



First Session - Thirty-Seventh Legislature

of the

**Legislative Assembly of Manitoba**

**Standing Committee**

**on**

**Public Utilities**

**and**

**Natural Resources**

*Chairperson*

*Ms. Linda Asper*

*Constituency of Riel*



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**MANITOBA LEGISLATIVE ASSEMBLY**  
**Thirty-Seventh Legislature**

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**LEGISLATIVE ASSEMBLY OF MANITOBA**

**THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES**

**Friday, July 14, 2000**

**TIME – 10 a.m.**

**LOCATION – Winnipeg, Manitoba**

**CHAIRPERSON – Ms. Linda Asper (Riel)**

**VICE-CHAIRPERSON – Mr. Harry Schellenberg (Rossmere)**

**ATTENDANCE - 11 – QUORUM - 6**

*Members of the Committee present:*

Hon. Mr. Selinger

Mr. Aglugub, Ms. Asper, Ms. Cerilli, Mr. Dewar, Mrs. Driedger, Ms. Korzeniowski, Messrs. Loewen, Maguire, Schellenberg, Schuler

**APPEARING:**

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

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

Mr. Arthur Mauro, Chairman, Crown Corporations Council

Mr. Garry Hoffman, President and Chief Executive Officer, Crown Corporations Council

**MATTERS UNDER DISCUSSION:**

Annual reports for the Manitoba Hydro-Electric Board for the years ending March 31, 1998 and 1999

Annual reports for the Crown Corporations Council for years ending December 31, 1994, 1995, 1996, 1997, 1998 and 1999

\* \* \*

**Madam Chairperson:** Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning the Standing Committee on Public Utilities and Natural Resources has several reports before it.

They are as follows: the annual reports for the Manitoba Hydro-Electric Board for the years ending March 31, 1998 and 1999, as well as the annual reports for the Crown Corporations Council for years ending December 31, 1994, 1995, 1996, 1997, 1998 and 1999.

How does the Committee wish to proceed this morning with regard to these reports? Does the Committee wish to proceed with all of the reports of each separate corporation, and in which order shall the reports be considered?

**Mr. John Loewen (Fort Whyte):** I believe we are prepared to deal with all of the reports. I think we would like to deal with them all individually, but we will certainly focus on the more relevant ones and certainly the 1999 reports.

I suggest that we stick to the order and go with Manitoba Hydro. I know they have a presentation. We have discussed with the Minister the possibility of having the Crown Corporations Council here for 11:30. If at that point we are not finished with Hydro, if maybe we could break because I think we are prepared to go through the Crown Corporations fairly quickly.

I know some of the members have some more questions on Hydro. Hopefully, we will get done by then, but just in case, if we could work it that way, that would be fine. Then I would suggest that we have the Committee sit till 12:30.

**Madam Chairperson:** That would be the next item. Let us just finish this one. Mr. Dewar, did you wish to?

**Mr. Gregory Dewar (Selkirk):** We are prepared to agree with the Member for Fort Whyte, but I believe the time line of the Committee should be we will sit until noon.

**Madam Chairperson:** Could we deal with that next, please? We are on the issue of the order here. Is there anything else then on the order of the reports? Hearing nothing, is it agreed? *[Agreed]*

Fine. Now, gentlemen, does the Committee wish to indicate how long it wishes to sit?

**Mr. Loewen:** I would suggest 12:30. We certainly anticipate that we will be finished before then, but I would like to make sure that we pass all the reports today, is our intention, and that will just give us a little flexibility in case we are running close.

**Mr. Dewar:** Agreed.

**Madam Chairperson:** Agreed? *[Agreed]* The first reports to be considered then are the annual reports of the Manitoba Hydro-Electric Board for the years ending March 31, 1998 and 1999. Does the Minister responsible then have an opening statement, and would he please introduce the officials in attendance from the Manitoba Hydro-Electric Board?

**Hon. Greg Selinger (Minister charged with the administration of The Manitoba Hydro Act):** Yes. Thank you, Madam Chairperson. The Chairperson of the Board is Vic Schroeder. The President of the corporation is Bob Brennan. They are at the table, and they have some additional officials with us today. With the consent of the Opposition, we would like to commence by giving a presentation that has been prepared which might deal with a lot of the questions and give people a good overview and context in which we can frame the discussion of this Crown corporation.

I would not like to make an opening statement. I would rather go to the presentation, which I think will be more informative.

**Madam Chairperson:** Mr. Loewen, would you be agreeable with that?

**Mr. Loewen:** Yes. That sounds fine.

**Madam Chairperson:** It is agreed then. Thank you. Presentation?

**Floor Comment:** We will do the presentation.

**Madam Chairperson:** Okay. In terms of the record then, I would like to inform the Committee that officials from the Manitoba Hydro-Electric Board have prepared a PowerPoint presentation that they wish to use as part of their opening statement. The Committee has granted consent to allow this presentation to occur. Agreed? *[Agreed]* Thank you.

**Mr. Bob Brennan (President and Chief Executive Officer, Manitoba Hydro-Electric Board):** What I propose to do is briefly review some of the issues facing Manitoba Hydro right now and some of the major challenges we have today, just to make sure the Committee is aware of them in some fashion. It might put everything in some kind of perspective. So what I propose to do is quickly go through the vision, mission and goals of the corporation, a little bit about our corporate profile, where we are financially now and what the future looks like for the corporation, some industry comparisons and then some of the current issues.

Our corporate vision is to be recognized as the best utility in North America with respect to safety, rates, reliability and customer satisfaction, and to be considerate of all people with whom we have contact. We keep revising our corporate strategic plan annually, and we make modest changes to it every year, but this has been basically the substance to it for the last four or five years.

Our corporate mission is right out of the Act pretty well. It is to provide for the continuance of the supply of power adequate for the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution of it, and at the same time, to promote the end use of energy and market energy and related products and services both inside and outside the province. The last part of the corporate mission was added when we changed the Act in 1997.

The corporate goal is to continuously improve safety in the work environment. We have had this as our No. 1 goal for some time now. Certainly, our employees deal with a product that can be hazardous if it is not treated in the right fashion. We do have some serious accidents quite often, and our goal is to have no accidents at all.

We want to make sure our customers have exceptional value when they receive our product both in terms of rates, reliability, the overall service they get, as well as the quality of the power they get from us. We are continually trying to improve the corporate financial strength. We want to improve our gas customer base wherever we can on an economic basis, and we are continually trying to increase our export power net revenues.

Another goal is to have highly skilled, effective, innovative employees. We want to be recognized as a leader in protecting the environment. There is always more we can do, but we are trying hard to be a leader in that area. We want to enhance our Aboriginal relations anywhere we can. We want to be considered to be an outstanding corporate citizen throughout the province, and we generally want to support industrial development anywhere we can in the province.

Manitoba Hydro, from an electric perspective, is one of the largest electric utilities in the country. We have assets within the top 50 companies in Canada. Revenue was at the top 15 of the 100 largest businesses in Manitoba. We serve approximately 400 000 customers and have 4000 employees on the electric side. That is both capital and operating.

We generated in the fiscal year 2000 about 30 billion kilowatt hours of energy. Over 30 percent of our revenue in kilowatt hours are sold on the export market. We have 12 hydraulic generating stations, 2 thermal stations, 1 at Brandon and 1 at Selkirk, and then we have 6 diesel sites. *[interjection]* It seems to me, I believe that is an error; there are 4 diesel sites, and we are planning to put a gas turbine into Brandon right at the Brandon generating station in the year 2002. It is designed to be in service.

In addition to that the gas side of the operation serves 245 000 customers. We have

about 600 employees there. There are 7200 kilometres of pipeline, that is both transmission and distribution, and last year for the eight months, we had revenues of \$270 million and assets in excess of \$460 right on the balance sheet.

\* (10:10)

This graph sets out all the hydraulic generating stations within the province. It also shows our export capability to Saskatchewan, Ontario and to the United States. As you can see, at this point in time, the biggest export capability is to the United States with over 2000 megawatts.

In the year 2000, 75 percent of the power that we used in the province came from the Nelson River and 15 percent from the Winnipeg River, 5 percent from Grand Rapids on the Saskatchewan and 5 percent from thermal and imported power.

Our preliminary projections for the year March 31, 2000, our annual report will be given to the Minister by the end of July. That is a statutory requirement, and we will certainly do that. But it indicates on a draft basis at this point, revenue of close to \$1.4 billion, extra provincial sales of \$375 million, and we have assets in service of \$8.5 billion on a gross basis. We are achieving our financial targets as we move forward and our net income will be in the neighbourhood of \$150 million. That will take our total retained earnings up to \$818 million.

This is a consolidated operating forecast for the future, and as you can see we are projecting with minimal rate increases. The first line under the graph indicates the type of rate increases we are projecting for the future for the electricity side of the business of 1.7 in the year 2002, 1.5 the year after, 1.5, and 1.5 for those three years. After that, we can still generate relatively significant profits with no rate increase.

