



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

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

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40 Elizabeth II

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*Chairman  
Mr. Leonard Evans  
Constituency of Brandon East*



**VOL. XL No. 4 - 8 p.m., WEDNESDAY, APRIL 3, 1991**



**MANITOBA LEGISLATIVE ASSEMBLY  
Thirty-Fifth Legislature**

**Members, Constituencies and Political Affiliation**

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

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

**Wednesday, April 3, 1991**

**TIME — 8 p.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Ben Sveinson (La Verendrye)**

**ATTENDANCE - 10 — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Downey, Enns, Gilleshammer, Neufeld

Messrs. Carr, Cheema, Hickes, Rose, Storie, Sveinson

**APPEARING:**

Hon. Mr. Derkach, MLA for Roblin-Russell

Hon. Mr. Findlay, MLA for Springfield

R. B. Brennan, President and Chief Executive Officer, Manitoba Hydro-Electric Board

J. S. McCallum, Vice-Chairman, Manitoba Hydro-Electric Board

R. O. Lambert, Executive Vice-President, Manitoba Hydro-Electric Board

**MATTERS UNDER DISCUSSION:**

Manitoba Hydro-Electric Board Annual Report for the year ended March 31, 1990.

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**Clerk of Committees (Ms. Bonnie Greschuk):** Will the committee please come to order? We must proceed to elect a Chairperson for the Standing Committee on Public Utilities and Natural Resources. Are there any nominations?

**Hon. Harold Gilleshammer (Minister of Family Services):** Mr. Sveinson.

**Madam Clerk:** Mr. Gilleshammer has nominated Mr. Sveinson. Are there any other nominations? Since there are no other nominations, will Mr. Sveinson please take the Chair?

**Mr. Chairman:** I call the Standing Committee on Public Utilities and Natural Resources to order to consider the Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ended

March 31, 1990. I would invite the honourable minister to make his opening statement with regard to the Manitoba Hydro-Electric Board and to introduce the staff present here today.

**Hon. Harold Neufeld (Minister of Energy and Mines):** A number of events have transpired since the committee last convened in December of 1990 to review the Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 1989. Since then we have received endorsement of the Public Utilities Board of the capital development plans for major generation and transmission facilities. Manitoba Hydro applied for environmental licences to proceed with the construction of Conawapa Generating Station and the Bipole III transmission line. At the time of applying for the licences it was anticipated that the environmental review process would be completed by late 1991. It would now appear, however, that the obtaining of the environmental licences and approvals will be delayed until about January, 1993, which is more than one year later than was originally thought to be achievable.

\* (2005)

The delay in obtaining environmental licences is acceptable to Manitoba Hydro as the corporation has reassessed its forecast loads and resource options and has tentatively concluded that the first power in-service dates for Conawapa Generating Station could be deferred by one year—

**Point of Order**

**Mr. James Carr (Crescentwood):** A point of order, Mr. Chair.

**Mr. Chairman:** What is your point of order, Mr. Carr?

**Mr. Carr:** Does the minister have a written copy of his statement?

**Mr. Neufeld:** I do not have a copy of it, no. I will provide you with a copy.

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**Mr. Chairman:** Continue, Mr. Minister.

**Mr. Neufeld:** —to the year 2001. Manitoba Hydro predicts that the combination of a reduced forecast of economic growth and increased peak-load reductions through demand-side management programs will result in lower electricity demand throughout the forecast period. The corporation also expects that ongoing studies will demonstrate that the useful life of units 1 to 4 at the Brandon thermal plant can be extended by at least five years beyond the original expected retirement date in the year 2000.

With respect to demand-side management, Manitoba Hydro has engaged a consultant and is conducting a comprehensive study of demand-side management potential in Manitoba. On the basis of the information compiled to date, it is reasonable to expect that the preliminary target of 100 megawatts of demand will be increased. The final report, which will be completed in the fall of this year, will establish new TSM targets and will identify the programs that will be initiated to attain those targets.

Another event which will have an impact on Manitoba Hydro is the decision of the Public Utilities Board to reduce the applied-for rate increase from an overall average increase of 4.5 percent to 3.5 percent effective April 1, 1991. This will reduce the projected revenues of the corporation by some \$6.1 million for the fiscal year end 1991-92. As a consequence, net income will be reduced to a projected amount of \$16.2 million in that fiscal year.

Effective December 31, 1990, Mr. Brian Ransom resigned from the position of chairman of the Manitoba Hydro-Electric Board. Mr. Ransom served the interests of electricity consumers of Manitoba well during his two-and-a-half-year tenure, and I would like to take this opportunity to acknowledge his significant contributions.

We are indeed fortunate in having as a new chairman of the Manitoba Hydro-Electric Board, Mr. John S. McCallum. Professor McCallum first joined the Hydro Board as vice-chairman in June of 1988 and brings to his new role an impressive background of expertise and experience. I would at this time like to introduce Mr. McCallum, chairman of the board, president and CEO of Manitoba Hydro, Mr. Bob Brennan, and executive vice-president of the corporation, Mr. Ralph Lambert. That concludes my remarks.

**Mr. Chairman:** Thank you, Mr. Minister. Does the official opposition critic have any opening statements.

**Mr. George Hickes (Point Douglas):** I just welcome this opportunity to get further information for myself and, first of all, I would like to congratulate Mr. McCallum as the new chairperson for Hydro. Some of the questions that we will be asking are of the delay of the environmental licence and the reason for, why, and for how long. Also, as we know that revenues from Hydro are generated in northern Manitoba, what are the benefits to northern individuals? Also, when we talk about energy by Hydro compared to other, like thermal, nuclear plants and stuff, we know that it is a clean form of energy. I know as my party, the NDP, we have always supported construction and opportunities for employment for northern Manitobans as long as it is done in an environmentally friendly way. So we will be raising those kinds of questions. I look forward to this evening.

**Mr. Chairman:** Thank you, Mr. Hickes. Does the critic of the second opposition have any opening comments?

**Mr. Carr:** Thank you, Mr. Chair. Let me begin by congratulating Mr. McCallum on his appointment to become the chairperson of Manitoba Hydro. He has lots of experience and we wish him well in his new responsibilities. Let me also, maybe on an uncharacteristically positive note, congratulate the minister and the government in the way in which they handled this appointment. I understand that there has been an arrangement made with the University of Manitoba, and that the costs to the government of sustaining the chair will be much less than they had been up until this point. The government has at the same time saved money and, I think, restored a sense of efficiency to the process.

We will be wanting to question the corporation closely on five or six different areas. One, of course, is the Conawapa project. We are still interested in knowing the funds that have been committed to date. We will specifically want to know how much money has been spent on the road to the Conawapa site and in the site preparation plans. We will want to know about the environmental impact assessments and what effect delay of that assessment will have on Hydro's planning.

\* (2010)

As always, we are interested in the whole issue of contingent liabilities. We know, from an analysis of the corporation's history of trying to determine what its contingent liabilities will be, that projections are not always equivalent to real costs. We had that debate at some length at the last committee meeting. Mr. McCallum was not here, but perhaps he has read Hansard. We brought up the issue of projections for the Grand Rapids project, Lake Winnipeg regulation, and we are interested in knowing just what the projections are for the Conawapa project, both the site itself and Bipole III and the construction of Bipole III.

We are interested in also discussing some general issues that affect the government, and through the government Crown corporation, that would be salaries in the corporation, affirmative action programs, how women are proceeding in management positions, and a whole range of employment practices.

We will also want to talk about the issue of energy conservation. Manitoba does not have a very happy record in this regard. Between 1981 and 1988 there, of course, were no targets for energy conservation. We are doing a little better now. We will want to ask the corporation about the consultant that has been hired, what the projections are, and just to what extent the corporation has committed itself to demand-side management.

Through analysis of how other utilities have done across the country, in particular, Ontario and B.C.—I know that Manitoba Hydro is interested in the Power Smart program. We will want an update on whether or not Manitoba is joining the national effort that has been initiated out of British Columbia and a number of other issues, but I do not want to take the time of the committee by making long speeches, so I will stop now and look forward to the questioning. Thank you, Mr. Chairman.

**Mr. Chairman:** Thank you, Mr. Carr. I would appreciate some guidance from the committee. Will you consider the report page by page or otherwise?

**Some Honourable Members:** Otherwise.

**Mr. Chairman:** Otherwise. I would like to remind all members that the business before this committee is the Annual Report for the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 1990. I would also urge all members to keep their questions relevant to the business contained within this report.

Mr. Hickes, would you like to open it?

**Mr. Hickes:** I would like to get some information for the delay of the environmental licence until 1993, the reason for, and how you came about deciding to delay until 1993.

**Mr. Neufeld:** The reason for the delay, of course, is that it is the schedule that has been put forward by the environmental departments of the federal government and the departments of the Manitoba government. They are the ones who set up the schedule, and they are the ones who are giving us the timetable for the hearings and for the end result, which is the licence.

**Mr. Hickes:** Can we get a copy of that timetable?

**Mr. R. B. Brennan, President and Chief Executive Officer, Manitoba Hydro-Electric Board:** That has publicly been released. It is a draft schedule, as I understand it, from the federal and provincial departments of the environment. We can get you a copy, though, for sure.

**Mr. Hickes:** Or if you can, just give us an outline of the schedule.

**Mr. Brennan:** The schedule presently provides for a panel to be appointed by the middle of May, I believe, and from there, there is a period of time that will result in a licence in the spring of 1993.

**Mr. Hickes:** Has there been any consultation with northern communities and the bands and stuff as part of this whole environmental impact study?

**Mr. Brennan:** Yes. First of all, this schedule provides for a consultation in the process of—a series of consultation processes. In addition to that, Manitoba Hydro, as part of our development of environmental impact assessments, also have consulted with the various communities.

**Mr. Hickes:** Could you tell which communities you have consulted with?

**Mr. Brennan:** I would have to provide a list of those, but almost all communities that would be affected in any way, certainly for those that are associated with the east side route. The alternate route on the west side, the consultation is just starting now, as I understand.

**Mr. Hickes:** Could you tell us what is the reaction from aboriginal community leaders in the communities from the east side who you have consulted with?

**Mr. Brennan:** I think in terms of the projects themselves, they have a concern to ensure that they get some share of the economic benefit associated

with the project. That appears to be their main concern.

**Mr. Hickes:** When you say that their concern seems to be the economic benefits, is there anything that has been negotiated with the communities to ensure that the aboriginals do get a share of the jobs and the training opportunities?

\* (2015)

**Mr. Brennan:** We have not at this point. We were proposing to do it on a contract-by-contract basis. We have started the road construction at this point, and we have done some preliminary work on the construction power line into Conawapa. In both cases, aboriginal people are involved in the clearing of those two jobs, and they are working out very, very well.

**Mr. Hickes:** You say that the aboriginals are participating in the clearing and the construction of the road. Is that as a direct contract or is that as employees of Manitoba Hydro?

**Mr. Brennan:** In one case they are subcontracted to another contractor, in the case of the road. In the case of the transmission line, they are a contractor to Manitoba Hydro.

**Mr. Hickes:** Could you tell us who the contractor is and which communities or bands are the subcontractors?

**Mr. Brennan:** In the case of the construction line power, the Fox Lake band is the contractor. In the case of the road, the subcontractor is the Nelson House band.

**Mr. Hickes:** Could you tell us the value of those contracts?

**Mr. Brennan:** We will provide those for you, Mr. Hickes.

**Mr. Hickes:** In those contracts, is there any stipulation where there is guidelines or anything to follow as part of the Northern Preferential Hiring Clause, or do these contractors have the free will to hire whomever they wish?

**Mr. Brennan:** Both contracts are covered by the Burntwood-Nelson Agreement.

**Mr. Carr:** Let me just pick up on where my colleague left off, some questions on the timetable of the environmental assessment process. I remember the schedule in the contract with Ontario Hydro, wherein a series of penalties kick in should there be any reason to withdraw from the contractual

arrangement, and that began on January 1st, 1991, the effective date of the contract.

If my memory serves me correctly, at the end of 1991, the penalty for withdrawal was \$50 million?

