ask questions which will clarify any of the problems that have arisen they go ahead, but I feel that I have been left out now.

**MR. CHAIRMAN:** I want to assure you, Mr. Green you haven't been left out. You asked a question, and I hoped that the Minister is arriving at the answer and in giving the answer he is using Mr. McKean's advice and assistance.

**MR. GREEN:** I submit that is not helpful. I will be able to get the answer if you let me continue, and I believe I got the answer, the actual situation, and I intend to ask further questions in order to further clarify.

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

**MR. CRAIK:** Let me withdraw my last question.

**MR. GREEN:** I object to your ruling that somehow I have lost the floor and I want to challenge that ruling.

**MR. CHAIRMAN:** I am recognizing, Mr. Craik.

**MR. GREEN:** All right, I wish to challenge the recognition of the Chairman of Mr. Craik in the process of my question.

**MR. CHAIRMAN:** Do you have support?

**MR. GREEN:** Yes, Mr. Chairman, I do not know whether on committee we have to get support, but I submit that you put the challenge to the committee.

**MR. CHAIRMAN:** All right, I ask the members of the committee, is the ruling of the Chair supported? Can I have an indication of the members by showing of their hands? I will ask the Clerk if he could record the number of hands of recorded members.

**MR. GREEN:** Mr. Chairman, am I member of the Committee?

**MR. CHAIRMAN:** No, you are not an official member of the committee, but you are a Member of the Legislature. You are certainly to be a member of the committee in asking questions and seeking information.

So the Chairman's ruling is sustained by six to two. Mr. Craik, I refer to Mr. Craik.

**MR. CRAIK:** First of all on a point of order, Mr. Chairman, that's pretty slick manoeuvring. The member forces a question that he's not allowed to force and then indicates to the committee he is not a member of the committee.

**MR. GREEN:** That's a proper point of order, because I will appeal that too. Mr. Chairman, I believe that I can come to the committee and participate in its proceedings.

**MR. CHAIRMAN:** You certainly can. Mr. Craik.

**MR. CRAIK:** Mr. Chairman, but a member that's not a member of the committee can't force a question in the committee. The member knows that.

**MR. GREEN:** Mr. Chairman, first of all, it's gone by, but I disagree with the member; if it comes up again, I will try again.

**MR. CRAIK:** With your full advanced knowledge it has gone by.

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

**MR. CRAIK:** Mr. Chairman, let me check some arithmetic. Mr. McKean indicated that the first year costs to the Treasury were around \$37 million. There was an estimate for the current year, reduction in the reserves of \$14 million, I think, as a result of the drought and so on. Mr. McKean has indicated that the estimates for the year just finished, that the estimated foreign currency losses in last year's, in the 1981 budget, were somewhere around \$17, what they worked out to — they are dependent on what the currency was at March 31 of 1981, but they were, I think, set at around \$17 million.

**MR. CHAIRMAN:** Mr. McKean.

**MR. McKEAN:** I defer, as you know, it's the treasury that keep track of it. If you say \$17 million, I won't challenge it.

**MR. CRAIK:** The current budget, just tabled, the estimates in finance show around in the \$30 to 40 million, close to \$40 million loss on the foreign currencies that were transferred for 1981-82. If I add those up, I come to \$108 million of known losses including what's known about 1981-82, but not including any estimate of Hydro on what might

happen in their experience in 1981-82, because the 14 you referred to is 1980-81, it's the March 31, 1981, year end. So without including any losses that may be incurred because of drought or other occurrences in Hydro, the reduction that we know of is approximately \$108 million, which if you subtract it off the end of the March 31, 1980, total of reserves of \$141 million, your reserves could well be down to a position that is equal to that difference.

**MR. MCKEAN:** I confirm, Mr. Chairman, that the potential losses on foreign exchange were very serious from Hydro's point of view at the time when the rate freeze was being discussed.

**MR. CRAIK:** Is it also based on that, although this will give you some indication now at year two of the rate freeze that it's because of the experiences that have occurred in just two years on both water supply and on foreign currency exchanges that it's not possible to answer the questions about what your reserve position will be at the end of the rate freeze at this point in time?

**MR. MCKEAN:** I would not want to answer that question, Mr. Chairman. It will depend primarily on water conditions, which is the big variable as mentioned by Mr. Blachford, and as far as the cost to the government, of course, and the debt they took over, it will depend primarily on what happens to foreign exchange in that period.