The gas company has relatively insignificant rate increases, as well, with the exception of the recovery of gas purchase costs that will reflect market conditions, whatever they are. But as you can see, both sides of the operation, our expenditures will be controlled reasonably well based

on these projections, and we should be in a pretty good financial state. We get to a debt equity ratio of 65-35 at the end of the forecast period of 2010.

This is breaking down that forecast between the electrical side, and as you can see that is generating the majority of the net profits. This is the operating side for Centra Gas. The actual in '99-2000 only represents eight months.

This is the interest coverage, and you can see that our target range is 120 to 1.35, and you can see that we are pretty well totally always in that range.

This is the ability to fund our capital expenditures from internally generated funds, and you can see we can do it all times. The yellow lines represent the consolidated company, both gas and electricity, and the red lines represent the electric side only. The dotted line represents the capital expenditures—no. The internally generated funds are the yellow line with the dotted ones, and the yellow line and the other is the internally generated funds on a consolidated basis.

**Mr. Loewen:** Just to clarify. The yellow dotted line is the internally generated funds just from the hydro operation. Is that accurate?

**Mr. Brennan:** Yes. Let me start at the top one. The consolidated one is the red line. The solid line is the capital expenditures on a consolidated basis. The solid yellow line is the consolidated internally generated funds. The dotted lines represent Manitoba Hydro only. The internally generated funds are the dotted lines, and the actual capital expenditures for Manitoba Hydro alone are the dotted lines. Okay, have you got it? Let us go to the solid line.

**Mr. Loewen:** So the solid red line, that is your consolidated capital expenditure?

**Mr. Brennan:** The red line is the capital expenditures.

**Mr. Loewen:** Solid yellow line is your consolidated funds, internally generated funds?

**Mr. Brennan:** Correct.

**Mr. Loewen:** And the dotted yellow line is the funds generated strictly by the Hydro operation?

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

**Ms. Marianne Cerilli (Radisson):** Madam Chairperson, I just wanted to maybe advise the Committee that the Hansard requires the Chairperson to recognize each speaker prior to speaking.

**Madam Chairperson:** Thank you.

**Mr. Brennan:** I apologize. I always have trouble with that, too.

**Mr. Loewen:** Me, too.

**Madam Chairperson:** Carry on then, Mr. Brennan.

**Mr. Brennan:** With those profits I showed earlier, this is the projected debt ratio of what would happen, both on a consolidated and on an electric side only, the electric side only being the yellow line. As you can see, we continually improve our debt ratio and have more and more accumulated retained earnings. We get to the point that we get to almost 63% debt, and that would be 37% equity, by the end of the 10-year.

Some quick comparisons with other utilities: This is a graph that was made up by Edison Electric, and it compares the average retail rates across the country and shows the 10 lowest-cost utilities in North America. As you can see, Manitoba Hydro is the lowest.

This is made up as well by Edison Electric, and this one shows Manitoba Hydro as being the second lowest. Idaho Power serves a very condensed area, as compared to Manitoba Hydro.

This is a comparison that Manitoba Hydro makes and only shows Canadian utilities, but, as you can see, Manitoba Hydro, for a residential customer, has the lowest bill of anywhere in the country, as indicated by the graph.

This is a small commercial account. It is 40 kilowatts, so it is a relatively small business in a strip mall or the like, and it is shown for a city

with a population of 70 000 or more. Once again, you can see Manitoba Hydro has the lowest bill.

**Mr. Loewen:** Just wondering how that comparison stacks up to Winnipeg Hydro.

**Mr. Brennan:** Winnipeg Hydro, by law, has the same rates as we do.

This is an industrial customer. It is a relatively large manufacturing load. There are also other customers around that size as well, in the pulp and paper industry as an example, and it is a good-sized load, 20 megawatts, in that neighbourhood, with a large high-power factor. Once again, you can see Manitoba Hydro has the lowest bill. This graph shows it in thousands of dollars.

This is a graph that compares Manitoba Hydro with all the other utilities in terms of unit costs as well as the customer outage duration. So the average duration in terms of minutes is shown on the one axis and the costs coming right across the bottom. Manitoba Hydro then does not have the lowest reliability on the graph, but in terms of overall costs and reliability, we are pretty well the best. We stopped at 10 cents a kilowatt hour. There are utilities that exceed that. As you can see by the square box, the CA composite represents all the utilities on an average basis. Most of the utilities, with the exception of Québec, are western utilities that are below the composite.

This is a customer unit cost, and we just took it out of annual reports. It compares the total revenue with the total kilowatt hours sold. Once again, Manitoba Hydro is the lowest.

\* (10:20)

This is a graph that was made up by Dominion Bond Rating Service, and it compares both the variable and fixed costs. Fixed costs are primarily interest in depreciation on the facilities that have been built, and the variable costs are the costs that the utility can basically control. As you can see, Manitoba Hydro is the lowest in terms of our variable costs and is followed relatively closely by Québec.

I would like to briefly talk about the purchase of Centra Gas by Manitoba Hydro.

When we were considering purchasing it and talking with all our principles at the time, we thought it was a real good fit for Manitoba Hydro in terms of providing an integrated energy solution for our customers. We thought there was relatively a low risk to the operation. We thought it was totally consistent with us providing energy services. We thought that public ownership of the gas company would better serve the needs of gas consumers generally. Investor-owned utilities in a monopoly situation does create some difficulties, and we thought that we could overcome that.

We thought we could create a fair amount of synergies associated with the purchase. The dividends that were previously paid to Westcoast would be retained within the province, and generally we would have a lower cost of capital. We thought that that could be passed on to gas ratepayers, depending on how the synergies are allocated to both gas and electricity customers. We generally thought it made Manitoba Hydro stronger and a better company.

At the time we estimated it, we estimated we would get \$12 million worth of synergies. We are up to \$14 million now on an annual basis, and those will be gradually obtained. We still have to integrate the billing systems of the two companies, and that was one of the more significant areas of synergies that we thought we could obtain.

This is one of the preliminary analysis that Nesbitt Burns did for us, and at that point we are looking at purchase price of about \$250 million. We actually purchased it after various types of adjustments at \$242 million. But if we finance that at 6 percent and obtained the savings of \$12 million—and then, of course, the federal taxes were retained as well, and then of course there would be no return on equity—if we did all that, it would work out to a net benefit of customers annually of \$17.3 million.

The evaluation process we went through, we hired Nesbitt Burns to help us, and they thought the value of the purchase should be in the neighbourhood of \$230 million to \$270 million. We also asked KPMG for their view on it, and they gave us a fairness evaluation on the purchase, as well.

Some of the Aboriginal considerations we presently have before us is our difficulty in dealing with Cross Lake at the present time. We are trying to settle our obligations, as is the Province of Manitoba and the Government of Canada. We are working hard to do that. Up to now, we have given them in various structures and other assistance to rectify the situation from their point of view, in excess of \$50 million. We are working with all the parties to develop a plan that would be acceptable to all of us.

Fox Lake, we have come up with an offer to them. They are considering the offer. We have a draft agreement, in principle, but discussions are continuing.

Ward Lake is a community that believes they have a claim against Manitoba Hydro. We have hired a consultant for them to make an assessment of the situation, and those discussions will take place later in the year.

We have some other ones that I will just quickly go through. This is the non-status communities, non-reserve communities of Nelson House, Norway House and Cross Lake. We are dealing with all those. In the case of Nelson House, we believe we have an agreement with them.

There are also some outstanding issues that affect the Grand Rapids forebay, and that is primarily Moose Lake and Chemawawin, and we have an agreement in principle at this point. We opened up the Grand Rapids forebay issues, and we have settled with everybody with the exception of the town and fishermen of Grand Rapids itself. We are also dealing with Mathias Colomb and Marcel Colomb, two reserves on the western side of the province, related to Laurie River.

In general, in terms of Aboriginal issues, we have some northern purchasing guidelines to help Aboriginal communities deal with Manitoba Hydro and some of the activities we have going on in their neighbourhood. In addition to that, we have a series of employment opportunities to help them as well.

The 500-megawatt sale, if you remember, in 1984, we signed a 12-year agreement with

NSP that would go from May 1, '93 to April 30, 2005. We would like to extend that agreement. In 1999, NSP issued a public request for proposals of which we responded, and on April 6 of this year, NSP selected Manitoba Hydro as a future energy provider and recommended that to their regulator. That is being reviewed by the Public Utility Commission of Minnesota.

At the same time, we are trying to get a detailed contract worked out with them. This contract would have to be approved by both the Minnesota Public Utility Commission as well as the National Energy Board. We estimate the additional revenues Manitoba Hydro would get from that—I guess additional is not the right word because we would get something on the interruptible market, if we did not sell it firm, but this is much more than we would otherwise get, but it is a total of \$1.5 billion.