**Mr. Brennan:** That sounds right, Mr. Carr.

**Mr. Chalman:** Mr. Carr, you are asking a question, I assume.

**Mr. Carr:** I am not sure. I did not bring that with me. It seems to me that—

**Mr. Brennan:** It sounds right Mr. Carr. Mr. Lambert is going to check it.

\* (2020)

**Mr. Carr:** Good. Now I am interested in looking ahead to what the exposure will be to Manitoba Hydro, given the extension of the environmental review process. That means that should the environmental process be negative, the exposure to Manitoba Hydro will therefore be substantially greater than it otherwise would have been. Could the president tell the committee what the penalty clause states for January 1993 when the environmental review process is expected to be complete?

**Mr. Brennan:** In December '92, it is \$80 million.

**Mr. Carr:** Eighty million. Okay. I am also interested in the projections of the corporation and what it intends to spend on preparation.

We had a little trouble last time, as Mr. Brennan will remember, trying to tie the figure down. Maybe some of it was my fault, maybe I could not get the numbers straight, but given that we are now working with a new date, what does the corporation intend to spend on the Conawapa project from its inception? When I say its inception, I mean monies that have already been committed to January 1993, which is the expected time of the environmental process to be completed.

**Mr. Brennan:** You are right, Mr. Carr, we did have trouble with this the last time. I am not sure if it was your fault or my fault or both our faults, but we definitely had trouble with this. I provided a summary to you at the last one and hopefully that helped somewhat. I am not sure.

At this point, we have spent up to date \$43 million on all our exploratory work up to the beginning of this fiscal year. In addition to that, we are proposing to complete our planning and exploration work up to March of '92 for a total of \$36.1 million. We are also proposing at this point to complete the access road

and the construction power line of approximately \$31 million—\$30.8 million.

**Mr. Carr:** If you would not mind, please be so kind as to just total all that up for me by January of 1993.

**Mr. Brennan:** My accountant just told me it is \$110 million.

**Mr. Carr:** Added to the \$110 million would be the \$80 million of penalty in the contract?

**Mr. Brennan:** The \$80 million is the maximum amount Manitoba Hydro would have to pay Ontario, and at this point Ontario has not spent any money on actual construction.

**Mr. Carr:** But the maximum potential exposure for Manitoba Hydro would then be \$190 million before the environmental approvals were complete, is that correct?

**Mr. Brennan:** I will learn this yet. Yes, that assumes, of course, we back right out.

**Mr. Carr:** Okay, I am going to leave that for now and move on to something else. I would like to ask the chairman some questions, if I could, about corporate structure. I am particularly interested in the relationships between the government, the corporation, the Crown Corporations Council and the Manitoba Energy Authority.

The chairman may not know this, but our party has introduced a private member's bill that repeals The Manitoba Energy Authority Act because we do not think we need the Manitoba Energy Authority. I would be very interested in knowing if the chairman, through his experience, believes that the Manitoba Energy Authority serves a purpose for Manitobans and if he can outline for us the nature of the corporate relationship between himself as chairman of Manitoba Hydro and—are you now also chairman of the Manitoba Energy Authority? Maybe that should be my first question.

**Mr. John McCallum (Chairman, Manitoba Hydro-Electric Board):** It is a relationship with myself. I am also the chairman of the Manitoba Energy Authority, that is correct.

**Mr. Carr:** How is the relationship going?

**Mr. McCallum:** Excellent.

**Mr. Carr:** Please answer the second question, the pith of my remarks.

**Mr. McCallum:** In terms of the relationship between the chairman of Hydro, the government, the Energy Authority and the Crown Corporations

Council, I relate to the minister, keep the minister informed of board activities, what is going on, that type of thing.

The Energy Authority, as I understand it, was established in part to manage conservation, to have a group that would be responsible for managing potential energy shortages. I think that was the original idea of it. It goes back a number of years to the oil crisis, I think, in '73 or '75—Is that right, Harold?

**Mr. Neufeld:** That was partially it, but as well I believe it was established to at least aid in sales of Manitoba Hydro electricity.

**Mr. McCallum:** The other notion of it was that Manitoba was blessed with energy resources, particularly hydro-electric energy resources, and that an institution like the Energy Authority could be useful in searching out, even generating, economic activity that would be energy intensive. They see that as part of their role.

\* (2025)

I serve on the Board of the Energy Authority and have since 1988. We have been involved in studying a couple of those kinds of issues. An aluminum smelter, for example, was looked at and what is going on at Selkirk with Dow Corning and so on.

I believe that the tasks that are done by the Energy Authority need to be done. In other words, when you have this kind of a resource and when it is a public resource, there is going to need to be a public instrument to search out the energy-intensive industries that we can capitalize on, create jobs with and create economic activity with and so on. As to whether that could be done somewhere else, I do not have a strong view of it.

I had advice before I came here tonight that when you do not know, you should say so, and you should not continue on. I think it is good advice for class, and it is probably good for here as well. I do not know. I think it is very important that the activity be done, that there is a resource that is valuable. We are in a highly competitive world where people are aggressively marketing these kinds of resources. It needs to be done. Where the best place to do it is, I have not investigated.

I also think that there is the potential for energy crisis in the world and that Manitobans face that kind of thing, so having an organized group that can deal with supply management, should it be necessary, is

desirable as well. Again, whether it needs to be there, that is another issue.

In terms of the Crown Corporations Council, my first real involvement with them is what, next week? We are going over. So I have not related to them at all other than having lunch with Mr. Emerson and that type of thing.

**Mr. Hickes:** I would just like to go back a bit to the consultation with the aboriginal bands and communities and the aboriginal leaders. Has there been a report done on this? Is there a formal report, or something that is in writing, of the results of those meetings?

**Mr. Brennan:** We probably have internal notes as a result of what took place and what sort of follow-ups we would have to do. You know, if some community said they were concerned about this or that, we would have internal notes on that. I am not sure if they are co-ordinated into a report. I do not think they are.

**Mr. Neufeld:** I think Mr. Hickes should understand that as negotiations take place with the bands, it would be imprudent at best for Manitoba Hydro to divulge the details of those discussions. As they are completed, they will be made public, but I think it is important that discussions are kept between the two parties that are negotiating, rather than go public with them.

**Mr. Hickes:** The reason I was asking is, in your statement you mentioned that consultation had taken place with communities along the east side of the lake, and I was just wondering what the results were of your meetings with the bands and if it was positive or negative because, you know, we are looking at Bipole III going somewhere. I am just wondering what the reaction of the community is to that.

\* (2030)

**Mr. Brennan:** Certainly the general view is a very positive view of the project itself. They clearly have concerns about sharing in the economic benefits, though, and that appears to be almost universal.

**Mr. Hickes:** Further to that, I was just wondering when you are meeting with the community leaders and the aboriginal communities, have there been any discussions about a road coming through the communities or for the communities?

**Mr. Brennan:** We have not had any discussions with the communities about a road. The road is not something that Manitoba Hydro would advance.

**Mr. Hickes:** How about in the meetings with communities? Was there anything to do with the environment that was stressed as concern or worrisome for some of the community leaders? I am talking more about the hunting and the fishing and the whole environment that you will be disrupting in those areas.

**Mr. Brennan:** I am sure that in most—there would certainly be discussions about that. I was not made aware of any major concerns in that area though.

**Mr. Hickes:** Would the opportunity for employment be for members of those communities when you are working on that Bipole III with those communities? Have there been any discussions with the communities that will be directly involved either contracting or subcontracting as part of the whole putting up the line and setting the towers?

**Mr. Brennan:** Manitoba Hydro is presently reviewing all its policies to see what we can do as it relates to the actual contracts associated with that project to ensure that there is maximum aboriginal employment on the job. In addition to that, we are also looking at what has to be done to attract trained people and what type of skills are required to complete the job, so we are looking at it from two aspects, first of all, the type of contracts that aboriginal people and northern people generally can get involved in, as well as actual employment opportunities. In addition to that, we are looking at what Manitoba Hydro can do as a corporation itself to enhance the employment opportunities for aboriginal people.

**Mr. Hickes:** You say Hydro is looking at enhancing opportunities for aboriginal people. Are you also referring to training opportunities that will lead into employment opportunities for aboriginal people in those communities?

**Mr. Neufeld:** I think, Mr. Hickes, that you are aware that we have a committee of cabinet in subcommittees that are working towards the direction that you are now questioning. We are all in the interests of employing as many Northerners as possible. We are and Manitoba Hydro is working in that direction. You have to realize that we are at the very beginning of the process, and as you have already heard, the construction, the major parts of the construction, probably will not start until 1993.



We are assessing now through the Department of Education and Training the talents we have in the areas, after which they will be discussing—and I think they already are discussing with Manitoba Hydro the trades that will be necessary. At one point in time they will be necessary, so that the training can commence and have the trained people come out to the pipeline at the time they are necessary.

**Mr. Hickes:** I welcome that as good news, because I was involved in the previous training program. There were some positive things and also there were some negative things. Nothing was perfect. The reason I bring that awareness up is that one of the biggest mistakes that we made as a training agency was that we did not do enough training up front where people could slide into jobs. We did a lot of massive training. Now, with a lot of people who are at various different levels of their apprenticeship programs, is there or will there be in place an opportunity for the aboriginal individuals who require, say, 1,000 hours here, 900 hours there to continue with their apprenticeship programs?

**Mr. Neufeld:** I think I should say, first of all, that the first thing we did, we assessed the program that had been in place in the previous development, took from that what we considered to be the best points, and made certain that we would not fall into the same pitfalls that were fallen into before. We have to admit that we have a greater lead time than the previous government had with Limestone, so we are hoping that we can bypass the pitfalls that were in the Limestone program. As far as providing the opportunity for apprentices to complete their program and become journeymen, I am certain that this is exactly what the Department of Education and Training is looking for to make certain that those are the first ones that are brought into the pipeline to finish their apprenticeship. That would seem to me the logical way to go. The minister is now no longer here, but I am sure that is a direction that he would like to go.

**Mr. Hickes:** I would just like to go back a bit. I notice on page 18 that Grand Rapids forebay, it says, will be under or has been under re-examination. Could you tell us the results of re-examining Grand Rapids forebay?

**Mr. Brennan:** Yes, Mr. Hickes. Manitoba Hydro commissioned a series or a group of consultants to look at the situation and just see if there are any outstanding obligations as a result of the project.

We reacted to those consultants' report and negotiated a settlement with the province and with the communities of Chemawawin-Easterville as well as the Moose Lake communities and settled that particular portion of it. We are still in discussions with Cormorant and the Grand Rapids area.

**Mr. Hickes:** Is that the settlement for Chemawawin and the communities that you have already settled with? Is that the final settlement for those communities?

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

**Mr. Hickes:** Going back to Bipole III, is Bipole III going on the east side of the lake?

**Mr. Brennan:** That is our proposal. We are also looking at an alternate route, but we would prefer to have it coming down the east side.

**Mr. Hickes:** Has there been any reaction by the communities that are on the east side of the lake? Has there been any reaction from them, whether positive or negative?

**Mr. Brennan:** For the most part, it has been relatively positive on the east side. Once again, I do have to stress that is mainly the aboriginal people, but there is concern for a share in the economic benefit of the project. That is a very strong concern.

**Mr. Carr:** I am intrigued by the minister's opening remarks. I am intrigued because we had very long debates in this committee about demand-side management and that the targets which had been set by Manitoba Hydro were very low. Mr. Ransom at the time, and I think the minister as well, and certainly members on the government side were lecturing us, ad nauseam I might say, about how irresponsible it would be to set targets that were not achievable. Now the minister in his opening statement says that 100 megawatts of demand and 500 gigawatt hours of energy as a target was low and will be increased.

The obvious question is: What has changed between the last time this committee met and tonight for Manitoba Hydro to be in a position to substantially increase the savings through its demand-side management program? Can the demand-side management program be detailed for members of the committee?

\* (2040)

**Mr. Neufeld:** Well, Mr. Carr, hindsight is 20-20. We have always said that we will endeavour to achieve a greater savings through demand-side

management, and as time goes by and as we get into the program, we may indeed find that we can achieve even greater savings, but I do not think it is prudent to set a target and base—you can set a target, that is one thing, but to base your future construction programs on that target is wrong.