**MR. CRAIK:** So to try establish a point at this point in time as to whether your reserves are adequate or not is pure speculation.

**MR. CHAIRMAN:** Mr. Green, the Chair, recognizes you.

**MR. GREEN:** Yes, Mr. Chairman, I think that this is unprecedented, but I recognize that the Conservatives have some real difficulties and they need some help and therefore we'll have to accept it.

I wish to go back to Mr. Blachford, and say not what was estimated would have to be paid in, but given the actual situation, without receiving one penny from the Manitoba Government and maintaining the operations of Manitoba Hydro, the reserves, I put it to you, would probably not be less, and I am saying without getting any government money, not less than \$80 million, and certainly not less than \$50 million, which is the amount of reserves that were carried for many years.

**MR. CHAIRMAN:** Mr. Blachford.

**MR. BLACHFORD:** Yes, I believe your arithmetic is correct, Mr. Green.

**MR. GREEN:** My arithmetic is correct — thank you.

Mr. Chairman, I would like to ask Mr. Kristjanson whether when he came on staff, Mr. Earl Mills was still on staff.

**MR. CHAIRMAN:** Mr. Kristjanson.

**MR. KRISTJANSON:** My recollection is that he had retired before that time, but . . .

**MR. GREEN:** Is it possible that he was on staff but not doing anything, not because he didn't want to do anything, but it was desired that he not do anything?

**MR. CHAIRMAN:** Is that a question, Mr. Green, to Mr. Kristjanson?

**MR. GREEN:** Yes.

**MR. KRISTJANSON:** My understanding is that Mr. Mills retired in early September. Inasmuch as Mr. Mills is in the audience, may I just ask him on what date he retired?

**MR. GREEN:** I have no objections — it's very irregular. Can we ask him when he stopped doing anything. If we are going to put questions to Mr. Mills . . .

**MR. KRISTJANSON:** But you were trying to establish the date . . .

**MR. GREEN:** I'm not interested in the date.

**MR. KRISTJANSON:** I became associated with Manitoba Hydro in early September.

**MR. GREEN:** Mr. Chairman, then I ask the Chairman to obtain from Mr. Blachford, is it not a fact that during the last several months of his employment that Mr. Earl Mills was put in a position where, because of his disagreement and because of Mr. Tritschler's public debate with him, that Mr. Mills was in effect, like the Liberal Party, a beached whale for the last several months of his employment?

**MR. CHAIRMAN:** Mr. Blachford.

**MR. BLACHFORD:** Mr. Mills had indicated early in 1980 that it was his wish to retire later in the year. Having that wish in place, it was our desire to phase him out of his duties. In order to help the other people who would have the work to do when he left, he was appointed assistant to the president and in that capacity he retired, on schedule, in September 1980.

**MR. GREEN:** As assistant to the president, and you have put it very delicately, he was phased out of his job which was, I take it, something like public relations manager of the Manitoba Hydro and became assistant to the president. I take it that's a classical description of being kicked upstairs.

**MR. CHAIRMAN:** Is that a question to Mr. Blachford?

**MR. GREEN:** Yes, that's a question. Mr. Blachford has been in the corporate world long enough to know what that means and I expect he will answer it correctly and honestly.

**MR. BLACHFORD:** If that is your interpretation, it's with you, but that was not the intention. The stated intention was to phase Mr. Mills' duties out before he retired.

**MR. GREEN:** And his duties were in fact phased out.

**MR. BLACHFORD:** That is correct.

**MR. GREEN:** And he ceased to be issuing public relations statements on behalf of Manitoba Hydro?



**MR. BLACHFORD:** That is also correct.

**MR. GREEN:** It is also correct that Mr. Tritschler got into a public debate with Mr. Mills because of public relations statements that he had issued, or you don't know about that? Have you read the Tritschler Report?

**MR. BLACHFORD:** I have read it, yes.

**MR. GREEN:** Is there a section in the Tritschler Report where Mr. Tritschler severely chastizes the Public Relations Department of Manitoba Hydro for not agreeing with Mr. Justice Tritschler?

**MR. BLACHFORD:** I believe he made some comments; I don't know that they went to the extent you describe.

**MR. GREEN:** So the comments, of course, will speak for themselves.

Mr. Chairman, I would like to next deal with the Northern Flood Agreement. Is the Manitoba Hydro now experiencing difficulties in negotiating with the Northern Flood Committee with respect to their suggested rights under the Northern Flood Agreement? Anybody who knows.