The gas turbine project in Brandon is underway now. We have issued a purchase order to purchase a 260-megawatt single-cycle gas fuel generating plant, with an in service date of May 2000 and a total capital cost of \$177 million. Basically, this plant is designed to sell interruptible power on a firm basis. Right now, we have to sell it only when water is available. So if there is no water available, we will be able to use this facility to firm it up. It is going to generally increase our net revenues and improve our financial strength. It also improves the reliability in the western part of the province, and will generally help us out from a rate structure point of view. I think I have pretty well said everything on that slide.

Based on our corporate interest and escalation rates, we estimate the net present value of the benefits of it in \$99 of \$162 million. The internal rate of return was 13.3 percent. Generally, it is a real good project from our point of view. It does not cause us any problem. We can still take care of it through internally generated funds so we do not even have to go to the market to fund it.

At the present time, we have 5500 megawatts that we think is accessible future generating capacity. There actually is more than that in the province, but some of it is not really economic. We believe that, in time, all 5500



megawatts of this will be developed. It will be developed over an extended period of time though. We only have 5000 megawatts in place today.

The plants we are looking at right now and studying are Notigi, Gull Rapids. Notigi and Wuskatim are both on the Burntwood River system. Gull Rapids is on the Nelson right at Split Lake. Both Notigi and Wuskwatim are in the Nelson House resource area with Gull Rapids being in Split Lake's resource area.

\* (10:30)

We are hoping to be able to make a decision and go into the environmental review process in the spring, should we proceed. At this point in time, we do not know if we will. We estimate it will take us two years to get a licence, and we are probably somewhat optimistic there. We are talking about getting Split Lake and Nelson House happy with what we are proposing to do and being supportive of the entire arrangement. We are proposing that they may in fact even want to, to some degree, be involved in the project.

We also have some hiring and referral protocols, so that we have, in some of our former facilities we built, we had hiring protocols, but we are getting quite extensive now in the type of sequence we would like. We would like to hire Aboriginal people in the immediate area first and then northern Aboriginal people and northern people, and then Manitoba people generally before we go outside the province.

**Mr. Loewen:** I would just like to ask if the forecasted capital expenditures, if the project does go ahead, assuming one does go ahead, are they included in the 10-year forecast that you showed us earlier, in particular as it relates to the debt-to-equity ratio?

**Mr. Brennan:** No, they are not. We have an integrated model that if we put them in the capital expenditures they would show up. In addition to that, the impact on the operating statement would show up right away to. So you would get the revenue that they would produce. You get the interest and depreciation, and then the capital expenditures as well.

Inasmuch as we are not sure if we are proceeding or not, they are not included, though. Our forecast only includes firm decisions at this point.

**Mr. Loewen:** I guess I would assume, if that is the case, if one of these projects was to go ahead, it would alter that debt-to-equity ratio quite significantly.

**Mr. Brennan:** I do not think two of the plants would impact it quite significantly. I think the third one would, the one at Gull would, because we need a new transmission line with that.

There are some issues though with a new transmission line required for our own system, in any event, just to firm it up. So, in actual fact, we may have to look at that on our own as to how we make sure the DC line we have now is firm and reliable in the future. We have 75 per cent of our power now coming down those two transmission lines that are on the same right of way, and that is pretty much of a concern to us. If we have some major problem at either end, it causes a great deal of difficulty. So we are looking at what our options are there, with or without the plan. It would certainly have some impact, but the revenues would be pretty significant as well.

We are also looking at trying to maximize the on-the-job training for a project like this so people can walk away at the end of it with some kind of skill that they can use in the future.

Another development we have under way is a transmission line from Glenboro, Manitoba, down to Harvey, which is in North Dakota. This transmission line is a 230 kV transmission line, which will increase our export capability by about 200 megawatts. Our cost is relatively small to get 200 megawatts of additional export capability, and import capability, for that matter. Where the U.S. are going to pay \$38 million, we are only paying 16 of the total cost of 54. We are looking at an in-service date of 2002 for that.

Winnipeg Hydro, as you know, the agreement we have with them expired at the end of March of this year and we are in the process of renegotiating that contract with them.

We have some subsidiaries that I would briefly like to just mention as to what their function is. CHES, the Central Hydro Energy Services company is a company that Manitoba Hydro and Centra Gas set up before we purchased Centra Gas. It was designed to provide meter reading services and the like. This has been a good arrangement for both utilities and reduced our meter reading costs significantly.

We have Manitoba Hydro International, which is a company that is set up to provide and sell professional expertise. It is world-wide. It is not going to make us all kinds of money, but we are not going to lose money either from it. It is basically a cost-plus situation, and we provide professional services and mark it up. The overhead is relatively limited associated with it. It also provides training opportunities for our own staff.

The HVDC Research Centre was independent of Manitoba Hydro at one point in time, and the sponsors of the Centre recommended that Manitoba Hydro get directly involved. Most of the research they do is provided for Manitoba Hydro and the University of Manitoba, so it has worked out quite well as being a subsidiary.

Meridium Power is a company that was set up to purchase the Canadian rights for a motor that is a single-phase motor that can be built in large sizes that does not require three-phase power. Three-phase power is a major concern in the rural part of the province for irrigation purposes and grain drying and the like, and this is an option to do that. There are also other functions of this particular motor that have some unique characteristics for uninterrupted power supplies and the like.

The 12345 Delaware is a holding company that has been set up in the United States should we want to have an export marketers licence in the States. It is just a shell at this point in time.

**Ms. Cerilli:** Madam Chairperson, I wonder if I could just ask Mr. Brennan to move his microphone a little bit closer. I am having problems hearing. It is not picking up very well. Thank you. That is very good.

**Madam Chairperson:** Thank you. Mr. Brennan. Are you finished?

**Mr. Brennan:** Yes, thank you, Madam Chairperson.

**Mr. Selinger:** That represents a brief overview of Manitoba Hydro, and I think we can see from the presentation that it is a very efficiently run utility that provides an essential service to Manitobans and has enormous potential for the future when you think about the fact that it is at half its capacity now in terms of power generation. I would like to thank, Madam Chairperson, Vic and Bob for doing the presentation. I think we can go directly to questions now, or a statement by the official critic.

**Madam Chairperson:** Thank you, Mr. Minister, Mr. Brennan. Does the official opposition critic have an opening statement?

**Mr. Loewen:** Yes, I do have a brief statement. Madam Chair, I would like to also extend my thanks to Mr. Brennan and his staff for the presentation, certainly a lot of very useful information and, speaking for myself, certainly more information than I can absorb in the brief 30 minutes that it took. I am wondering if we could get a copy of the presentation on paper so that we could just have it for our perusal at some point, if I can continue with my statement, maybe allow the question to be answered when I am done.

I will be brief, but I would like to also congratulate Mr. Brennan and his staff for the wonderful performance, in particular the financial performance of the organization, particularly over the course of the last 10 years. I found it very interesting, when I compared the 10-year summary of results in the 1999 statement, it was noted that every year except one, which I think was affected by severe drought, ended up in a profitable position, and I think, over the decade, the corporation generated over \$570 million in total profit, just a rough number. But, when I compare that to the decade of the '80s, where 6 out of the 10 years were in fact a loss and I think the net loss for that decade was \$6 million, certainly a tribute to the staff that Mr. Brennan has assembled.

I congratulate them for getting the business on a sound footing. That certainly concurs with the statements from the Crown Corporations in

its annual report. From a financial perspective I also know from my dealings in the community that Manitoba Hydro is a very supportive company of the community both in terms of their sponsorship of sports and arts and culture in this community, which is very significant, as well as their contributions on the charitable side to the United Way.

\* (10:40)

So, again, congratulations to the corporation. At the same time, I would like to extend my appreciation to the previous board, a number of whom have retired recently. Certainly it would seem from the financial and other results of the corporation that the organization was well served by the Board. I think it is important that we pass on our congratulations to those board members and at the same time wish Mr. Brennan and his staff continued success in the future and wish success to Mr. Schroeder and the new board. Hopefully, they will be able to steer the organization on to greater heights in the next decade for the benefit of all Manitobans.

I would also like to suggest, Madam Chair, that we are prepared to pass the March 31, 1998, report immediately. We do have some questions on 1999, some of which will relate back to 1998, but it is all relevant to 1999. If the Committee is in agreement, we are prepared to pass the 1998 report immediately and get on with some questioning on the 1999 report.

**Ms. Cerilli:** I just have one question that I would like to ask, especially after seeing the presentation. I would like an explanation of the steps that are in the process for Manitoba Hydro to determine whether or not to proceed with new construction and also looking at how long each step in that process takes generally.

**Mr. Brennan:** Okay. Can I go back to Mr. Loewen's question about whether we have copies of the presentation? They will be available for everybody.

**Ms. Cerilli:** Thank you.

**Mr. Brennan:** We have a massive chart we can make available to you. There are a series of issues we have to identify, you know, where

there are environmental considerations, economic considerations, the financial considerations like engineering, economics, looks at just what the net present value of the project would do. We want to make sure we know what impact it would have on ratepayers. We want to make sure that all the risks are evaluated properly. All these are designed to come together by the end of the calendar year early into the new year.

We have various teams looking at various issues. They all come together and will make one overall evaluation based on all the various things we are looking at. I do not know if I was specific enough for you, but I tried.