I think we have to base our future construction programs on targets that we know we can achieve. We knew we could achieve the 100 megawatts. As time goes on, indeed, we may find that we can achieve greater targets, and as time goes on, we will change our program for the future. For the time being, we have to live with the construction program we feel we need, on the basis of projections we feel that we can achieve.

**Mr. Carr:** Mr. Chairman, the minister says in his opening remarks that you have tentatively concluded that the first power in-service date for the Conawapa Generating Station could be deferred by one year. So there has been a change in forecasting of one year since this committee last met, which happens to coincide with the necessity of conforming with the process of environmental review which is not going to be completed, we now learn, until January of 1993. So I want to know, and I would like to hear from the corporation, just exactly what has changed? Have there been specific programs in demand-side management that have been implemented by the corporation that enables the minister to come to this committee tonight and say that the power forecasting is off by one full year since the last time this committee met?

**Mr. Neufeld:** For one thing, Mr. Carr, I also indicated that the Brandon generating station's life could be lengthened by some four to five years. That in itself will give us sufficient energy to put forward the start-up date for Conawapa. Mr. Brennan can elaborate on that.

**Mr. Brennan:** We are short in capacity, not energy at this point—capacity being megawatts and not gigawatt hours. With the Ontario sale built in, we think this combination of events, such as the four units of Brandon which is 132 megawatts by itself just dropping out of sequence, we think we can make them last longer, so it is 132 megawatts right off the bat. In addition to that, we identified for the Public Utilities Board, some additional capacity that we could get through demand-side management. We are not confident of all kinds of additional demand-side management capability, but we knew there was something we could get there, so we feel

we can count on something more than the 100. What it is, we do not know until such time as our study is completed this fall.

In addition to that, we also are looking at our load forecast which is revised annually, and we are just in the process of updating that. It looks like there is going to be a relatively dramatic change—I do not know if dramatic is the right word, but certainly there is going to be a change—and there will be a reduction. We feel those combinations can allow us to defer it by one year. Now, having said that, we have not taken it to the board of Manitoba Hydro yet, but it looks like we will be shortly.

**Mr. Carr:** Well, Mr. Chairman, this is good news and we are glad to hear it, but I am still wanting to know what has changed since the last time we had this discussion. Did you not know the Brandon situation six months ago? Did you not know about load forecasting six months ago? What is different today than six months ago, specifically?

**Mr. Brennan:** Probably the load forecast would be the biggest thing for sure that we did not know. We did not know to what extent we are going to count on additional demand-side management, but having said that, we identified potential capacity-related programs that could probably get us in excess of 100 megawatts. The main change, I would think, is the load forecast by itself. Having said that, we would now propose to take advantage of the possible extension of Brandon, which we were not really planning to do. It was an option that we could look at in the future, whether we wanted to extend it or not.

**Mr. Carr:** Mr. Chairman, are demand-side management programs on hold in the corporation now, pending the consultant's report, or is the corporation on its own before the consultant submits his report to Hydro, embarking on some well-established programs of demand-side management which have been implemented successfully in other jurisdictions?

**Mr. Brennan:** Yes, we, of course, went through our block-heater timer program this year again. We are also proposing to get into an energy-efficient shower-head program. We are also proposing to get into a conversion program over a five-year period of all our mercury-vapour and incandescent street lights in the province. That is a major program. All our sentinel lights, the farmyard lights, we are proposing to convert those to high-pressure

sodium. There are other smaller programs, but those are the main ones.

In addition to that, Mr. Carr, we are proposing to join Power Smart. We already have sent the letter now that we will be a member—(interjection)-

**Mr. Carr:** I had the pleasure, as the president probably knows, of visiting with the Power Smart people in British Columbia. There was a remarkable statistic that came out of that meeting. Before Power Smart in British Columbia, 12 percent of all new refrigerators purchased were energy efficient. Now 80 percent are, only three years into the Power Smart program. I thought that was an astounding statistic.

People in British Columbia, the man and the woman on the street, have an awareness of the program and are taking advantage of it. It has become very much a part of the culture there in British Columbia. I am glad to hear that Manitoba Hydro is joining Power Smart. It is a good idea. It is an expenditure that is well worthwhile. I would encourage the corporation to be yet more aggressive in its implementation. I know it is new, and whenever you try something new, you have to iron out the wrinkles. Sometimes you break old habits, but it has proved to be enormously successful in other jurisdictions, and I would encourage the corporation to continue on the path it seems to be on.

**Mr. Hickes:** I would just like to briefly touch on the Northern Flood Agreements. Have they all been settled?

**Mr. Brennan:** No, we have outstanding obligations associated with the Northern Flood Agreement as do Manitoba and Canada.

**Mr. Hickes:** Could you tell us how many bands are involved in that? I presume there are five bands?

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

**Mr. Hickes:** Have any of the bands come to an agreement yet?

**Mr. Brennan:** As we discussed previously, we entered into a global negotiation process with the five bands where all parties to the agreement entered into this process. The process did not prove successful, and it subsequently folded. Subsequent to that, one of the communities involved in the Northern Flood Agreement is in the process of negotiating with the three parties for a

complete settlement for its particular operation. Those negotiations are ongoing.

**Mr. Hickes:** Could you tell us which band that is?

**Mr. Brennan:** Split Lake.

**Mr. Hickes:** Could you maybe tell us about South Indian Lake? As far as I know, they have a recreational claim. Has that been settled, or is that contained in the agreement?

**Mr. Brennan:** We are presently in negotiations with the community of South Indian Lake. We are hopeful of concluding a settlement with them.

**Mr. Hickes:** Could you tell us how much that settlement is worth?

\* (2050)

**Mr. Neufeld:** I do not think we should discuss negotiations that are ongoing. There is obviously a request from the bands, and there is an offer from Manitoba Hydro, but I do not think we should discuss publicly at what level that may be settled.

**Mr. Hickes:** I was reading in the report on page 13 where there are lines being built to various communities to Garden Hill, Gods Lake Narrows, Gods River, Oxford House, Red Sucker Lake, St. Theresa, Waasagomach. These are direct lines into the communities, I presume. Is that correct?

**Mr. Brennan:** Could you repeat the question, Mr. Hickes?

**Mr. Hickes:** There are various communities that are getting direct power into those communities. There are Garden Hill, Gods Lake Narrows, Gods River, Oxford House, Red Sucker Lake, St. Theresa Point and Waasagomach. Are they getting direct power into those communities?

**Mr. Brennan:** We are negotiating an agreement with the three parties. The Province of Manitoba, it is my understanding, has agreed to the cost-sharing arrangement. The Manitoba Hydro board has and the Government of Canada has not at this point.

**Mr. Hickes:** So there is no work being done in order to bring the line into those communities as of today?

**Mr. Brennan:** We are in the process of building a distribution line in one of the communities now. That is part of the normal requirements of the community. In addition to that, we are doing design work on the facility in a cost-sharing arrangement with the other two parties. In addition to that, we are talking to the communities as to how they can share

in the economic benefits associated with building that facility.

**Mr. Hickes:** The community of Island Lake and Garden Hill, is that the community that you are talking about as work being done for that line?

**Mr. Brennan:** St. Theresa and Waasagomach.

**Mr. Hickes:** The contract for that project, could you tell us who the contractor is?

**Mr. Brennan:** I believe the only thing we have done outside of Manitoba Hydro, of course, is clearing, and that is with the local communities.

**Mr. Hickes:** So the clearing for that is contracted out to the local community. Is that correct?

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

**Mr. Hickes:** The reason I asked is I was just up there a couple of weeks ago, and I was staying at the motel. There were quite a few construction workers there who were not of aboriginal ancestry that I could see. I was just wondering, if it is a local contractor, why they would be hiring outside individuals. That is why I raised that question. When I spoke to them, they said they were working on the line coming in.

**Mr. Brennan:** I believe those are Manitoba Hydro forces.

**Mr. Hickes:** So those are Manitoba employees who are working on the clearing of the line coming in?

**Mr. Brennan:** No. I will go back to the original part. The clearing was done by the communities themselves. I believe the actual distribution line construction has now commenced with Manitoba Hydro forces.

**Mr. Hickes:** Are there any local people hired for that phase of the work?

**Mr. Brennan:** I believe so.

**Mr. Hickes:** The other communities that are getting upgraded diesel generators, Brochet, Lac Brochet, Pikwitonei, Shamattawa, Tadoule Lake, and Thicket Portage, when will this take place?

**Mr. Brennan:** We made public a schedule a year ago. Subsequent to that, we have updated the schedule and I will have to provide it, but it is significantly advanced upon from the original schedule we had. I will provide that, Mr. Hickes.

**Mr. Hickes:** When we talk about upgrading lines or generating capacities to these communities, I am sure that we are all aware when you jump from 15

amp to 60 or whatever, there will be a lot of renovations done into the houses and the wiring and stuff for those communities. Is there anything in place to ensure that local people get the opportunity to either apprentice or get some formal training so that they could continue on with their apprenticeship programs, like for electrical?

**Mr. Brennan:** I believe that there is. Having said that, that is not Manitoba Hydro's responsibility. We only provide the distribution line in and connect the service once the individual looks after the service entrance to his facility.

**Mr. Hickes:** Once the line is into the community, it is up to the community to upgrade their electrical outlets and stuff to meet the capacity that is required there. Is that what you are saying?

**Mr. Neufeld:** I think what Mr. Brennan has said is the responsibility for upgrading the wiring, if it has to be done, for bringing in additional outlets, is the responsibility of the home owner and not the responsibility of Manitoba Hydro.

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

**Mr. Carr:** Who is building the road into the Conawapa site?

**Mr. Neufeld:** If you mean who is the contractor, it is contracted to Mulder Construction.

**Mr. Carr:** It is contracted to Mulder Construction?

**Mr. Neufeld:** Yes.

**Mr. Carr:** What is the value of the contract?

**Mr. Neufeld:** Approximately \$13 million.

**Mr. Carr:** Has there been any subcontracting by Mulder Construction of that contract?

**Mr. Neufeld:** There has been a subcontract to, I believe it is Nelson—

**Mr. Brennan:** North American Construction, I believe.

**Mr. Carr:** Out of what province does North American Construction operate?

**Mr. Neufeld:** Alberta.

**Mr. Carr:** What is the value of the subcontracting arrangement with North American Construction?

**Mr. Brennan:** I believe it is approximately 50 percent of the contract.

**Mr. Carr:** So somewhere in the neighbourhood of \$6 million or \$7 million of the contract to build the road into the Conawapa site has been subcontracted to an Alberta firm. What assurances

does the corporation have that the jobs associated with the construction of that road will stay in Manitoba?

**Mr. Brennan:** All contractors are obligated to follow the Burntwood-Nelson agreement which has preference clauses for aboriginal people and northern people and then Manitobans.

**Mr. Carr:** How about the management of the people who will be doing the work, the supervisory positions? Will they be from head office in Alberta, or would they go to Manitobans?

**Mr. Brennan:** I believe they would bring in some of their own people for sure. To what extent I am not sure, Mr. Carr.

**Mr. Carr:** Okay. How about maintenance and repair of equipment that is used to construct the road? Would those contracts go to the Alberta firm, or would they stay in Manitoba?

**Mr. Brennan:** Are you talking about the individuals who are repairing the vehicles?

**Mr. Carr:** I am talking about if one of the vehicles involved in road construction breaks down, who is going to repair it?

**Mr. Brennan:** I believe there are mechanics right there on the job.

**Mr. Carr:** Was the contract on Mulder Construction tendered?

**Mr. Brennan:** Yes. I should maybe put this in perspective. Manitoba Hydro had the Department of Highways for the province look after this particular contract for us, but they did tender it.

**Mr. Carr:** Why was there such a hurry to build the road into the Conawapa site, since we now know there will be no environmental approvals until January of 1993? What was the—

**Mr. Brennan:** I think, well, certainly, originally, we were working toward the 2000 date and our schedule required that, to have it in. In addition to that, we require the road in before we can do any work on the facility itself, including the camp and the cofferdam work.