**MR. CHAIRMAN:** Mr. Blachford.

**MR. BLACHFORD:** Would you restate that, please?

**MR. GREEN:** Is the Manitoba Hydro now experiencing difficulties, and if you don't like the word difficulties, now experiencing activities in negotiating with the Northern Flood Committee with respect to alleged rights under the Northern Flood Agreement?

**MR. BLACHFORD:** Not to my knowledge.

**MR. GREEN:** There are no activities as between Manitoba Hydro and the Northern Flood Committee with respect to compensation at the present time?

**MR. BLACHFORD:** There are activities, yes, but I don't know that they have intensified to the extent where you would call them difficulties any more than they were to begin with.

**MR. GREEN:** That's why I crossed out the word difficulties because I knew I'd have trouble with people who are listening subjectively. I then said activities in negotiating with the Northern Flood Committee with respect to alleged compensation under the Northern Flood Agreement.

**MR. BLACHFORD:** There are activities in progress, yes.

**MR. GREEN:** Is it the fact that some of these activities are being referred to arbitration?

**MR. BLACHFORD:** They are, yes.

**MR. GREEN:** Is it a fact or are you legally advised, or can you tell me — if you can't answer it today, you can answer it when you can — that the agreement, as presently constituted and as signed

by the Conservative administration, gives this arbitrator the right to say that there will be a trade school as an ameliorative remedy in the vicinity of Nelson House? Is that a problem to Manitoba Hydro?

**MR. BLACHFORD:** I will advise you of that later, Mr. Green. I know that we recognize that it will be desirable to initiate some sort of training for people in that area. I am not sure whether it is under the Northern Flood Agreement or otherwise.

**MR. GREEN:** Mr. Blachford, you are not catching my question. I am asking you whether you can be forced, not whether you consider it advisable or whether the government considers it to be a worthwhile activity in the north and I may second that completely, but that the arbitrator can now dictate social and economic policy to Manitoba Hydro vis-a-vis Manitoba Hydro?

**MR. BLACHFORD:** If I may, I'll advise you later.

**MR. GREEN:** That's a very important question and I would like to know the answer from the solicitors. If this is correct, my assumption, then I would ask you also to advise me as to whether this, of necessity, will mean that your future budgeting is completely open and you don't know what you will have to spend with regard to that Northern Flood Agreement which you signed, which I wouldn't sign.

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

**MR. WALDING:** Mr. Chairman, I want to go back to a couple of answers that were given earlier to Mr. Green. One of them had to do with the appointments of the Chairman and the Chief Executive Officer. Mr. Craik told the committee that Mr. Green could look up the information because both of those appointments were by Order-in-Council. I would like to quote from Hansard of this committee's meeting last year, on Page 91, Tuesday, June 10, when Mr. Craik said the following two sentences: "Mr. Blachford is the C.E.O. of Hydro and his contract is with the Hydro Board. It is not an Order-in-Council appointment."

I would like to ask Mr. Craik how both of his statements can be true.

**MR. CRAIK:** Mr. Chairman, I guess I had better check it. Maybe my memory does not serve me correctly. I know that the amount was indicated publicly at the time of Mr. Blachford's appointment, which is the amount that was, I think, repeated here today. But perhaps it is not Order-in-Council but it was indicated publicly what the amount was at the time of the appointment. The Act does state that it is a joint appointment of the board and the government.

**MR. WALDING:** Mr. Chairman, the Minister will have the opportunity to review Hansard and the actual circumstances, because I know that he would not like to mislead the committee.

Another answer that was given by Mr. Kristjanson as to the salary of Mr. Blachford, he indicated to the committee that Mr. Blachford's salary was \$62,000 a year. I would like to refer to a document tabled at

the committee last year by the acting chairman of Hydro. which was a summary of remuneration and benefits paid to Mr. Blachford. The base salary at that time was \$65,000 per annum, indicated that it was to be adjusted annually by agreement between Manitoba Hydro and Mr. Blachford. I would like to ask Mr. Kristjanson now if he can indicate that Mr. Blachford's salary has been reduced by \$3,000 a year?

**MR. KRISTJANSON:** The base salary is \$65,000; it has not been adjusted downward.

**MR. WALDING:** So the figure of \$62,000 you gave to the committee was not true?

**MR. KRISTJANSON:** The figure I gave you of \$62,000, that was my recollection. Mr. Blachford has corrected me and says the base salary is \$65,000 and I apologize for that.