**Ms. Cerilli:** That dealt more with some of the considerations that you make. I know that eventually you will get to the point where you hire a consulting company that will work with Hydro to put together an environmental impact assessment, and that goes forward. That is sort one part of it, but there are all sorts of internal steps that go before that. That is what I am interested in sort of hearing more about, sort of from when you are first going to—and I know that we are in this process now looking at cost-benefit and other considerations that you have mentioned, but right from that point up till when construction will begin, sort of that step-by-step process is what I am interested in getting a better understanding of.

**Mr. Brennan:** I think I would probably have to do it in more detail with you and with some of the people that are closer to the environmental side than I, but by the time we want to make a decision we have to know all the environmental impacts totally. We also have to know, if in fact there are some, how we propose to mitigate those so that it is not a problem. In addition to that, we want to know if there is any risk. There might be potential environmental issues that are not there, but they may be there. So we want to know what probabilities and the like that may take place. What we would have before us when we go to make the decision is all of that information. So we do an awful lot of work in the environmental area, including hiring a good number of consultants before we even make the decision.

At the time we make it, we should know all the environmental issues and how significant they are. I am still not sure if I have helped you. I am not sure if I am close enough to it to go right into all the details of it, but we can make it available for you.

**Ms. Cerilli:** Yes. I would be interested in seeing if you have some kind of a chart that outlines internally the different processes they could go through and then once it gets to the public and then after that, in terms of tendering work, like all those different steps. I think I would be interested in seeing that.

**Mr. Brennan:** Yes. We could make that available. Once we are in the position of deciding whether we proceed, there will be a chart that would be available that brings everything together in terms of what we have to do first. The whole environmental process we estimate will take us two years to go through regardless. That is after we know all the impacts ourselves. It is a pretty essential process.

**Ms. Cerilli:** One other thing I wanted to ask based on this '98 report is we have heard there was some internal restructuring at Manitoba Hydro that took place. I am not sure if it was back in '98, but I think that it was. I just want a little bit of an explanation of internally any restructuring that was done at Manitoba Hydro.

**Mr. Brennan:** Yes. In '97, which would have been reflected in the '98 report, we restructured into business units. We were not one of the first utilities to do it, but we are relatively close to being at the front of the pack.

What we did was restructured into functional units that represented generation; transmission and distribution; and customer service and marketing. We have a support group in addition to that, which is finance and administration. That is a separate unit that provides services for the corporation as a whole.

This was deemed to be a better structure, more efficient and allowed people to work on the same areas. We did this before it was required from a regulatory point of view, so to speak, in that we have to segregate these for our export considerations as well.

**Ms. Cerilli:** What was its structure prior to that?

**Mr. Brennan:** Before that, we had various units like construction that would be a unit for the entire corporation. Design would be for the entire corporation. So we would have, let us say, construction for generating stations. We would have it for distribution facilities and transmission facilities and the like.

What we did was we took all that apart and said: Okay, all the construction people associated with distribution and transmission lines will all be together. They will work with the planners in that group and the designers and everything. They will all be together. We thought that would be much more efficient, and as it has worked out, it has been.

In addition to that, of course, the transmission facilities have to be considered to be a group that the sellers of power cannot have access to within the corporation.

**Mr. Ron Schuler (Springfield):** Madam Chair, I do have some questions of the Minister. Just for clarification, I take it you are going to go across the table, a question here, a question on the other side. Is that your intention?

**Madam Chairperson:** Yes. My understanding is that we are still on the March 31, 1998, report which the critic has suggested they would be willing to pass, but we are doing questions on that.

**Mr. Selinger:** I would suggest, if Mr. Schuler and the members opposite agree, that we just pass the '98 report. Then we can deal with all the questions on the '99 report, and get a little bit of housekeeping done.

**Madam Chairperson:** Okay. Is that agreed by the Committee then?

**Ms. Cerilli:** I will just finish my last area of questioning. One more on this. I just wanted to clarify the reason of the benefits of that reorganization that occurred in the Hydro.

\* (10:50)

**Mr. Brennan:** Could you repeat the question for me, please?

**Ms. Cerilli:** I appreciate that you have given some explanation, the changes that were made internally. I just want an explanation of the advantages or the reasons why that those changes were made.

**Mr. Brennan:** We could see the way the market was going, that this was going to be a requirement of Manitoba Hydro to make sure that our marketings of power and the people that produced the power were totally segregated from the transmission area of the company. In addition to that, it seemed to us to be the efficient way to do things in any event. The end bundling of these functions is an industry-wide trend, and we were one of the—I guess we were not one of the first, but we were certainly one of the leaders in doing it. But pretty well everybody has done it now.

**Madam Chairperson:** Shall the report of the Manitoba Hydro-Electric Board for the year ending March 31, 1998, pass?

**Some Honourable Members:** Pass.

**Madam Chairperson:** The report is accordingly passed.

Shall the report ending March 31, 1999, be considered in its entirety?

**Some Honourable Members:** Agreed.

**Madam Chairperson:** Agreed. The floor is now open to questions. Mr. Schuler, I would like to go back to Mr. Loewen as critic and see if he has completed, or would you wish to defer to Mr. Schuler at this point?

**Mr. Loewen:** Madam Chair, I do have some questions, but I would like to defer to Mr. Schuler, who, I know, has some questions of Mr. Brennan regarding issues in his specific constituency. So if we could deal with those first and then come back to some of the more general questions.

**Mr. Schuler:** The questions I have deal with the Dorsey-St. Vital line. The Minister is fully aware of it, and these questions, through you, Madam Chair, are to the Minister. Presently going through East St. Paul, West St. Paul, there are

two lines that go through, a 230 kilovolt line and a 500 kV line. The Dorsey-St. Vital line, I take it, is a proposed line or it is on the books. It is another 230 kV line. I was wondering if the Minister could tell this committee: When does the construction start being planned?

**Mr. Selinger:** First of all, I should just tell the Member one of the first conversations we had when we showed up at the Legislature was your concern about that line, and I remember the conversation well in the rotunda. Since that conversation, the environmental licence has been approved for that line without qualification. I have taken the opportunity to drive through the community and get a feel for the issues that you had identified for me. I have discussed it with the President of the corporation to see what could be done. There are no obvious environmental impediments to putting the line through, as identified in the environmental review process, which was why the licence was given. As I understand it, the line is coming, is planning for—what dates? Could I defer to Mr. Brennan on that?

**Mr. Brennan:** I believe it is early 2002, but I could be wrong.

**Mr. Schuler:** I was wondering if the Minister was aware that if the Dorsey-St. Vital line does go through East and West St. Paul, from the information that we have that would be the highest concentration of electrical power going through a residential area in North America. Is the Minister aware of that?

**Mr. Selinger:** I am aware that the line is a high-voltage line. I do not know about the comparables on that in terms of how it would stack up to other jurisdictions, but the purpose of the environmental review process was to make sure that it was a safe line. When I looked at it, specific to the residents you were concerned about and I am concerned about, there was a good setback. I will defer the technicals on that to Mr. Brennan.

**Mr. Brennan:** I really am not aware of the comment you made, but from our perspective it would certainly be safe.

**Mr. Schuler:** Just on that one, the Dorsey-St. Vital line is supposed to run on the north side of the lines that are currently running through East and West St. Paul. There is also a planned 500 kV line that is supposed to go on the south side of the lines. If and when the 500 kV line goes through, it would be the highest concentration in the world of power going through any residential area. The concern to the residents, and to the Minister, through you, Madam Chair, that if that line were to go through, it would be approximately 100 feet away from the nearest house. Just for a matter of reference, this room is approximately 90 feet, so add 10 feet on to this.

Is the Minister comfortable with that much power going past residential houses 100 feet away from the nearest property line?

**Mr. Selinger:** You are referring to the 500 kilovolt line now, combined with the 230 kilovolt line?

**Mr. Schuler:** The proposed 230 kV line that is supposed to go through on the north side, which then means you would have a 500, a 230 and a 230 going through that particular corridor. The 230 kV line would be approximately 100 feet away from the nearest house. That would be on the north side.

Is the Minister comfortable with that much power going past residences?

**Mr. Selinger:** What I can say is this, that when this issue was identified for me I took it seriously and discussed it early with the president of the corporation and went out and did a visual inspection to get a sense of it myself. I would want to be sure that all residents of Manitoba are protected from any negative impacts of these hydro transmission lines. There was no negative impact identified in the environmental review process for the 230 kilovolt line, which is the only one we examined. The 500 one would obviously have to pass and receive an environmental licence as well.

My answer is that there does not appear to be any scientific basis for danger, but I retain an open mind. I understand that these issues are the subject of ongoing research by experts in the

field. There are various studies that have slightly different conclusions. The overall result of the research is that it is inconclusive, the negative impacts at this stage of the game. But research continues in this regard. So I will keep an open mind as the research evolves on this matter. I take the Member's concern seriously, and I certainly have discussed it with Mr. Brennan.