\* (2100)

**Mr. Carr:** What is the status of the construction now, the road?

**Mr. Brennan:** It is coming along very nicely.

**Mr. Neufeld:** I just today saw a picture of it, Mr. Carr. It is a beautiful, smooth road.

**Mr. Carr:** I am surprised. Usually the minister goes south, not north. I think Mr. Brennan wanted to answer.

**Mr. Brennan:** The road will not be complete until next winter. It is going very well, it is still progressing very well.

**Mr. Carr:** I would like to ask some questions about construction and maintenance of pylons. There is a whole series of pylons which are strutting river banks, and normal spring run-off can cause significant bank erosion. In particular, there is a pylon about a mile and a quarter north of the perimeter in West St. Paul. There is a major east-west transmission line over the Red, and the pylon on the west side of the river is getting dangerously close to the river's edge. It appears not to be reinforced. Engineers specializing in soil conditions who inform us that there is cause for worry. Does the corporation have an inspection process in place for pylons in areas susceptible to erosion?

**Mr. Brennan:** Yes.

**Mr. Carr:** I cannot help but comment, Mr. Chairman, that the president is a man of few words. My journalistic experience tells me, when you get a one-word answer, you say would you explain it please.

**Mr. Brennan:** We have annual inspections of all our transmission lines, and it is a normal requirement to ensure that there are no problems associated with our facilities. In this particular instance, I will make sure it is re-examined though, but as far as I am concerned, we have -(inaudible)-

**Mr. Carr:** How often does Hydro inspect the pylons?

**Mr. Brennan:** I do not know what the actual maintenance program and inspection schedule is.

**Mr. Hickes:** I would just like to ask: In your report on page 15 it says, "In anticipation of future human resource requirements, 13 students from northern native communities participated in a summer work experience program of Line and Electrical Maintenance training." I would just like to get more information on that. Was it just strictly a training program?

**Mr. Brennan:** If I am relating to the same program which I think we are, it is a program whereby we use summer students in the summer, and it has worked

out very well. We have continued the program and we are doing it again this summer.

**Mr. Hickes:** You say a summer student. I know there are some training programs going on for aboriginal individuals in university, Red River Community College. Is that the area that you would recruit for these training spots in the summer?

**Mr. Brennan:** These programs are designed more to give young aboriginal people an opportunity to work with the corporation and to see what sort of career opportunities are available to them. In most cases, it is to provide summer employment as well as the ability to work with a large corporation.

**Mr. Hickes:** Is there a continuation of recruiting the same individuals for summer employment summer after summer, hopefully that they will be exposed and feel comfortable and eventually work for Hydro? I know personally from my past experiences and stuff, I would strongly encourage more aboriginals to be employed by Manitoba Hydro and other government agencies.

**Mr. Brennan:** We try to attract as many aboriginal people as we can, so certainly if somebody worked out very well in previous years and would want to come back, we would try to employ them if we could.

**Mr. Hickes:** I do not know if you would have this information, but the 13, are any of them aboriginal women who are employed for the summer?

**Mr. Brennan:** I believe so.

**Mr. Hickes:** You believe so?

**Mr. Brennan:** Yes.

**Mr. Hickes:** Okay. Just before I go, I would like to get some information on your fish hatchery. I was very interested when I was reading this. I know, spending most of my life in the north, some of the negative impacts of developing Hydro dams is that you do lose a lot of your fish population. I was very encouraged. This is the first time I had ever heard of this. In Grand Rapids, the fish hatchery, is that going according to schedule? Have some of the fish been released into various rivers or—

**Mr. Brennan:** It was an ongoing provincial program, and we assisted them in that process.

**Mr. Hickes:** Have there been actual fish released into some of those rivers?

**Mr. Brennan:** The province would be better able to talk about what they actually do with their fish, but I presume so.

**Mr. Jerry Storle (Flin Flon):** Mr. Chairperson, I am going to be moving around. It seems that we have taken a great deal of liberty with the questions.

First, I would like to start off with the question, I guess, to Mr. Brennan about Manitoba Hydro's preference with respect to a transmission line. It seems that there is an assumption right now, an assumption on the part of many people, that Bipole III is necessarily going to be in place on the east side of Lake Winnipeg. Is that, in fact, Manitoba Hydro's preference? Is that their expectation? Are there alternatives? Can you explain your position on this?

**Mr. Brennan:** It is very definitely our preference. Right now we have a major transmission line, a high voltage DC transmission line coming down on the west side. We would like to have a segregation just for reliability purposes alone, and the best way to get that segregation is to come down the east side.

**Mr. Storle:** Perhaps, then, I could ask Mr. Brennan or Mr. McCallum to separate out the expected, anticipated costs of the construction of Conawapa and Bipole III. Could we have those broken down, because we continue to hear the construction of Conawapa is a \$5.5 billion project, which I think is way out of line? I would like to know whether Manitoba Hydro has a more up-to-date expectation of what Conawapa itself, the generating station, would cost, given that Limestone was anticipated to cost between \$2 billion and \$3 billion and ended up costing \$1.52 billion. What is the most recent projection?

**Mr. Brennan:** Conawapa is projected at 4.1 with all the associated facilities, 4.1 billion and the transmission line 1.7.

**Mr. Storle:** I guess we get into the realm of subjectivity here, but I am wondering whether that is a pessimistic assumption, or perhaps somebody, the minister or someone, Mr. Brennan, could explain why a generating station of relatively equal size would be anticipated to cost two and a half times as much.

**Mr. Brennan:** The majority of it is inflation from the time Limestone was built.

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

It is my understanding that the majority of the plants we have in the Nelson in common dollars are all about the same, all the major plants starting with Kettle. They are all relatively close to being the same cost in common dollars.

\* (2110)

**Mr. Storie:** So if you look at constant dollars, if I understand, if you go back all the way up the Nelson, the 1.5 would equate to what it costs to develop Long Spruce and so forth. Just to continue my train of thought here, if the assumption is true, it would seem to me that since 1985, when construction commenced, to today, inflation certainly has not exceeded 25 or 30 percent. We are now talking about a construction of a project that looks to be in the magnitude of 100 or 250 percent, so I do not understand why simply accounting for inflation—or if you are holding dollars constant, you come out with an equivalency, because that does not seem logically to be the case.

**Mr. Brennan:** When we took a look at the size of the facilities and accounted for the different size of the units, the amount of concrete and that sort of situation—in Conawapa there is more concrete, as an example—it is a larger plant than, let us say, Long Spruce. When you account for those, it is a relatively constant price when you take a look at what actually goes into the facilities based on the size. That is my understanding. You will confirm that, Mr. Lambert?

**Mr. Storie:** I suppose it is wise to be cautious when you are making projections. I assume that this is the figure that was presented to the PUB, that this was the estimated cost, and they approved the construction plans based on these cost assumptions, and that if, in fact, it turns out that it is less expensive than anticipated, so much the better.

**Mr. Brennan:** We used our Limestone experience and adjusted for normal construction. When we went out for tenders associated with Limestone, they were in a period where we were able to achieve a very good contract, so we took it back to a normal base. Other than that, it is the same sort of situation. There is no doubt, though, interest and escalation rates make an awful lot of difference. The decrease in the price of Limestone came down almost \$500 million, I believe. It was nothing more than interest and escalation.

**Mr. Storie:** I guess we will leave the finances for the moment. I would like to go back to the question of the location of the line. I am not sure what Mr. Brennan meant by security. Obviously, even if you choose a western location, the west side of Lake Winnipeg, you can have separation. What kinds of

events are you trying to protect Manitoba Hydro consumers from?

**Mr. Brennan:** Major windstorms, ice storms, forest fires, that sort of thing.

**Mr. Storie:** I guess we have a bit of a history with forest fires and certainly lots of windstorms and ice storms. I am just wondering whether someone is doing the calculations to say, is that route absolutely essential? We have had a relatively secure supply without tampering with a new area of the province and creating, perhaps, unnecessary environmental concerns, et cetera. I am wondering, is this, perhaps, something that needs to be rethought? Other than security reasons, are there any other reasons why you could not build it along the west side of Lake Winnipeg?

**Mr. Brennan:** No, the cost is another consideration, of course. It is cheaper to come down the east side. In addition to that, there is this reliability consideration. In the last forest fires we had in Manitoba, we had to downgrade the capability of the line.

**Mr. Storie:** Forgive me, Mr. Acting Chairperson, if I remain a bit skeptical about the contention that it would be cheaper to build on the east side of Lake Winnipeg. Will you not also have to construct roads, haul equipment, do a lot of additional things that you would not have to do if you constructed it parallel to the existing line which is road accessible in virtually every case?

**Mr. Brennan:** It was significantly cheaper on the east side. In addition to that, there is an awful lot of—we do not build permanent roads in or anything like that. There is an awful lot of use of helicopters and that sort of stuff in the construction of those facilities.

**Mr. Storie:** Perhaps if you can quantify then the word "significant". The estimated cost is \$1.7 billion for construction on the east side. What did Manitoba Hydro anticipate the cost would be by constructing on the west side?

**Mr. Brennan:** This number we have reviewed at the Public Utilities Board hearings. I will check with Mr. Lambert and see if he has it readily available.

**Mr. Storie:** Just a ballpark number. I will probably subtract them, but that is okay.

**Mr. Brennan:** Apparently, the cost of the transmission line itself, just the transmission line, is about 20 percent more costly. Having said that, the

most significant parts of the line are the two converter stations, one at each end. I believe the line is something in the neighbourhood of a third of the total. So it would be 20 percent of a third or something in that neighbourhood.

**Mr. Storle:** Now does that seem to be a huge figure when we talk about the question of compensation for communities, other individuals, the disruption of wildlife habitat? I am assuming that if you travel down the west side, because of the proximity to other lines, many of the other concerns would have already been dealt with, and you would not have the same environmental concerns as going on the east side where you are into new terrain, or is that not correct?

(Mr. Chairman in the Chair)

**Mr. Brennan:** I guess two things. We are presenting to the environmental people the alternate course, of course. Although we prefer the east side, we are proposing to take to the regulator the west side option as well. One thing I would say about the west side, though, there are more habitated places on the west side, so I am not sure in the terms of actual mitigation efforts, if it would be cheaper on the west side in that regard.

**Mr. Storle:** It has been suggested that part of the reason why Manitoba Hydro was so adamant—perhaps that is the wrong word—that their preferred route was on the east side was because of the bottleneck that occurs at Grand Rapids.

**Mr. Brennan:** That is very definitely part of it.

**Mr. Storle:** Could Mr. Brennan, or the chairman perhaps, tell us what kind of arrangement Manitoba has with the Grand Rapids Band that allows access or would allow additional expropriation of land or easement or whatever is required to get past that location?

**Mr. Brennan:** That was not our concern about the bottleneck. Our concern about the bottleneck was just having too many lines close together. That is what our main concern was.

**Mr. Storle:** I am not sure whether there was going to be an answer to that question. How currently does Manitoba Hydro get its line through Grand Rapids and through the band territory? What legal mechanism is in place to allow the transmission line to go through that area?

**Mr. Brennan:** I believe in our existing facilities, of course we have easements. Any new facilities, I

believe, would require additional easements unless we use the same property that we have easements already for.

\* (2120)

**Mr. Storle:** That leads me very nicely into the other area that I wanted to talk about and that was, I guess, the relationship between the activities, not just particularly Conawapa, but other Manitoba Hydro activities, with respect to the treaty land entitlement of northern Manitoba bands. One of the contentious issues in the treaty land entitlement negotiations was the question of access to Northern Flood Agreement landhold areas as well as the exchange areas and the treaty land entitlement access to land in water power reserves.

I am wondering where Hydro stands right now with respect to the outstanding obligations on treaty land entitlement? Does Hydro know how many acres are in water power reserves? What is Manitoba Hydro's position when bands are choosing acreages, land in water power reserve areas? How are those issues being resolved at the present time?

**Mr. Brennan:** I believe the province is looking after Manitoba Hydro just as identified power reserves and that is as far as we have taken it.