**MR. WALDING:** So the figure of \$62,000 is not correct?

**MR. KRISTJANSON:** That's correct.

**MR. WALDING:** So if I hadn't happened to have to this paper with me and recalled from last year, then that misinformation would have stayed on the record?

**MR. KRISTJANSON:** Thank you for correcting it.

**MR. WALDING:** Thank you. Mr. Chairman, to move to a different topic, it was announced this morning that Manitoba Hydro has a new director of public relations. I believe that is the title of Mr. Prior. When did Mr. Prior begin his duties with Hydro?

**MR. CHAIRMAN:** Is that a question to Mr. Kristjanson or Mr. Blachford?

**MR. WALDING:** Mr. Kristjanson.

**MR. KRISTJANSON:** I believe he started yesterday, or the day before yesterday.

**MR. WALDING:** Can you tell me when the position was advertised and in which newspapers did the advertisement appear?

**MR. KRISTJANSON:** I believe the position was advertised before I became associated with Hydro. I'm sorry, I can't tell you the dates or the papers in which it was advertised.

**MR. WALDING:** The reason I ask is that I can't recall seeing any ads in the local papers for the position. Can you or someone in the staff confirm to me that the position was advertised locally?

**MR. BLACHFORD:** It was advertised locally, yes.

**MR. WALDING:** Was it also advertised in newspapers outside the province?

**MR. BLACHFORD:** Yes, it was.

**MR. WALDING:** I understand Mr. Prior came from another province to take up this position. Don't we

have any experienced and capable people in Manitoba who could do the job?

**MR. BLACHFORD:** We thought there were not, those who showed an interest, in any case.

**MR. WALDING:** Pardon me?

**MR. BLACHFORD:** We thought there were not, of those who we interviewed and looked at.

**MR. WALDING:** But you did get some replies to your advertisement from Manitobans?

**MR. BLACHFORD:** Yes, we did.

**MR. WALDING:** I have a little card put out by Manitoba Hydro Public Relations, indicating that there is a Don Comstock, Information Officer, and a Lloyd Piper, Manager, Public and Municipal Relations, and phone numbers given for both of them. Was there consideration given to promoting either of those two people to the position?

**MR. BLACHFORD:** Yes, there was.

**MR. WALDING:** Can I ask, then, whether Mr. Prior's position is senior to these two persons and will they continue in their same positions as they are presently?

**MR. BLACHFORD:** His position is senior, and they are expected to continue in their positions, yes.

**MR. WALDING:** I see. Thank you. Can we get some indications of present water conditions for this year and what the forecasts are? To expand a little bit, do you see this being a drought year similar to last year? How does it qualify as to other years at this time?

**MR. BLACHFORD:** This winter, to date, has produced very low amounts of precipitation over the Winnipeg and Saskatchewan River drainage basins, so it has all indications of a drought, possibly similar to last year, and measures are being taken to take this into account in operating the system over the next 12 months. In fact, we have already taken action to assure that the Manitoba load will be assured during next winter.

**MR. WALDING:** Are you presently holding water in Lake Winnipeg?

**MR. BLACHFORD:** Yes, we are.

**MR. WALDING:** We were given a figure last year of the value of Lake Winnipeg Regulation, at least the estimated value as of early June, recognizing it to be a drought year. Subsequent to that, there was a considerable amount of precipitation. The value of Lake Winnipeg Regulation was calculated by your engineers, at that time, as of approximately \$34 million. I wonder if you have an update of that figure for that year and is it still at that figure, or something else?

**MR. BLACHFORD:** The figure now we've estimated the last month as just slightly over \$20 million, as compared to the \$34 million you cite.

**MR. WALDING:** The difference being, I presume, the amount of rainfall for last year?

**MR. BLACHFORD:** That's correct.

**MR. WALDING:** What can you report to us as to the performance of Jenpeg in its first full year of operation?

**MR. BLACHFORD:** From what point of view, Mr. Walding? It has operated satisfactorily over the year.

**MR. WALDING:** Is it meeting its design specifications?

**MR. BLACHFORD:** Yes.

**MR. WALDING:** You are getting out of each generator the amount that it was rated at more or less?

**MR. BLACHFORD:** Yes, we are.

**MR. WALDING:** We were told perhaps a couple of years ago that in fact the generators there were operating at even above design capacity. Has that been found to still be the case?