Did you want to make a specific comment, Mr. Brennan?

**Mr. Brennan:** No. Before we build the additional line, of course, we would make sure that, you know, it was safe to do so. We would not want to do anything that was detrimental to people's health in any way. So if there is any chance of that we would obviously have to find a different route.

**Mr. Schuler:** I was wondering if the Minister is aware that, in May of 1999, the U.S. government came up with a policy of avoiding building high-voltage power lines near residential or commercial buildings. In fact, there is a report that has come out. I do not know if the Minister has it. It is called the Henshaw report in which they clearly identify that there is not scientific proof but there is a correlation between hydro lines and childhood leukemia. In fact, there is a one in eight chance of children getting leukemia being near power lines, which is far greater than if those homes are not near power lines. I would be more than willing to pass the report on to the Minister. I made an extra copy for him.

This being a fairly new area with an awful lot of children, especially that strip of homes on the north side that we are talking about, Minister, in light of these different reports, again, I think everybody concedes, there is not that scientific correlation, but there is a numerical or statistic correlation between power lines and child leukemia. By putting that power line so much closer, another one so much closer, to the homes and the risk of one in eight children coming down with leukemia, would it not be prudent or is not prudent to perhaps put a moratorium on it until the situation could be looked at a little bit closer?

**Mr. Selinger:** Once again I take the concern raised by the Member seriously. The research

that I have seen, and I have examined this over a period of 10 years, remains and continues to be inconclusive. If there is a prudent way to install a line that mitigates the impact on any population, including children and families, that would certainly be the course I would always choose. That is why I have raised the matter early with the President of the corporation and will continue to discuss it with him.

Even though the environmental licence has been improved, installation plans have not proceeded on the specific basis yet, and we will continue to discuss the options that will provide the greatest measure and zone of security to residents in the area. I would be happy to receive the report that you have suggested.

The Member has also said it would be the highest concentration of high-voltage lines in the world, and I would like the basis upon which you have made that statement provided to me as well so that I can verify that. If those suggestions are true, then we will certainly take them seriously and see what we can do about it.

\* (11:00)

**Mr. Schuler:** Just in response, I believe that was going through a residential area.

**Mr. Selinger:** If you have a factual basis for that or any kind of documentation for that, I would be delighted to receive that as well. I will ask for a response from the corporation as to that suggestion, and we will take a look at it, but I will just conclude by saying that I do take these matters seriously.

It is fundamental that the safety of Hydro, for its employees and for the customers and Manitobans that live around these facilities, be paramount in any decisions we make to expand these projects. I know, in discussions with both the Chairperson of the Board and the President of the Board, they take it seriously as well, and we retain an open mind on how we can mitigate to the maximum extent possible these effects without incurring an unreasonable or excessive cost.

**Mr. Schuler:** Just on that one, through you to the Minister, I think the proposal that two 500

kV lines and two 230 kV lines going through that particular corridor, the thought of it absolutely horrifies me. I simply cannot imagine that we would put that much power through a residential section down through a corridor.

I think basically what we are dealing with is the 230 line. Now, there is a proposal to run the 230 kV line on the south side, which is further away from any properties. One of the arguments has been from officials from Manitoba Hydro that, well, they do not want to cross the lines over the other lines. Yet we have reason to believe, and it is not substantiated because we do not have an in with Hydro, that actually, when the lines cross the Red River, they do cross the lines. It goes from the north side to the south side. So would it not just make more sense then just to run it on the south side? You are a lot further away from any property lines, considerably further away, and you would not interfere with the properties, with the homes on the north side.

Mr. Minister, have you looked at that? Have you asked your department to look into it? Through the Chair to you, Mr. Minister, is that a reasonable compromise to look at?

Again, Madam Chair, through you, I have spoken to a lot of the residents, and there is absolute fear that that 230 kV line is going to run on the north side that close to the houses. I think we all should fear that because do you know what? Nobody benefits when children get sick, and I do not think there is any value in going any further on that. I mean, I think we all understand that, and I think we are all concerned with that, but that is an awful lot of power to be running through a corridor.

Through you, if I may, to the Minister, would running it down the south side be a consideration?

**Mr. Selinger:** I thank the Member for the question. I can tell him that I have asked specifically on that very subject that he has raised about location of the future lines and whether they could be located on the south side. I have asked specifically about crossovers and precedents for that, and the president of the corporation is examining that matter at my request.

I did this before the Budget, so two or three months ago. I will continue to pursue that. I cannot even read that. But the reality is that I do take it seriously, on the specifics as well. That is why I did the drive-through myself and had a look at it with my family.

I would just like to ask, I know the Member is being prudent here, but I do not think we should unrealistically or unnecessarily raise fears about safety with respect to children when the evidence is less than solid on that. Even in the face of the fact of inconclusive evidence, my position as a minister is that, if we can take prudent measures to avoid raising the fears of anybody, residents, families, MLAs, the general public, we should try to do that. I have expressed that opinion in no uncertain terms to the corporation. I think they have heard me on that matter. We will continue to take a look at that. I am sure you will continue to ask the questions about it.

**Mr. Schuler:** Just on that one, I guess my only comment, Minister, is chances are that there is no correlation. Are we willing to take that chance? I think that is really the fundamental question. That is, I am sure you with your children, you taught them, chances are nothing happens to you if you drink and drive. Are you willing to take that chance? The answer is no.

On this issue again, I would say to the Minister chances are there is no correlation, but statistically there is, though scientifically there is not.

I am basically going to close. I have a few more questions left. Mr. Minister, I believe the residents asked you sometime after you were appointed minister for a meeting. Have you had a chance to meet with the community?

**Mr. Selinger:** My special assistant has met with and discussed this topic with members of the community. He is at the back of the room if he wants to come forward with specific information he can give me on that. But we have discussed it with them and we have responded to the letters they have sent to us. I know there have been conversations.

I did not meet with them directly myself, but, as I understand it—and I will ask Mr. Loney

to come forward with any specific information about meetings with residents in that area—there have also been some discussions with some of the locally elected representatives as well, who also have concerns.

Did you have some meetings with the residents from that area? The special assistant did have many conversations with residents from the area on the phone, but because it was under Conservation in terms of the licensing portion of that, we did not want to give the residents any false impression that we could unilaterally decide to overrule what happens on the licence application. We did not meet with them until the licence application had been finalized. As you know, the result of that was that it was a green light to go ahead on that. We have met with them and heard their concerns clearly, discussed it with them and heard their concerns clearly.

**Mr. Schuler:** Now that Conservation, I believe it was November 17, 1999, did pass it, Minister, there is a lot of concern out in the community. Certainly they have in the last couple of weeks. Hydro has heightened certain lines because they want to put more power through. Because the more they put through, I guess the lines sag, so there has been some work being done out there, and again it raised the issue. The issue has gotten a little bit warmer.

Would it be possible for the residents to meet with yourself and officials from Hydro? Would it be possible to have a public meeting so at least it could be explained and residents could explain their concerns, because perhaps a lot of things are not quite what they seem to be, and often if it is explained.

There seems to be the belief out there that the lines do a crossover at the Red River. If the lines do a crossover at the Red River, then why cannot the lines just run on the south side? Those kinds of things, if they could be explained to the public, frankly, my thinking is that would probably be the least one could expect.

**Mr. Selinger:** We would be happy to meet with the residents and bring officials into that discussion. There were open houses and public events already held as part of the application process so there have been opportunities.



If residents want to meet with members of the corporation and myself, we would be happy to bring them in and talk to them and explain the situation and address their specific concerns.

**Mr. Schuler:** Is there a potential that something in September could be arranged? Would that be an acceptable time?

**Mr. Selinger:** I see no reason why we could not move on that. I see no reason why we could not move on that late in the summer, early in September, to have an opportunity to meet with residents and hear their concerns.

**Mr. Schuler:** Through you, Madam Chair, if it would so suit the Minister, certainly that would be a message I would pass on. I believe the individual's name is Frank Miller. He is actually the one who is with the citizens. He is actually the one who has been driving this whole issue I believe. He is the individual that has corresponded with you and with Mr. Brennan.

**Mr. Selinger:** I would ask that you direct Mr. Miller to speak directly to my special assistant, and we will work something out that way in terms of setting up an opportunity to get together and talk about it.

\* (11:10)

**Mr. Schuler:** For the record, your assistant's name and phone number?

**Mr. Selinger:** My special assistant's name is Shaun Loney, through the Minister of Finance's office, 945-3952. We can do it. We will work it out with Hydro to set up some opportunity to get together and discuss it.

**Mr. Schuler:** I would like to, through you, Madam Chair, thank the Minister and the corporation. Certainly we all appreciate that Hydro is instrumental in this province. It has a lot of economic spinoffs for all of us. Manitoba Hydro has been good to Manitoba, and, as my colleague said, it has been run very efficiently. My compliments to Mr. Brennan and his colleagues.