**Mr. Storle:** So Manitoba Hydro does not have any objection then to development in water power reserve areas?

**Mr. Brennan:** I am not sure if I can make that general statement. I think we would have to look at the individual cases to see what impact it would have on the system.

**Mr. Storle:** Then perhaps Mr. Brennan can tell me what obligations Manitoba Hydro has if land is transferred in a water power reserve area to a band, and there is some kind of construction, and the water level changes naturally or unnaturally? What kind of obligation does Manitoba Hydro have for compensation? -(interjection)- Well, it is still a problem up north. It is. They are not building on water power reserve areas right now. They are not allowed to. Where is the bottleneck? That is the question.

**Mr. Brennan:** I think Manitoba Hydro would identify to the province our requirements as it relates to transferring any land and, hopefully, the province would take our concerns into consideration when they make their deliberations.



**Mr. Storie:** I guess I am trying to get to the more legal question of if transfers of land occur, Hydro goes to the province and says, no, we do not want that land transferred to the Cross Lake band or the Pukatawagan band. They have 100,000 acres of land entitlement that is outstanding. Norway House and Cross Lake have huge acres of land. The province transfers this land in good faith to the bands and the bands say, we are going to build there. Who is going to be responsible for compensation should that be necessary down the road? Is that something Manitoba Hydro has not thought of, or are you saying it is not your problem, it is the province's problem if they transfer the land or allow it to be transferred to the band?

**Mr. Brennan:** I would hope the province would not transfer land that would cause future problems for either the province or Manitoba Hydro. So I am not sure if you are talking about a real situation or not.

**Mr. Storie:** Yes, Mr. Chairperson, there are a number of real situations. One of them is in the Pukatawagan area of Highrock Lake where the band has been looking for a transfer. Cross Lake and Norway House have both attempted to access land under the Northern Flood Agreement and have been told they cannot access it because it is in water power reserve. Maybe I could back up and ask you what is the definition of—how is the water power reserve area defined? Is that the 100-year high water mark? Is that essentially what it is?

**Mr. Brennan:** I think this is a question Mr. Lambert may be better able to answer. I should point out that Mr. Lambert has laryngitis, so I was not supposed to introduce him as Donald Duck.

**Mr. R. O. Lambert (Executive Vice-President, Manitoba Hydro-Electric Board):** The water power reserves are—(interjection)—I hesitate to say it, but they are arbitrarily defined around areas that are potential areas that could be developed for water power purposes. The process that is followed is that, and it is done through the Water Resources Branch of Natural Resources. We do not have the reserve. The reserve is established by them.

The process that is in place is that if someone wants to occupy or use a piece of that area that has been designated water power reserve, then in fact there is a review done by various government departments and Manitoba Hydro as to whether or not we could release that piece without it encumbering, for example, the future development.

In many instances, we do release them and say, well, we are satisfied with detailed analysis of that specific area. It can be released without encumbering future development. In some other cases, though, we would say, no, that would interfere with future water power development, and so we would advise not to release it. That is the process.

**Mr. Storie:** I think that process has been followed because I think Mr. Lambert is quite right. There have been small parcels of land released in water power reserve areas, but there are literally hundreds of thousands of acres that could be chosen either through treaty land entitlement or the Northern Flood Agreement that are in water power reserve areas. It could be a major problem.

So I guess the philosophical question is to the minister or to Mr. McCallum. Many of those treaty land entitlement bands believe that they have and should have a first right to any lands in their traditional use areas. Manitoba Hydro is a relative latecomer in terms of treaty obligations and treaty rights. Who is going to be—or does Manitoba Hydro believe anybody should be responsible for providing compensation for lost opportunity, should they choose lands in water power reserve? Is the Manitoba Hydro view that if they say no, that is the end of discussion? Is that the view of the board and the minister?

**Mr. Neufeld:** I would just as soon not enter into a discussion on a hypothetical question. As those problems come up they will be dealt with and, as Mr. Brennan has indicated, the Department of Natural Resources will be dealing with them as well as our department for Manitoba Hydro, and I dare say the Minister of Northern and Native Affairs (Mr. Downey) will be involved in any discussions that take place. I would just as soon not get into a lengthy discussion on how we might deal with that subject on a hypothetical basis.

**Mr. Storie:** I am not sure that it is a hypothetical basis. I think there is a good deal of certainty that the province will be pushed to release land in a water power reserve area. I am simply asking whether—perhaps I should ask the more direct question, does Manitoba Hydro or the minister have a legal opinion that Manitoba Hydro or the province can withhold treaty land entitlement land or Northern Flood Agreement provided land from bands should they request it?

**Mr. Neufeld:** To my knowledge, we do not have a legal opinion, but again if we have a stated opinion at this time it puts us in an awkward position when the time comes for negotiating. For that reason, I choose not to comment and discuss a hypothetical issue.

**Mr. Storie:** The minister says that when it comes time for negotiation he may find that a legal opinion would tell him there is no such thing as negotiation, that legally they have no right, in effect, constitutionally or based on the treaties that were signed, to deny that land. So it may not be a question of hypothetical questions at all. I leave that to the minister to perhaps inquire and see whether that is going to become an issue as the bands push to get treaty land entitlement negotiations going or get the land under this Northern Flood Agreement that they are entitled to.

\* (2130)

I would like to move to a different set of questions. In the annual report, it talks about really a relatively flat growth in terms of overall energy consumption. Peak demand went up some 6.6 percent and in the breakdown, it talks about increases in residential and general service. I am wondering whether the general service includes—I forget the title of their group—high energy users group. Is that included in general service?

**Mr. Brennan:** Yes.

**Mr. Storie:** The increase in general service was approximately 0.8 percent, it says, last year. I am wondering whether Manitoba Hydro has done any calculations on the lost revenue to the province as a result of the closures of the mines, Lynn Lake, Tartan Lake, Puffy Lake? What kind of business did those enterprises give to Manitoba Hydro?

**Mr. Brennan:** We can provide that. I do not have it at the top of my head, Mr. Storie.

**Mr. Storie:** Perhaps Lynn Lake specifically, Mr. Chairperson. It seems to me we did see some figures when this phantom contract was discovered, which incidentally turned out to be, I think, quite lucrative for Manitoba Hydro, but do we have any kind of estimate of how much revenue Manitoba Hydro lost when that mine went down?

**Mr. Brennan:** Yes we do have. Of course, that particular contract, they continued to pay the demand charge, but we can tell you what the energy component that we lost was. It was not a major one

in that particular contract, but we can provide that for you, Mr. Storie.

**Mr. Storie:** Mr. Chairperson, can the CEO tell me how much Hudson Bay Mining and Smelting pays in hydro fees every year, just approximately?

**Mr. Brennan:** Do we normally give out individual customer's information? If that is the custom, I will do whatever the custom is. I did not think we worried about—

**Mr. Neufeld:** I do not think that without the permission of Hudson Bay Mining and Smelting we should divulge information that may, in their opinion, hurt their operations.

**Mr. Storie:** Thank you, Mr. Chairperson. I do not think that is going to jeopardize HBM&S's financial future. I think, in fact, if the minister would check his records when HBM&S first announced that they were seeking some assistance from the Province and the federal government with respect to modernization, they detailed what they contributed to Manitoba Hydro, and if memory serves correctly, it was between \$18 and \$20 million. Now that was several years ago, and I know that they have received an award for energy conservation, and I just wondered whether we are still talking in the same ballpark.

The reason I raised it is because there are, I think, genuine concerns about the stability of the copper and zinc industry in northwestern Manitoba, and HBM&S is awaiting a go-ahead on modernization, and I am just trying to identify what kind of a loss this would be to Manitoba Hydro if the worst scenario were to play out.

**Mr. Brennan:** I think your ballpark number—I am not sure how big the ballpark is, but you are not too far away.

**Mr. Storie:** Mr. Chairperson, we are talking about a single entity in the province that provides—what?—a third of a percent of your total revenue? The 20-60 would be 10—no, more than that, about 3 percent. Is that right, Mr. Chairperson? Do the math for me here, I am lost.

**Mr. Brennan:** If we use your number, it would be approximately 3 percent of today's total load.

Having said that, if this load was not there we would sell some of it on the export market, of course. We would probably even firm it up.

**Mr. Storie:** Mr. Chairperson, I anticipated that. I assume that it could be sold as firm power, but it

would be a loss certainly for Manitoba Hydro in the short term until they could find a firm power market.

I just want to expand that because in the opening remarks—or in remarks made by Mr. Brennan, he referenced the fact that the recession had impacted on your forecast, your load forecast. I am wondering whether Manitoba Hydro is doing—and I assume they have, but perhaps you can tell us what kind of growth they are now anticipating for the next three to five years. Have they revised their average significantly, and if so what are they anticipating for growth?

**Mr. Brennan:** I could give you last year's number. We are just in the process of revising it this year. The only indication we have at this point is, our economic indicators look like it is going to come down and we are going to be able to count on something, but we do not know the actual numbers at this point, Mr. Storie.

**Mr. Storie:** Well, Mr. Chairperson, if we assume that .8 percent was the growth from March 31, 1989, to March 31, 1990, in the good times, I assume that we are looking actually at a decrease, that it is conceivable that we will have a decrease in energy demand certainly from the industrial user group—or whatever, its general service group.

**Mr. Brennan:** I do not believe I could say that right off the top of my head. There is some growth in some parts of our system in terms of industrial customers.

The last year, our forecast has not been what we thought it should be or would be. I do not believe it is down lower than last year, but I could check it.

**Mr. Storie:** Well, this, of course, becomes very important, both in terms of what happens to Conawapa, I guess, but certainly it has some bearing on Manitoba Hydro's approach to other potential export sales, what they may have available for export.

I guess the other piece that ties into that is the demand-side management figures, that the last time this committee met it was recommended or there was a resolution that the committee discuss that there be a 6 percent conservation target. We were told it was probably unrealistic to set that kind of a target, but we now are told that Manitoba Hydro can certainly foresee finding more than a hundred megawatts by the year 2001. I gather my colleague from Crescentwood (Mr. Carr) has asked for some sort of quantification of what you expect to be able

to find. Can you tell us what you now believe is possible?

**Mr. Brennan:** We do not know anything more in terms of an actual number than we did when we went before the Public Utilities Board. We identified for them potential saving or potential opportunities, and I believe the number was, in terms of capacity, 180 megawatts or something like that. In terms of energy, we are having more difficulty, and capacity is the problem with Conawapa in the early years, not energy. So there is nothing that really changed since the time before the Public Utilities Board on our capital plan hearing other than we would like that study completed, so we would have something definitive we can look at to identify where the opportunities are and where we can aggressively go after them.

\* (2140)

**Mr. Storie:** The reason I raised this is because you can see some coincidental forces here that are going to create an interesting situation for Manitoba Hydro. We have a recession, certainly the prospect, in my opinion, of actually a decrease in load demand from industrial users. We have a situation where the consumers are going to be perhaps more aggressively looking for ways to manage their energy costs. We have Hydro now saying, yes, we can probably do a little better than we anticipated.

I am wondering whether, in fact, Manitoba Hydro might not be able to say today that the 6 percent target is maybe realistic, that it may even be possible to go further than that. I guess I am looking for some indication that Manitoba Hydro is not just going to talk about energy, the aggressive conservation approach, but is actually going to proceed with one.

Other than the rebate program that Manitoba Hydro announced some time ago, has Manitoba Hydro proceeded with any other plan? Did we get -(interjection)- I am sorry, I was not—if this is being redundant, my apologies, but perhaps the other question that goes along with that is, are there any in the offing?

**Mr. Brennan:** Yes. By joining Power Smart, in addition to the programs we have, we now have access to all their programs, all the work they have done in the past, all the work a national association can do for a very minimal service fee. In addition to that, Manitoba Hydro, as a member of Power Smart,

will have the ability to influence manufacturers to build the right type of products that we would like sold in Manitoba.