**MR. BLACHFORD:** They can be operated above the original design capacity, yes.

**MR. WALDING:** They can be or they are?

**MR. BLACHFORD:** They can be.

**MR. WALDING:** Under what conditions would you operate them at above design capacity?

**MR. BLACHFORD:** When you have a higher head than the head for which they were specifically designed, you can operate them at a higher outlet.

**MR. WALDING:** Can you give me an indication as to the percentage of higher capacity that they could be operated at?

**MR. BLACHFORD:** I will find out for you, Mr. Walding.

**MR. WALDING:** Are we talking of one or two percent or ten, 20 percent?

**MR. BLACHFORD:** It's higher than one or two percent.

**MR. WALDING:** Can you give us an indication of the annual cost of Jenpeg and what this would work out for power on a cost per kilowatt hour?

**MR. BLACHFORD:** You had the number last year of 30.54 mills per kilowatt hour, somewhere in that order.

**MR. WALDING:** I think more like 21.

**MR. BLACHFORD:** A similar estimate to compare with that for this year is 33.25 mills per kilowatt hour at the generating station.

**MR. WALDING:** That's based on an annual cost of Jenpeg itself of what?

**MR. BLACHFORD:** The annual cost of Jenpeg for this fiscal year just past is estimated at \$19 million.

**MR. WALDING:** I would like to ask a couple of questions on the load growth forecast and you make mention of it in your report, Mr. Blachford. I notice considerable variation over the last few years according to the annual report and it was up by something like 4 percent this year, as opposed to a decrease the previous year. I wonder if I can find the figures — year ending 1981 plus 4 percent as opposed to a minus one percent the year before and plus 3.8 the year before that, going back to some 10 percent plus in the early Seventies. Can you give us an indication of how this very key indicator is worked out? I assume it's not worked out on a year-to-year basis, there is more calculation than that goes into it.

**MR. BLACHFORD:** Yes, there's a quite formal methodology at arriving at this but the basic data is, of course, the actual that has occurred over the previous years. In addition to this, the load forecasting people go out to the regions around Manitoba and learn from them what is happening in the province in the way of industrial activity and what might be connected to the line in the following year or the following years and this is worked into the methodology to arrive at what we consider to be at least a temporary load growth forecast based on the best estimates available at that time.

**MR. WALDING:** Do your rate setting estimating people come up with a year-by-year forecast or a five-year plan or ten-year plan?

**MR. BLACHFORD:** They run the forecast out to 21 years, and just to complement your data the 21 years works out to an average of about 3.4 percent including the year just passed.

**MR. WALDING:** Can you give us an indication of how accurate you've been over the last, say three, five, years?

**MR. BLACHFORD:** I guess over the last five years we've been high. The forecast has been high and if one looks at the history of it, our estimates have been scaled down in, I believe, each of the last approximately five years. As I indicated this is currently being studied for the forecast to come out about the middle of this year.

**MR. WALDING:** Can you give us the forecast figures over the last few years showing how the forecasts have been reduced?

**MR. BLACHFORD:** If you would like that information, I can get it for you, yes. I don't have it with me.

**MR. WALDING:** Can you truly say for the next five years what the forecast is?

**MR. BLACHFORD:** How about the next ten years? It's 3.9 percent.

**MR. WALDING:** You mentioned that in your report. I am asking for five years. Is it the same or are you seeing sort of a curve . . .

**MR. BLACHFORD:** No, it will be higher. The reason it will be higher is that Hudson Bay Mining and Smelting Company is coming on the line this year and it distorts the curve.

**MR. WALDING:** That's the 100 megawatts?

**MR. BLACHFORD:** Yes, approximately.

**MR. WALDING:** So you would expect for the first five years to average something above 4 percent and dropping down to average 3.9 for the next ten years?

**MR. BLACHFORD:** 1980-81 was estimated at 1 percent; 1981-82 because of Hudson Bay Mining and Smelting Company . . .

**MR. WALDING:** I'm sorry, can you just give me a minute to jot those figures down?

**MR. BLACHFORD:** The year just ended, 1 percent. The year ending 1982, 9.6 percent, includes the Hudson Bay Mining and Smelting Company, and the following years are 3.9, 3.8, 3.7, 3.8, and that will give you the five years.

**MR. CHAIRMAN:** Perhaps I can stop you, Mr. Walding.

The hour being 12:30, I will have Committee rise at this time, and mention that we will meet tomorrow (Friday) at 2:00 p.m.

Committee Rise.