Certainly the residents do not wish to see anything that would seriously damage the corporation, but I do believe that corporations have

to live with the residents they serve. In this case, I believe the residents are being reasonable. I believe the residents have a case in that perhaps an alternative route on perhaps the south side, but in either case, I would appeal to the Minister and the corporation perhaps it is time to put a moratorium after that on lines going through that particular section.

East St. Paul and the growth north has been substantial. There are a lot of homes. It tends to be younger families, and again it gets back to this: the chance. Mathematically, one out of eight children seem to come down with leukemia when they are within a certain distance of hydro lines. I do not think any of us want to be putting neighbourhoods in that kind of predicament. I would very much wish to work with anybody on this, certainly with the community, with the Minister, with the staff, to solve this issue, because I think it is of vital importance certainly to the community. I think we would all like to see it resolved. I certainly do appreciate the Minister has been very up front and very accommodating on this, and I certainly look forward to working with him and the corporation. Thank you.

**Mr. Selinger:** I thank the Member for his concern on this matter. I look forward to the information he is going to provide me. We will follow up on it. We will move forward on arranging a get-together, discuss this and see what we can do to address and alleviate the concerns of the residents in the area.

**Mr. Loewen:** I would like to move to the financial section of the 1999 report. Most of the questions I have will deal with, I guess, the financial aspects of the operation. As well, I have a few questions on some of the policy. *[interjection]* I am on page 86 of the 1999 report, Financial Statistics and Operating Statistics.

Then again, just to congratulate Mr. Brennan and his organization for the increased and improved financial performance year over year. I did notice, however, in 1999 that there was a small blip and that for the first time in four years we have, I guess, a minor downtrend in net income, although I certainly took note that the projections, I gather, were close enough to know

in the actual numbers that he is projecting \$150 million for the year 2000. I notice that in spite of improved revenue, there was a significant expense in the fuel and power purchased by the organization in 1999. Is that directly attributed to any one area?

**Mr. Brennan:** No. The flows were reasonably high in 1999 as well. Both '98 and '99 were reasonably good flow years. How we use the fuel and power purchase is to help us with the extra-provincial revenue situation. At certain times of the year, we do get concerned about future flows and that sort of thing, so we could be buying or using coal at that point in time. Overall, though, as you can see, extra-provincial went up, and at the same time power purchases and fuel went up. We should be looking at that on a net basis, really. We had lots of power for our own needs, so everything would have been available for the export market.

**Mr. Loewen:** Thank you, Mr. Brennan. I do note that, when I net those two figures out, the revenue went up by approximately \$29 million and the expense went up by approximately \$44 million. Is there something that will even that out in the future? Is it anticipated that the extra-provincial revenue will outstrip the extra need for fuel and power in the next years?

**Mr. Brennan:** Could I refer you to page 87? If you take a look at the hydraulic generation, you can see the total generation on the right-hand side, right near the top. Go to total generation. *[interjection]* Yes, total energy supplied. We have Manitoba Hydro, Winnipeg Hydro. We went from 34 billion, 34 to 30, overall. So 4 billion kilowatt hours of energy was less in that year. So 4 billion kilowatt hours of energy would not have been available for the export market. You can price that at any number you want, but that is a lot of power.

**Mr. Loewen:** So I take it then that is—

**Mr. Brennan:** Both years were good years, though; 34 billion is just a phenomenal year.

**Mr. Loewen:** Thank you for that information. Mr. Brennan, in terms of the financial statistics, I think that is it for there. I would like to turn quickly to the Consolidated Statement of Income

and Retained Earnings on page 71. If I could just talk a bit about the trends and the trends going forward, and what the expectations are in terms of the extra-provincial revenue.

**Mr. Brennan:** The market seems to be getting better and better for Manitoba Hydro. Rates are getting better. That is why we are looking at the new generation. We do not need any generation for our own purposes for an extended period of time, probably to the year 2020. So when we are looking at these new facilities, it is because of the export market being good. We think Manitoba Hydro is in a really good position right now, and the future looks equally good because of the export market.

**Mr. Loewen:** With regard to the expansion, then, of capacity for export, in the modelling, is it based on a desired return on equity?

**Mr. Brennan:** We look at it from all aspects. Ordinarily, it is straight economics. We have a hurdle rate in this case for something that, you know, we do not need for our own load, sort of thing. The hurdle rate has to be at least 10% internal rate of return. At the same time, we do not want to negatively—you can get that over time, but you want to make sure that the rate-payers are not hurt at any one particular point in time. So although you could get a real high internal rate of return, you still have to be concerned about what impact it would have on customers, in other words, how those costs flow to customers. So we look at both. I do not think it is fair to say we just use one.

**Mr. Loewen:** With regard to the acquisition of Centra Gas and I guess the ongoing operation there, is it the intent of the corporation—and all these, in the business world strategies change from time to time. We are in a period of consolidation now. Other periods in business history we go through deconsolidation and companies are bought and sold. Is it the intent of the organization to operate Centra Gas in a—well, I know they anticipate some synergies. Will it be operated in such a way that it would be possible to spin it off if so desired at some future point?

**Mr. Brennan:** Certainly that is possible. To some degree, it would depend on the purchaser too, you know, what kind of operation the pur-

chaser has. But we are proposing to integrate all administrative functions. So to spin it off, somebody else would have to pick those up. Although we are going to cost the price of the two products separately, there will be integrated services providing services to both sides.

**Mr. Loewen:** Madam Chair, there have, as has been reported in the paper in the past year, some particular risks that Centra Gas has taken on in their operation in terms of some of their hedging activities. I guess my question to the Minister and to the president is: Are we satisfied that the hedging activities are, in fact, under control and that we will not have a situation where the rate-payers on the electric side are faced with recovering some misplaced hedging results on the gas side?

**Mr. Brennan:** Yes, I am confident that that type of a situation would certainly not recur. In some cases, these is a risk of gas prices moving, as certainly they have moved up more recently. You want to do anything you can to eliminate that or at least put some sort of controls around that. Having said that, any hedges that would be placed on have to have appropriate approvals and they have to be done within a fashion that everybody is comfortable with. But I am confident it would never happen again, at least until I retire.

\* (11:20)

**Mr. Loewen:** I am not sure if that is a long-term commitment.

**Mr. Brennan:** It is.

**Mr. Loewen:** I appreciate the answer. I guess just in terms of policy, and maybe either the Minister or the Chair or the president can feel free to answer this, I am just wondering if there has at the policy level been any discussion on, I guess, expanded economic opportunities for rural Manitoba through expansion of rural gasification.

**Mr. Selinger:** We have received representations on that from the Association of Manitoba Municipalities. We are looking at ways we can increase gasification on a regional basis. As you know, any time you install these major new

utilities or services in rural areas, there are some communities that can more afford it than others. You want to look at an approach that allows the little communities to participate in this, not just the big ones that can take it, and then you get a widening gap between those that can participate and those that cannot.

I have asked the corporation to come back with some ideas on how we can regionalize gasification so that there are more people in the tent than out of the tent. So we are looking at that. We do not want to do that in a way that we put Manitoba Hydro in a position of being the subsidizer of the gasification process. We cannot pluck all the feathers of the golden goose on an ongoing basis for every project that comes along. Otherwise, you do not have a golden goose anymore. But with the participation of other levels of government and the community itself, there are some possibilities of financing gasification where we can include as many communities as possible in that process without putting an undue burden on Hydro to subsidize it.

**Mr. Loewen:** The president, in the financial forecasts he shared with us: Were there any projections in there for expanded rural gasification, in terms of the capital and the debt-to-equity ratio?

**Mr. Brennan:** Very modest ones. For the most part, though, Manitoba Hydro, through Centra Gas, most of the investments are relatively small, from a Centra point of view. Extending gas in rural Manitoba is a very costly venture. There is one that we just had before the Public Utilities Board recently. The total cost was in the neighbourhood of \$7.3 million, and Manitoba Hydro's investment was just slightly more than \$1 million. So that is sort of an indication of what happens in those cases.

**Mr. Loewen:** With regard to the folding in of the operations, I guess, from a strategic perspective—I want to come back and talk a little bit about Winnipeg Hydro. I am sure that Mr. Brennan is aware that sometimes, by folding in operations such as maybe is being proposed by the City of Winnipeg, it makes it quite difficult for someone who is willing to pay a premium for an operation to come along and separate the two

entities and make what would be, on the basis, a sound economic proposal. I guess, going forward, I would ask Mr. Brennan if he would see at some point, given the nature of what is going on in the world, would it be possible to separate Centra Gas for a strategic purchaser that made sense to the Province of Manitoba at some point in the future?

**Mr. Brennan:** Yes, I believe it would. Certainly, it would depend on the purchaser, too, of course. But I think it would.

**Mr. Loewen:** In his presentation Mr. Brennan mentioned that they are in the process of negotiating rates with Winnipeg Hydro. Without disrupting any sensitive negotiations that are going on, I guess my question is: Is it the intention of Manitoba Hydro to pursue the option of purchasing Winnipeg Hydro at this point?