**Mr. Storle:** The annual report references some 6000 rebates being provided under the—I do not know what title you put on it—but the—

**Mr. Brennan:** Block Heater Timer Program.

**Mr. Storle:** Block Heater Timer is the word. It was an excellent title, I loved that title—

**Mr. Carr:** Put them on your head.

**Mr. Storle:** Well, I do not know if you can heat concrete, Jim, but you could try it too. We now know that some 6—it is pretty juvenile, eh? Mr. Chairperson, forgive that digression.

The 6,000 rebates that were offered by Manitoba Hydro obviously cost the corporation some \$30,000. Have Manitoba Hydro firmed up, or is there any way they can firm up what the energy savings might have been for Manitoba Hydro?

**Mr. Brennan:** Yes, we did a study based on last year's program that we were successful in, as well as this year's program that will also be very successful. I believe the total timer program, we are looking at something in the neighbourhood of nine megawatts.

**Mr. Storle:** If we were going to estimate the cost of providing those nine megawatts through a construction program, how much would nine megawatts cost?

**Mr. Brennan:** It would be very expensive. Mr. Lambert will make the calculation.

**Mr. Storle:** Based on the cost of Limestone.

**Mr. Brennan:** If we use Limestone's number it would be \$1,000 to \$1,200 a kilowatt, 1,000 kilowatts in a 1.5 billion.

**Mr. Storle:** Mr. Chairperson, what is the—

**Mr. Brennan:** I guess it is 1,200 kilowatts.

**Mr. Storle:** —what is the conclusion then you draw from those numbers?

**Mr. Brennan:** That particular program is a very good program.

**Mr. Storle:** Mr. Chairperson, I guess the question is how much more effective can a program like that—which is probably one of the most obvious, now there may be others, but certainly one of the most obvious, it appears to be very effective—why is it not conceivable that other similar ones cannot

be even more successful, or we could not do better than the 3 percent or 2 percent Manitoba Hydro was looking at?

**Mr. Brennan:** We think there is the opportunity to increase the targets and by the time we have our study finished, I am very, very hopeful of having a significantly higher target.

**Mr. Storle:** I guess we can only at this point say we are looking forward anxiously to whatever new programs Manitoba Hydro in conjunction with Energy Smart? Smart Energy? Power Smart, because obviously Manitobans are receiving it well.

I move on to another area and that was a question of whether there are any negotiations ongoing for any other firm power sales, whether any other utility—

**Mr. Brennan:** We are not in the process of negotiating with any other utilities right now for any firm power sales.

**Mr. Storle:** Is that a result of any direction from the board or the government, or is that simply a reflection of the lack of demand for new energy?

**Mr. Brennan:** We just feel that right now we do not have the capability to make any additional sales, like at this point we require power in the year 2001 at this point, or 2000, to make our present commitments. I think we feel that certainly from a management perspective that is stretching our capability right now. That is a good program, an ambitious program, that requires an awful lot of capital, and we think that is as far as we should go right now.

**Mr. McCallum:** The board's view, I think, would be that the corporation has plenty on its plate at the moment, and there has certainly been no discussion of directing the management to pursue other firm power sales. It simply has not come up at a board meeting.

**Mr. Storle:** I guess I was not looking for a sale necessarily the size of a sale to Northern States Power or Ontario Hydro, but it seems to me that there are opportunities in the interim between stages, perhaps early in the next four or five years, and in early 2000 when there will be excess capacity, and I am wondering—perhaps we go back to square one in saying what excess capacity did we have this year for firm power sales, or what excess capacity will we have when all of the turbines are up on Limestone?

Are we not going to have a period when there is 200 or 300 or 400 megawatts that may be free for export? Then would it not make sense to tie in a firm sale even if it is only six months or two years or three years, or is that not feasible in this kind of market?

**Mr. Brennan:** Yes it is. It is feasible and we are always looking for any short-term firm sales. We actually negotiated a short-term, mid-term sale with Ontario Hydro for the next two and one-half years.

**Mr. Storle:** Is that a new sale?

**Mr. Brennan:** It is a new sale that is under existing schedules, but yes, it is a new sale. This would actually convert some interruptible power and firm it up.

**Mr. Storle:** Mr. Chairperson, that is the kind of thing that is a little inconsistent because we heard there was too much on the plate. Now we find that there was another sale. I guess I am simply asking whether those little blocks are being looked at to fill them up with firm power sales. You know, short duration is one or two years in these kinds of sales.

**Mr. Brennan:** We are always looking for opportunities like that. When I was talking previously, I was talking something that would commit new facilities somewhere.

\* (2150)

**Mr. Storle:** The reason I raise that is because one of the bugaboos about the construction of Limestone was that, of course, we were not going to require it for domestic consumption and that from 1990, whenever the first generating capacity came on stream, to the year '93 when the firm sale kicks into Northern States Power, that there was nothing we could do, that this water was just flowing over the dam, and that is not the case. It certainly did not need to be the case, and I gather from what you are saying is that now some of that excess capacity appears to have been sold on the firm power market, which I assume is profitable for Manitoba Hydro. So this is just message for Fred Cleverley.

**Mr. Neufeld:** It took another minister to do it.

**Mr. Storle:** I appreciate that you did it, Harold. Mr. Chair, it leads me into the final question, and it relates to the ability of Manitoba Hydro, I guess, or the capacity at Manitoba Hydro to negotiate and to do some of the things that have been done in the past and maybe should be done through the Manitoba Energy Authority.

I was interested in Mr. McCallum's remarks about the Manitoba Energy Authority. I agree quite wholeheartedly that somehow you have to have that capacity, and if it is not in Manitoba Energy Authority then you have to create a similar group in Manitoba Hydro, which leads me to the question about the need for amendments to The Manitoba Hydro Act. I am wondering whether Mr. McCallum or the minister have considered amending The Manitoba Hydro Act to, in effect, change its mandate to a more proactive, aggressive, market-oriented approach.

**Mr. Neufeld:** Have we considered a more proactive approach for Manitoba Hydro? No. Manitoba Hydro's mandate is to supply electrical power to Manitoba customers and secure electrical power to Manitoba customers at the best possible rate. I do not think we will move too far from that mandate. If there are to be power sales, it will be the surplus power that has to be sold. Those will be sold as surplus power becomes available, either from the construction of a new generation or from the falling off the table of old sales, or indeed it could be from energy being made available through demand-side management. I think that is the direction that we would like Manitoba Hydro to take.

The cost of new generation is at a point where it is a matter of how much can you take on at any one time? Manitoba Hydro's debt today is probably in the neighbourhood of \$3.5 billion. That is the long-term debt. With \$5.8 billion added to that, we are at somewhere around \$9 billion. In order to put us into a reasonable financial position, we should have somewhere between 15 percent and 25 percent of our assets financed through equity. It would mean, if it is less, say, 20 percent, we would have to have in the area of \$200 million in equity, and we have today—no it is more than that—\$2 billion in equity. We have today equity of \$116 million, so we are a long way from the position where we can start to, from a debt-equity point of view, compete with other utilities in this country.

**Mr. Storle:** Well, Mr. Chairperson, I was going to get to that, to the question of the debt-equity ratio and the way we fund capital projects, because Mr. McCallum is an economist. I guess we will ask the question at some point, what would be a more reasonable debt to equity ratio of a corporation of this nature? It does not seem to me that it is 96 to 3 or 97 to 3. That does not seem to be reasonable, and certainly if you look at the interest cost that our ratepayers are paying, we have made some

horrendous mistakes in the way we have funded capital projects in this province. It goes back to long before even the member for Lakeside (Mr. Enns) was here. It goes back a long time.

**Mr. Chairman:** Order, please.

**Mr. Storle:** Mr. Chairperson, before Mr. McCallum answers that question, I wanted to stay on the Manitoba Energy Authority or The Manitoba Hydro Act. I gather from the minister's comments that he is saying that right now he does not foresee changing the mandate of Manitoba Hydro, that he is fairly comfortable with The Manitoba Hydro Act as it is and the mandate that exists, which I guess leaves the question of whether the minister is also satisfied with the mandate that the Manitoba Energy Authority has at the current time.

**Mr. Neufeld:** First of all, I think I indicated that we have to improve our debt-equity ratio, and if we did that to the extent of 20 percent, 80:20, which I suggested was in the median of my range of 25 to 15. After Conawapa comes on stream that would mean a matter of \$2 billion, which at 10 percent of interest means \$200 million a year in savings to Manitoba Hydro. That \$200 million would equate I am not sure to how much per kilowatt hour, but a substantial amount. I think we have to put Manitoba Hydro, from my perspective, into a position where it can compete with other utilities.

We have to recognize we do compete with other utilities. When they can offer rates to industries that we cannot meet, that is competition. If that is the reason for the industry moving into another jurisdiction, it is an industry we have lost because we have not been able to compete, and we have not been able to compete not because we cannot produce reasonably priced power but because our debt is too high. That is the position I would like to take, and that is the direction I would like to take for Manitoba Hydro, to get it in a position where it is in a competitive position rather than go on a building spree for the sake of selling. I do not want to encourage Manitoba Hydro to build for the sake of selling. I want Manitoba Hydro to get their balance sheet in line with my expectations. That is my personal view.

As far as Manitoba Energy Authority is concerned, I think I will leave that for another question.

**Mr. McCallum:** When you talk about a more proactive Manitoba Hydro, do you mean a Manitoba

Hydro that would go out and actively pursue energy-intensive industry that was attractive and created jobs and so on? Is that what you are getting at?

**Mr. Storle:** Yes, Mr. Chairperson, that is essentially what I—I mean I do not want to be misconstrued as suggesting that is what I see as should be the mandate for Manitoba Hydro. I just see it as a necessary function. It has to be done somewhere, and I gathered from the minister's comment it was not going to be done on Hydro, so I assume that only leaves the Energy Authority.

**Mr. Neufeld:** I have to then correct my own statements. I understood your question to be on the sale of hydro to other jurisdictions, and that was something I did not want to pursue at this point. Naturally the government or Manitoba Hydro has to pursue energy-intensive industries to come to Manitoba because that is the resource we have. I would guess that it has to be done in conjunction with the Manitoba government and the Manitoba Hydro. The government must know, whoever does the search for energy-intensive industries has to know what Manitoba Hydro has for sale and at what rate. So there has to be a co-operation and co-ordination between the two jurisdictions.

**Mr. McCallum:** I think the business of merchandising Manitoba as a place to do business, on, for any reason, energy attractiveness is just one. History I am aware of would seem to suggest that will be most successful when it is a fairly centralized function. I do not think you would find it—there is a lot of potential for very costly errors in having any given Crown corporation doing their own thing. It is going to have to be very co-ordinated. It is going to be very costly. Energy is just one component of it, and Manitoba Hydro has a lot to contribute to that. I think the province is best served by thinking of Manitoba Hydro's mandate of providing secure power to the citizens here and then contributing to that activity.

**Mr. Storle:** The question is to follow up to Mr. McCallum. Is there any area currently that the board has discussed, in The Manitoba Hydro Act, that in the view of the board needs to be revised, strengthened, changed?

**Mr. McCallum:** I do not think the board has had a discussion that the act needed to be changed, that we were impeded by the act in carrying out our mandate. I cannot recall in my time on the board

that we have had that kind of discussion anyway. You are talking about the Hydro Act—yes.

**Mr. Storie:** It is interesting because—

**Mr. Chairman:** If I might just bring the attention of the time to you, if you wish to continue so that we can, in fact, move past this tonight.

**Mr. Storie:** Mr. Chairperson, this is the last area that I want to touch on. I have several more minutes that I would like to discuss this. Certainly I am prepared to sit a little bit longer if you wish. The alternative is to come back tomorrow night, and I assume that everybody is busy.

\* (2200)

**Mr. Chairman:** Mr. Downey, have you got something?

**Hon. James Downey (Minister of Rural Development):** Mr. Chairman, it would be helpful if the committee would be prepared to stay and finish this, say if we could do it within a half an hour or three-quarters of an hour. As far as we are concerned, we would like to see it finished tonight, and I see Mr. Hickes is indicating the same and Mr. Carr the same.

**Mr. Chairman:** Mr. Carr, continue then, or Mr. Storie—it is getting late.

**Mr. Storie:** This is an area where—and I am not attempting to be critical of the minister. I agree in fact with half of what the minister said. I think that—

**An Honourable Member:** You are getting better.

**Mr. Storie:** Either that or you are, I am not sure.

I think there is justification for saying he wants Manitoba Hydro to stick to its mandate and reduce the cost. On the other hand, he is saying that he is not really very supportive of having Manitoba Hydro go out and start construction projects and do this just to start major projects based on sale of power to other jurisdictions. He is kind of caught in a conflict because, of course, right now he is in the process of starting the largest single hydro generating project based on an export sale.

The minister may want to disagree with that, but I think that is the position he is in. I guess I am interested to know whether the minister believes that Manitoba Hydro should not do that even if it is profitable for Manitoba Hydro. I am not sure. Is the minister saying that we should only be doing it for building projects for domestic use, or should we not export for profit when we have the opportunity?

**Mr. Neufeld:** Mr. Chairman, any time you build new generation you are going to have surplus power, surplus energy which you have to dispose of. The best way to dispose of that is through a firm sale which is what has happened with the Ontario Hydro sale.

Unfortunately, you cannot provide the energy necessary in any one year. With the construction of new generation, you are going to have a surplus. If you need 100 megawatts, you have to construct 1,300, as is the case with Conawapa. You have to find a use for that 1,200 megawatts, and that is when a firm sale comes in. I do not think that normally speaking and generally speaking I would be in favour of constructing new generation just for the sake of a sale. It has to have some provincial need, some domestic need.

**Mr. Storie:** Mr. Chairperson, even if—and I am asking this to the minister as a businessman—the minister saw the opportunity to construct a deal that would be profitable for Manitoba Hydro and the people of Manitoba, if it was based on the export of power, the minister would say it is still not acceptable?

**Mr. Neufeld:** If we are talking hypothetical cases, if you come to me with a sale and the cost of generation where the entire production is going to be sold and can be paid for totally from the proceeds of that sale in say 20 years, of course, I would say it is a good deal, and we have to go ahead.

**Mr. Storie:** Mr. Chairperson, I guess then, having settled that, I can see no reason why we would not do that, and I think the minister is looking for more certainty than virtually anyone else who talks about a scale of this size, but I know the minister is an accountant, I am well aware of that.

I guess the other question is, if the minister is an accountant then what are we going to do—

**An Honourable Member:** We have established that, have we?

**Mr. Storie:** Yes. What is the minister going to do to make sure that we do not get ourselves in the same situation with Conawapa as we have with other generating stations, in that we are basically building this with no equity?

My question is, and I guess we have to take some culpability in this as well, why has someone not said, The Manitoba Hydro Act needs to be adjusted, the strategy of Manitoba Hydro needs to be adjusted so that the reserve that the minister is now trying to

build, without much help from the PUB I might add—why is not the minister then making sure that, when we finally have Conawapa coming on stream, which would be a decade from now, we do not have a down payment ready? Why are we going to borrow 100 percent and then try and recover it over the next—is it not possible to develop a strategy of developing a capital reserve fund to be used as a down payment to cover off the cost? I mean, when I buy my house, I have a down payment. Why are we not doing the same thing with our Hydro construction?

**Mr. Chairman:** Mr. Storie, let us deal with a few questions at a time.

**Mr. Neufeld:** First of all, if we are going to have a reserve or capital reserve as you suggest, it can come from one of two places. It can come from operations, profits, and the PUB has something to say about that, so we are limited there.

Secondly, it can come from government. If it comes from government, as you well know, government would have to borrow it, so somebody would have to borrow it.

The only place it can logically come and put Hydro into a reasonably sound financial position, standing on its own, would be to have Hydro generate those reserves from profits. To generate profits, you have to have income that is greater than your expenditures, and to have income greater than your expenditures, you have to have higher rates to your customers. The PUB has not permitted that in this coming year, in any event. I would welcome your intervention with the PUB, if that would help.

**Mr. Chairman:** Mr. Brennan, did you have something to add there?

**Mr. Brennan:** We recognized the same concern from a management perspective and recommended to the board of Manitoba Hydro that, within a five-year period, we had a minimum reserve level within the corporation to take care of two years of drought conditions, and then following that, we wanted a debt-equity ratio in the neighbourhood of 85:15 for the 10-year period after that. In doing that, we end up with rate increases that are significantly below the projects rate of inflation, once we get past our minimum reserve target, even with building Conawapa and the bipole.

**Mr. Chairman:** Mr. McCallum, I believe you had something to add.

**Mr. McCallum:** Is what you are getting at the notion that the act would require a capitalization for Hydro, that is what you are aiming at?

**Mr. Storie:** Mr. Chairperson, just to clarify, the minister points out the problem based on the perceived responsibility of Manitoba Hydro, based on the way it is operated, historical operations of Manitoba Hydro, certainly the PUB perceives that as its role now. I assume that changing the act to make it more clear, what Manitoba Hydro would like to have happen, what the minister would like to have happen, and perhaps others, PUB would come up with a different conclusion about what is necessary. I am certainly not suggesting we leave it open as a reserve.

I mean we saw what happened in 1979 with The Energy Rate Stabilization Act. I mean the reserve was depleted very quickly. Manitoba Hydro was not allowed to increase rates, a completely ludicrous kind of proposal. I am suggesting that the act be changed to establish a capital reserve fund. I think that would make a lot of sense in terms of reducing the overall cost. The question I was going to ask though was what does a 5 percent increase currently raise for Manitoba Hydro?

\* (2210)

**Mr. Brennan:** Thirty million dollars, slightly in excess of \$30 million.

**Mr. Storie:** Mr. Chairperson, if Manitoba Hydro were to approach the PUB with a one time increase of 5 percent or a 5 percent increase in the base that the net effect would be over the 10-year period from now until the onset of Conawapa, that you would have in effect a \$300 million down payment on the project. You could have conceivably that kind of a fund. What kind of interest would that make? What kind of a difference would that make in terms of the borrowing cost of the projects over the long term?

**Mr. Neufeld:** Presumably if we could get a—we being Hydro, a 5 percent increase over and above the regular increase, the normal increase, and each and every year thereafter we could get the normal increase, that we would raise an extra 5 percent each and every year as long as that could happen. Yes, that is a great idea.

**Mr. Storie:** Why, thank you. There is the dilemma, the dilemma for the corporation, the dilemma for government, and the dilemma for this minister and that is the consumer, ultimately the consumer is paying for the current policy. The difference is that



rather than having Manitobans pay up front and benefit future generations, Manitobans are not paying up front and are benefitting a lot of people who are lending Manitoba Hydro a lot of money. In my own personal financing, I would not operate that way, and I think it is time that we had a serious look at Manitoba Hydro's mandate in the way it raises capital for this kind of a project. I would love my children to benefit from extremely low hydro rates. As it stands now, the dams that we have built 10 and 15 and 20 years ago are going to be producing free hydro power after 65 years of paying interest. I think that is ludicrous. I think we should be on the bi-weekly mortgage, right Harry?

**Mr. Chairman:** Mr. McCallum had one thing more to say here.

**Mr. McCallum:** Just along the lines of what you are saying, I think the most effective demand-side management program is price, that all of the economic data suggests that when you try and manage demand through anything but price it is very expensive. You get a lot of curious unanticipated, unexpected, undesirable often results. Were the Hydro to move in the direction you are talking about, there would probably be benefits beyond just what Bob mentioned. You would also get people being more careful and that would be power that you would have for sale elsewhere, that is correct.

**Mr. Chairman:** Mr. Storie has one final comment or question.

**Mr. Storie:** Sure, I have said that before.

Mr. Chairperson, I assume that Mr. McCallum will be introducing a new rate structure for Manitoba that will actually be designed to conserve. Rather than have people benefit from increased energy consumption we in fact will reverse that and that additional energy will cost more.

**Mr. Neufeld:** And I will introduce an act which takes away the responsibility for rate increases from the Public Utilities Board, right? And you will speak to that and you will speak in favour of that.

**Mr. Chairman:** One minute, please. Mr. McCallum, did you have something to add there?

**Mr. McCallum:** No.

**Mr. Chairman:** Okay. I assume we have gone the route on the—oh, I am sorry.

**Mr. Carr:** The member for Flin Flon has a wonderful capacity to prolong a line of questioning, giving the rest of us time to gather our thoughts.

Mr. McCallum raises an interesting point though—before I get into some other questions. He says that there is intrinsically a conflict between conservation and price. The higher the price then the more apt people are to conserve energy. So how does Manitoba Hydro deal with that, because it wants at the same time to conserve energy and presumably to keep prices low for the customers of Manitoba Hydro? How do you square that circle?

**Mr. McCallum:** Can you run that by me—do you have an answer?

**Mr. Brennan:** I will try.

**Mr. Carr:** There is a conflict because you have a mandate to keep prices low for your customers. That is in everybody's interests. At the same time you have just said, by your own admission, that if you keep prices high you are liable to have better conservation efforts, which is also a management goal of Manitoba Hydro. So how do you square the circle?

**Mr. McCallum:** I am not sure I really see a problem in what you just said. The evidence is that the best form of demand management is price. If you get something properly priced then you will get a use of it that is, in some economic sense, efficient or optimal. So if the company or the owners of the company which are the public want conservation, my intuition not as a hydro board member but as an economist is that the best way you will get that is by changing the price.

I do not really see a contradiction in that. I do not see our mandate as providing power to the people of Manitoba at a price way below what is in their long-run interests.

Just to make one other comment, the board of the company is extremely committed to the demand-side management concept. They are pressing the management very hard for a program. Questions not unlike the questions that you have been asked tonight are being asked of the management at board meetings.

We have done something that maybe you are not aware of—two things. We passed I guess what we would call our priorities or objectives or something like that. One of them is that the management must value energy saved through conservation at the avoided cost of the next source of generation.

That is an incredibly powerful statement. It is saying, we are willing to spend to save up to what it costs us to generate. We also say, must evaluate

purchases in power from nonutility generators against avoided costs of the next source. I think the board has put in place the kind of signals that management needs to do a really first-rate job on this demand-side management. It is really late; give me two more minutes.

A few years ago, I did a lot of writing on Japanese management, and the question that kind of interested me was, why have they been quite successful at a number of things that we have had difficulties at? One of the things that you notice that does not get much press is the way they adjust to new ideas and new technologies, and they do it very slowly.

Our approach, when we get something new, like the chip or robotics or the North American approach to that, is we have a huge press conference, we throw a huge amount of money at it, we gut the factory floor, and we announce there is just going to be a massive change.

Their approach is far different. They do one little thing. They put the chip in the speedometer, where it really does not matter that much anyway, or they put it in the horn, or they just do a little thing with it. A year later, they do a little more with it. What you notice six or seven years later is, they have a whole new system of doing something, just-in-time inventory or statistical quality control or 80 percent robotics on the assembly line or whatever it might be. Where are we? We are back gutting the factory floor again, because it just did not work. What the board is trying to do is get the company, in an orderly, measured way, to come up with a program that will set targets that are reasonable and can be met.

The history of demand-side economics working is terrible. This is the Keynesian world. You try and manage demand through all kinds of methods. The upshot of it all is huge debts, huge costs and poorly managed demand. I am quite confident that we are on the right track, and I am quite confident—I do not know how often we come here, every year I guess or something—when we turn up next year, that we will have something very positive to tell you, that is doable.

\* (2220)

**Mr. Carr:** I appreciate the expression of direction, of policy that the chairman wants to take the board and the corporation, but I have to add my own observation, and that is that this debate is not only

over cost in the economic sense of the word. There are other costs associated with generating that power that are beyond the costs of building a generating station, and Manitoba Hydro does not have to be lectured by politicians on that subject.

**Mr. McCallum:** You mean social costs?

**Mr. Carr:** Social costs, cultural costs, and my colleague from Point Douglas (Mr. Hickes) can speak more eloquently to that than I, but I have been to the reserves in northern Manitoba. I was around during the flooding, and I know what the enormous costs are, so to make a Keynesian calculation, or a calculation that is implicit in the board's policy, is to define costs up to the avoided costs of generating more power, but the essence of what cost means goes well beyond the meaning of your observation. I think that should be on the record.