**Mr. Selinger:** The rate discussion is separate from any purchase or merger or new relationship discussions. The agreement has lapsed. There has to be a renewal of that agreement in one way, shape or form. Manitoba Hydro has assembled a team of negotiators. They are in active discussion with the City on that, but that discussion does not include the higher level discussions around mergers, alliances, co-ownership. That is a discussion that has to occur at another level.

**Mr. Loewen:** That partially answers my next question to the Minister, and perhaps to the Chair of the Board, seeing as how it is a policy question. Is it the policy of either the Board or the provincial government to pursue the possibility of negotiating a purchase of Winnipeg Hydro from the City of Winnipeg to consolidate it with Manitoba Hydro?

**Mr. Selinger:** We remain open to that possibility of a mutually satisfactory arrangement between the City and the Province. We certainly would not foreclose it. We are not opposed to it. At this stage of the game, we are not actively pursuing that discussion. We would hope the City would see that in the best interests of their citizens, as well as Manitoba seeing it in the best interests of their citizens.

We think there are some significant synergies that could be achieved by a rela-

tionship, a stronger relationship between the City, the Province and the Crown corporation. We think those synergies could be to the advantage of the City of Winnipeg. But, as you know, in these kinds of matters, it is very delicate, the positioning and how you proceed on that. At this stage of the game, we are not in active discussions on that matter.

**Mr. Loewen:** Two other issues that I would like to discuss, both of a policy nature, and both relate back to questions addressed to the Minister in the House. Back in December, there was some discussion, and an article appeared in the paper regarding the possibility that the Government of Manitoba would look to receive dividends from Manitoba Hydro. I wonder if those discussions have come to fruition or if there has been conclusion at this point.

**Mr. Selinger:** No, at this stage of the game, there is no conclusion. We are still considering the option. It is done in other jurisdictions, but there is no firm position at this stage of the game.

**Mr. Loewen:** I will have to look at the information when I get it on paper, but in Mr. Brennan's presentation, I guess, I definitely got a strong indication that the savings resulting from the synergies resulting from the consolidation of Centra and Manitoba Hydro, it was certainly intended that those synergies would be passed on to ratepayers. I would ask the Minister whether that would be the policy of the Government as well.

**Mr. Selinger:** It would be our policy to continue to have Manitoba Hydro to be one of the most affordable sources of energy in North America, certainly in Canada, but we also see this Crown corporation playing other leadership roles within Manitoba on some of the other topics we have already discussed, for example, gasification. There are costs associated with that. Where we think that Manitoba Hydro can make a broader contribution to the development of Manitoba, we will consider it.

**Mr. Loewen:** I thank the Minister for that. With regard to the debt-equity ratio, which was indicated in the presentation that the anticipation is, I believe, some time in the next 10 years that will get down to 63 percent in total, if the Gull

Rapids project was to go ahead, have there been some preliminary numbers done on what effect that would have on the debt-equity ratio of the corporation? I guess, at the same time, has there been a capital cost associated with that project at this point?

**Mr. Brennan:** Yes, we have done some preliminary work. It would have a somewhat negative impact on our achieving our targets. Our target basically is 75 to 25 by 2005 and 2005-2006. We are ahead of schedule to do that. Having said that, because of plants built over time, we will get to our targets okay. There does not appear to be a problem there; it will have a negative impact from what would otherwise happen, but it gets picked up immediately after as a result of the revenue we generate.

**Mr. Loewen:** Has there been a capital cost associated with the Gull Rapids project?

**Mr. Brennan:** Yes, we have some. At this point in time, I am not real close to what they are, so I would have to get them for you. We try to keep generating station costs relatively confidential, just from a competitive basis, from some of the people knowing what our costs are going to be, but certainly, if it is your wish, we can make it available to you.

**Mr. Loewen:** I would appreciate, either through Mr. Brennan or through the Minister's office, having those figures available at some point. I think the reason is obvious. It would be obviously a very, very significant investment in terms of capital costs that the people of Manitoba would be looking at, and I think they would want to know what the payback was for a project of this size, given that, I guess, some previous record with some of these megaprojects has led to some rather significant costs to the people of Manitoba. So, if we could see that, that would be certainly helpful.

**Madam Chairperson:** Mr. Brennan, on that point.

**Mr. Brennan:** One thing I probably should have mentioned was the size of the plant as it relates to a plant like Limestone. It is less than half the size of Limestone, so it is about 600 megawatts. The other two plants are even smaller.

Wuskwatim is about two-something and less than a hundred for Notigi.

\* (11:30)

**Mr. Loewen:** I would like to direct my next question through you to the new Chair, and I would ask, in terms of a policy perspective, if Mr. Schroeder has a policy perspective on the Gull Rapids megaproject.

**Mr. Vic Schroeder (Chairman, Manitoba Hydro-Electric Board):** Clearly, we would not be going ahead unless we were comfortable with the notion that it was going to be in the long-term best interests of Manitoba Hydro and Manitobans. We are not in a position now where we have any kind of information that would give us the ability to make that decision. So that is where we are at right now.

**Mr. Loewen:** Am I safe to assume then from that answer that expansion would not take place unless there was a strong and very positive economic reason to move forward?

**Mr. Schroeder:** Absolutely. Times change, and it need not necessarily be the same reason as we went ahead with Limestone in the 1980s where we did not go ahead until we had a firm long-term contract. Mr. Brennan and I have discussed a number of times. He has indicated to me that, and it appears clear, market conditions are quite different now than they were then in terms of interruptible versus firm power, long term versus short. There is a lot of profit to be made now in shorter-term power generation, No. 1; No. 2, because of deregulation, where we are in an environment in North America where decision making does not have the luxury of 10 or 12 years in advance the way it was a couple of decades ago. The utility companies are required by the market to move relatively quickly into new generating. You are seeing that with the new turbine gas thermal plants that are being set up across the continent. Of course, we would be competing with them.

**Mr. Loewen:** Maybe it is more appropriate then to ask Mr. Brennan: Would he anticipate that the expansion of exports to the United States would be driven by long-term contracts?

**Mr. Brennan:** We are finding the interruptible market is getting pretty attractive as well. It

would be a mix. Even long-term contracts are firm sales. You are talking short term and long term, so the market is very good under all conditions. That is what prompted us to look at these. Having said that, unless it is in the best interests of Manitoba Hydro and its customers, we would not even make the recommendation if it is not.

**Mr. Loewen:** Just one other issue I would like to cover, and that is with regard to reports that were in the paper in December with regard to construction of a new building. I wonder if Mr. Brennan could update the Committee on any plans for a new building or, hopefully, further plans to help revitalize downtown by moving the bulk of your staff down here.

**Mr. Selinger:** As I indicated to both the media and to the Member in the House, we would like to see the downtown revitalized, and we would like to see Hydro being a part of that. There is a business case that has to be made there as well as a public policy case, and they both have to converge and make sense on both sides of that equation. But we certainly remain open to that possibility. I will let Bob give any specifics on the new building.

**Mr. Brennan:** Last early summer, I guess, we did a review to just see what kind of space requirements we would need if we consolidated an awful lot of our facilities. We have people on Waverley in warehouse space and the like. They are in a fair number of buildings there, and there would be some efficiencies if we brought them all together. Having said that, we now have a plan. We know how much space we would require if we threw them all together, but we have not looked at anything further than that.

**Mr. Loewen:** The space on Waverley, I believe, in the commercial market, is known as Apache Park. I believe that space is currently rented. I believe Investors Group is the owner of that space, and it is rented by Manitoba Hydro. Is that correct?

**Mr. Brennan:** I think you will find that, yes, Apache Mall is a series of buildings that were almost like strip-mall type buildings and warehouse space, in a lot of cases. We have converted them into an office. Also, there is an

office building there, a couple of them. Willson Place is one that we have people in, and we have the entire building. There is another office building, a three- or four-storey one, and we have probably 75, 80 percent of the building. We also have one other facility that we use part of the building, as well. So we have a number of buildings that people are using in there, and it would be beneficial to consolidate them. Having said that, when you have the people in inexpensive facilities, it gets hard to justify economically in building a new building just because of the fact they are in the cheapest type of accommodation there is.

**Mr. Loewen:** Just to clarify that, that is all leased space. None of that is owned by Manitoba Hydro.

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

**Mr. Loewen:** Are those leases expiring shortly? Are they long-term leases?

**Mr. Brennan:** They are coming due at various times. None of them are extremely long. Five years is the longest, I believe. There are some options on them.

**Mr. Loewen:** Sorry, options to purchase.

**Mr. Brennan:** No, options to extend the lease.

**Mr. Loewen:** My understanding was that there had been some preliminary plans to construct and preliminary architectural designs drawn up to construct a building just off of Route 90, Kenaston south of the Centra Gas tanks. Is there work ongoing on that, on those architectural drawings?

**Mr. Brennan:** Part of that report that I talked about earlier that looked at how we could consolidate our people together looked at what some of the options were, and that was one of them. But we do not have architectural drawings or anything like that. All we have really done is come up with the requirement as to how much space we do need if we have to consolidate people.