I want to ask the minister to answer the question that he has now been asked twice and has not had a chance to respond to, and that is the role of the Manitoba Energy Authority. Does the minister believe that the Manitoba Energy Authority has outlived its usefulness, and is he in favour of a move away from the continued establishment of an authority that can probably be better handled elsewhere and at less cost?

**Mr. Neufeld:** Well I said last year and I will say again this year that is under constant review, and as we come to a decision on the future role of the Manitoba Energy Authority we will make, if necessary, any changes.

**Mr. Carr:** I am sure the minister will speak to our bill when it comes in front of the Legislature, so I will not take the time of the committee now. I am interested in an associated issue, and that is drought and water flows. We have been reading from time to time in newspaper editorials and elsewhere that the whole water system of the prairie provinces is threatened, and the water that is flowing from Saskatchewan and Alberta ultimately into our river systems is being dammed and is being dried up due to drought.

What are the projections for the coming year? Are we in serious trouble? Is this something that we ought to be losing sleep over, and just how is Manitoba Hydro preparing for what is happening to the west of us and what is not happening above our heads.

**Mr. Brennan:** It is certainly very much of a concern to us. Our reservoirs are below normal now. We

are assuming that we will get normal inflows into them. Having said that, one of the big benefits we are going to have of course is Limestone coming into the system that is going to assist us very much so we have lots of capability within the next couple of years. Like there is no problem with capability.

There is a cost because we forecast all our additional revenues based on average flows, so there could be certainly a financial impact to the utility, and that is just another reason why we would like increased reserves.

**Mr. Carr:** How about the issue of water management in provinces to the west of us and the potential impact of dams on our own water supply?

**Mr. Brennan:** At this point we do not see any particular problem. We are constantly monitoring the situation, but we do not have any undue concern at this point.

**Mr. Carr:** As the chairman and the president knows, wage increases in the public sector are tightly constrained at the moment. MLAs are about to freeze their own salaries. What is the wage policy of the corporation and does it receive a directive from government on how it handles its wage negotiations or does the corporation have a policy of its own? If so, what is that policy? I am particularly anxious to know what wage increases executives can expect for the coming year.

**Mr. McCallum:** The company is negotiating with three unions at the moment, and the board has passed a mandate that is a directive to the management and to the negotiators. I need a bit of advice here. We are in negotiations so I am not clear whether it is appropriate for me to indicate what the board's management—

**Mr. Chairman:** Order, please.

**Mr. McCallum:** I gather that it is all public. The board's mandate was zero percent and 2 percent, which is the government program.

**Mr. Carr:** That would cover negotiations with the three unions who represent the employees of Manitoba Hydro. Presumably your executive officers are not part of any union. What is the board's policy on wage increases for the president and vice-presidents?

**Mr. McCallum:** We have not dealt with the issue. I do not want to speak for the board. Nothing has been brought to the board by Mr. Brennan in terms

of the management. Has it, Bob? You have not done that yet.

**Mr. Brennan:** Not the executive management. We have, you know, management generally and professional engineers, that sort of situation. The board approved no increase in the next year for those.

**Mr. Carr:** So management increases are at zero for the coming year. Does that also apply to the executive offices?

**Mr. McCallum:** The board has not dealt with it, and I am reluctant to make that statement until the board deals with it. When will you be bringing to the board a new proposal?

**Mr. Brennan:** I cannot imagine me taking a recommendation to the Board of Manitoba Hydro, when the majority of our employees are getting zero, for anything else but zero.

**Mr. Carr:** I am glad to hear that, and that is a responsible position for the corporation to take at this time.

I am also interested in the issue of women in management. How many vice-presidents of the corporation are men, and how many are women?

**Mr. Brennan:** In the case of vice-presidents, we have no women managers at this point.

**Mr. Carr:** I presume that is not an acceptable state of affairs to the president, and I would be interested in knowing what attempts are being made to rectify the situation.

**Mr. Brennan:** I think in the past few years we have made pretty large strides in getting women into management generally. At the level below vice-presidents, we now have, I guess, two women. At the level below that there are additional management positions as well that are women. We have a program that other things being equal, we will give preference to our minority groups including women, all other things being equal.

**Mr. Carr:** I am just looking at the board here, and I do not see any women on the board.

\* (2230)

**Mr. Brennan:** You are not looking good.

**Mr. Carr:** I am not looking well, you mean.

**Mr. McCallum:** There are two women on the board now: Rosemary Vodrey, who is from the House, and Darlene Hildebrand, who went on the same time as I did, who works with the Royal Trust.

**Mr. Carr:** How about aboriginal people in management positions? Is there a program within the corporation to encourage aboriginal people to take on management functions?

**Mr. Brennan:** Yes, plus professional positions as well. A good number of our professional people rise up in a management job, and we are encouraging them very, very much in terms of our recruitment processes. I think we are doing relatively well. The entire area of trying to get aboriginal people into the employment of the corporation generally is something we are working very, very hard at.

**Mr. Carr:** How does Manitoba Hydro go about the business of recruiting its professional people? What relationship does the corporation have with the university, for example, and just how do you go about recruiting professional-level people?

**Mr. Brennan:** In addition to scholarships that we give out—and they are directed at minority groups generally, for which we have employment programs during the summer to ensure that they are allowed to continue in their particular program—we send out recruiting teams just like other corporations do. They are mainly in the area of engineering in the case of university programs as well as business programs. There are other ones but they are more in the minority. Those are the two main ones.

**Mr. Carr:** Just one final question on this subject. In May of 1990, Hydro agreed to delay implementation of a bilingual job designation program for three years to allow members of one of its unions to participate in a new French-language training program. What is the status of the program, and can the president tell us what progress has been made and if there is a chance that the designations can be made before three years?

**Mr. Brennan:** We have designated a series of areas where we want bilingual people, like the various districts within the province, and in those particular customer service areas, we want at least two people who are bilingual. We are now in the process of working with our unions in the training of employees to get that kind of training so it is accessible to all our employees other than those who are already bilingual.

The training program is under way right now, using St. Boniface College, and we are hopeful of filling our mandate quite well. We will see how this particular training program works. At this point, we are not sure. Our bargaining groups though are

involved in the process as well, and we will just have to see. I guess it is a little premature to state how this program will work, but we are hopeful it will help us.

**Mr. Carr:** I just have one question or maybe one question and—

**An Honourable Member:** And 14 supplementaries, right?

**Mr. Carr:** No. To the chairman, there is a lot of controversy and differences of opinion in public policy that focuses in on the relationship between government and Crown corporations, just how long the arm should be or how short the arm should be. Since I have not heard the chairman speak on the issue, I would be very interested in knowing what his position is, how he views the relationship of Manitoba Hydro with the government and the minister, if he believes that the presence, for example, of an MLA on the Board of Hydro is an appropriate one, just to what extent the government ought to give direction to Manitoba Hydro?

We had a long debate that the chairman was not here to witness but may have read in Hansard about whether or not this committee or the government should have the temerity to suggest to Manitoba Hydro what an appropriate energy conservation target ought to be. That is just one example, but I am interested in knowing what philosophy the chairman brings to his position vis-a-vis the relationship between the corporation and the government.

**Mr. McCallum:** Well, the people of Manitoba are the owners and that, through the Legislature, is who we are accountable to. We also borrow a huge amount of money on behalf of the people of Manitoba and under the guarantee of the Province of Manitoba, so it is very important that we have a very close relationship with the government, that they know what we are doing, that they know why we are doing it.

We have a capacity if we make major errors to really seriously impact the financial capacities of this province. This project that we are going to do, or hopefully will do, will involve a staggering increase in the debt that the one million people of Manitoba are carrying. So the government has a big interest in us and we have a big interest in the government being aware of what we are doing.

What is my philosophy? I am a university teacher and not in public policy, more in money and banking

in capital markets and debt-equity ratios and finance. I suppose my view is we look for all the help we can get. Would we like to have the Legislature specifically direct us to achieve something? I would hope before specifically directing us, the Legislature or committee or whomever it would be would become thoroughly familiar with what the issues were.

I have a little concern about decision making being where the responsibility is, and you can get directives that are poorly thought out that change the course of a corporation in a bad way, lead the company to doing—the company will respond to what it is directed to do, and that is one of the problems with this kind of arrangement. It maybe is that if the directives are not properly thought out, you can get some very bad results.

I have only been in the position for a short period of time. I have not seen anything—you know, I am not troubled by anything that I see in the relationship. I did read the Hansard and the things that you are referring to. I am enough of an academic that I would hope that logic and evidence and analysis would persuade people who might be on different sides of things to, in matters that are somewhat technical, come to more or less the same conclusions. I hope that we can make a case to this committee over time that you will buy into. If we cannot, I am worried as the chairman that if there is something wrong with our logic and you find it, I am sure not going to take the board pigheadedly down a road that -(interjection)-

**Mr. Hickes:** I have a couple of brief questions, and then I think we should be able to wrap it up.

Under the last construction of the dam there was an aboriginal advisory board that was set up. It was LAPDB that was an advisory board for job opportunities and training opportunities for aboriginal individuals. Will such a board be set up for Conawapa?

**Mr. Brennan:** It is Manitoba Hydro's recommendation to the government that there should be some form of a co-ordinating body on their behalf. The minister can answer.

**Mr. Neufeld:** That is something that we will be discussing with the Minister of Northern and Native Affairs (Mr. Downey), and we will be looking for direction from his department and him. Until such a time as we have that discussion, we will just wait and see.

**Mr. Hickes:** Maybe I could redirect the question. Anyway, my other question is, I was recently in the north and I was fortunate to be at a meeting where there was interest shown by the Northwest Territories to look at the possibility of obtaining power from Manitoba into various northern communities. Has there been any contact with the Northwest Territories?

**Mr. Neufeld:** Not from me. They may have contacted Manitoba Hydro, but our department has not been contacted.

**Mr. Brennan:** I think in the past there has been, periodically. I am not sure if anything that was very attractive was—there did not seem to be anything feasible at that time. There has been nothing recently.

\* (2240)

**Mr. Chairman:** Shall the Annual Report for the Manitoba Hydro-Electric Board for the fiscal year ended March 31, 1990 pass—pass.

**Mr. Carr:** I would like to make a very short closing statement, firstly to thank the chairman and the president and Mr. Lambert for spending a long evening with us. I found it to be very useful.

I just want to leave one lingering concern on the record, and that is that by the time the environmental approvals are in place in January of 1993, the corporation will have put at risk potentially \$190 million. Is it necessary for us to construct a road, prepare the site, have negotiated an agreement with Ontario Hydro with a series of clauses in the contract that puts Manitobans at risk as severely as this agreement does? I do not think the answer is clear, but I think there are lingering doubts which are reinforced by court decisions which we have seen to the west of us. The example that I am thinking of is the Rafferty-Alameda decision by the Saskatchewan Court of Appeal and the logic behind the judges' conclusion was that we are in it so deep now, how can we possibly get out?

I do not want us to make the same mistake, and I see that we have got a toe or two in that very hot water, and I just want the record to show that our party has lingering concern and doubt about the efficacy of the way we are approaching, as the chairman himself points out, a project of the size that substantially affects the capacity of this province to borrow money.

I am very encouraged by the progress that the corporation is making on the demand management

side, and I think that is in part a function that members of the opposition can play in a constructive role. Often we are seen as whining and partisan and posturing and screaming in order to get attention, but through all of that every now and again comes a good idea or a good thrust. I think this is a good example of it, and it makes us feel as if we are performing our job well to know that the chairman or the president or the executive vice-president are listening and that we can see the results.

There is evidence tonight that we have moved a fair way from the last time the committee met, and that is encouraging to us. Let me encourage the

corporation to keep moving down that road. Thank you.

**Mr. Chairman:** Just to sum it up. The Annual Report for the Manitoba Hydro-Electric Board 1990 has been passed. The committee has now concluded its discussions and passed the 1990 Annual Report. Therefore, the committee called for Thursday, April 4, 1991—I believe it is at eight o'clock—will not be held unless otherwise stated in the House.

Committee rise.

**COMMITTEE ROSE AT: 10:44 p.m.**