The other thing that came out of that report that was quite good is that as we are integrating

people with Centra now, we know what kind of space we require to put groups together.

\* (11:40)

**Mr. Loewen:** More in a way of a statement than question, but I would encourage the Minister and the chairman and the president to take a very close and serious look at what could be done to consolidate the majority of the staff in downtown Winnipeg, even if it meant constructing a new building there. I think it has been the policy of the previous government, whenever possible, to move as many people as possible into the downtown, and I think that is something that is shown in the real estate figures in terms of space. I know that MTS is extremely happy with their move downtown and their relocation of people downtown. I would be hopeful that maybe some of those benefits could be seen by Manitoba Hydro, and in addition, some of the benefits to downtown would be recognized through a move like that.

One quick question was: In his presentation the president talked about consolidated billing systems. Has there been any discussion with other companies? I know there have been various proposals in the past regarding the City of Winnipeg and Manitoba Hydro and some of the other utilities with coming up with what has been referred to as a one-billing system where bills were incorporated to reduce administrative costs across these organizations. Are there discussions ongoing with other organizations or the City of Winnipeg in regard to that?

**Mr. Brennan:** We have talked to the City of Winnipeg. They are in the process of developing a new billing system. We looked at the vendor that they were using. It looked to us that we could have utilized that system. We talked to them, but our discussions did not really go very far.

We also talked to SaskPower. They need a new billing system as well. We have an RFP out now that is asking for three proposals or prices on trying to install a new billing system. One of the situations is having one billing utility, if you will, for both SaskPower and Manitoba Hydro, which would be jointly owned, and develop a system for both of us so we could have one

billing system. That would integrate, in our case, the gas and hydro and have one large system do it. We think there are efficiencies there. We have also asked for prices on SaskPower by itself and Manitoba Hydro.

**Mr. Loewen:** I guess, for those of us that are tending to pay their bills through the Internet these days, is there any look at bill presentment over the Internet as a means of collecting?

**Mr. Brennan:** I believe you can already do it.

**Mr. Loewen:** Well, I believe that concludes our questions of the Minister and the president. Again, I would just like to reiterate the congratulations I passed on in my opening statement to Mr. Brennan and his staff. Certainly we are seeing a marked improvement in the results of Manitoba Hydro over the course of the last 10 years, particularly under Mr. Brennan's stewardship. We hope to see that trend continue in the future. Thank you for sharing information with us today.

On that basis, we are prepared to pass the 1999 report.

**Mr. Cris Aglugub (The Maples):** Madam Chairperson, I just want to go back to that overhead presentation. Something caught my eye there. I have a couple of questions. One was the proposed hiring and referral protocol. Could you elaborate on what that is all about?

My second question is: You have a good program and it is called the job training initiative. Could you also elaborate there as well? I know that I have been receiving some of these notices.

**Madam Chairperson:** Mr. Aglugub, could you speak into the mike, please? Thank you.

**Mr. Aglugub:** I have been getting some of these job training announcements from Hydro. Where is this targeted to? Is it towards the Aboriginals or towards visible minorities or towards just about anybody? Could you elaborate on those two?

**Mr. Brennan:** Okay, I would like to first talk about that hiring protocol we have. That was

directly related for the new projects we are looking at. What we are looking at is a hiring protocol there. It is mainly aimed at Aboriginal people that are directly involved in the area around the facility. What we would like to do is try to hire them first, then northern Aboriginals, then northerners, and then the people from the rest of the province before we even went outside the province at all. That is the type of hiring protocol there.

In addition to that, we have an affirmative action program that is designed to hire all visible minorities as well as make sure we have the right proportion of women in the company and the like. That is something we always have to focus on. We can always do a better job in that area, and we are always trying hard to do that.

The next thing you asked about was the hiring program we have for on-the-job training. What we have got in the North are facilities that the work is done by southerners. What we would like to do is hire northerners into those jobs. We have an orientation program whereby people can work in generating stations and determine the type of work they would like to do. So they work for a year; they rotate through the generating station. After a year they are in a position to determine if it is mutually agreeable from both sides to go in on one of our training programs.

**Mr. Selinger:** As I understand it, in my informal conversations with the members around the table, people are ready to concur with approval of the '99 report.

**Madam Chairperson:** The Chair then would ask the Committee.

Annual Report for the Manitoba Hydro-Electric Board for the year ending March 31, 1999—pass.

\* \* \*

**Madam Chairperson:** The next items to be considered are the annual reports for the Crown Corporations Council for the years ending December 31, 1994, 1995, 1996, 1997, 1998 and 1999. Thank you very much.

**Hon. Greg Selinger (Minister charged with the administration of The Crown Cor-**

**porations Public Review and Accountability Act):** I will ask the Chairperson of the Board, Mr. Art Mauro, and the President and Chief Executive Officer, Mr. Garry Hoffman, to come forward to help us with this item.

**Madam Chairperson:** Welcome. Does the Minister responsible have an opening statement?

**Mr. Selinger:** Very briefly, we have several reports that are backlogged here. We would appreciate the opportunity to get those passed and cleaned up today, and, of course, we would be happy to answer any questions that might be of interest to the members.

**Madam Chairperson:** Does the official opposition critic have an opening statement?

**Mr. Loewen:** Again very briefly, we are of the same mind as the Minister. We would like to pass these reports expeditiously. There are some questions we might have on the 1999 report specifically, but just prior to that I would like to offer my congratulations to Mr. Mauro for the fine work that he has done over the years as chair of the Crown Corporations Council. I also notice from some of these reports that they were also chaired by Mr. Kavanagh and Mr. Fraser. As well, we have a new President and Chief Executive Officer. I know through looking at the past reports that Mr. Douglas Sherwood was the past president and chief executive officer. To all those people, we would like to pass on our thanks and our gratitude for a job well done.

I think they have, from the results we have seen from the corporations that fall under the purview of the Crown Corporations Council, done a job above and beyond the call of duty. Their diligence is certainly appreciated not only by the Members of the Committee but by all Manitobans. My thanks and congratulations. My congratulations to Mr. Hoffman on his appointment as the new president and CEO of the organization. To both him and Mr. Mauro, continued success.

**Madam Chairperson:** We thank the official opposition critic for those comments.

**Mr. Selinger:** If the members opposite are comfortable, perhaps we could approve all the



reports except this year's and then focus our discussion on that.

**Madam Chairperson:** First, I would like to ask if the officials in attendance from the Crown Corporations wish to make a statement for the Committee?

\* (11:50)

**Mr. Arthur Mauro (Chairman, Crown Corporations Council):** Madam Chair, if I may. This is our first appearance. It is like writing only one exam after four years of university. It covers all the years. But I am only here for some general remarks. Mr. Hoffman will likely have to write the exam.

My remarks are general in nature. Council, as you see from the material, has now been in existence for 10 years. On balance I think it has played an important role. It is my view that it has adhered to its mandate, contributed to the Crowns under review and to government within the enabling legislation.

The mission of the Council is to provide constructive appraisal of governance, mandates and strategies for Crown Corporations that will contribute to optimum long-term values for Manitobans while minimizing business risk and financial exposure. Fundamentally, the primary purpose is to determine both the level and the change in risk relative to each of the Crown corporations.

Within this context, there have been three stages in the work of the Council: financial reporting in an attempt to establish a comfort level and confidence in the financial reports themselves: governance, which embraced the matter of board meetings, budgeting and strategic planning; and benchmarking, which is the third phase. In each case, the process involved working with individual corporations to facilitate, I underline that, that the work of the Council is to facilitate, rather than direct best practices.

I believe a review of the past 10 years would indicate that there have been improvements in all areas. Certainly, there is variability with specific entities, as in most situations, and further

improvements can be made, but structures, in my view, are in place. It should be underlined, however—I think this is important—that process by itself will not guarantee results. There is always the factor of the human element in final process, in the success of process.

In pursuit of its mission, the Council has focussed its efforts on assessing and providing advice to government and to boards of directors and management on (1) the consistency of Crown corporations activities relative to mandates; (2) the business risk; (3) the strategies and plans adopted by the corporations and the projected results for corporate performance measurements and results and overall corporate governance.

In my message in the Annual Report of '96, I stated that since my appointment I have had the opportunity of meeting a number of the individuals charged with the management and governance of our Crown corporations. I have remained impressed with the dedication to specific mandates of the various corporations and the skill brought to the various operations. The large Crown corporations report positive financial returns and continue to meet the overall needs of Manitobans as taxpayers, customers, employees and suppliers.

In my final annual report, last year, I commented: As in the past, I continue to be impressed with the dedication of the boards and the officers of the various Crowns. As reflected in the financial results provided in this report, the people of Manitoba are well served by their Crown corporations. It was particularly gratifying to note that the Crown corporations met the Y2K challenge, ensuring full compliance of the information systems.

Those are my remarks, Madam Chair. Mr. Hoffman will answer questions.

**Madam Chairperson:** Thank you, Mr. Mauro.

Did you have opening remarks, Mr. Hoffman?

**Mr. Garry Hoffman (President and Chief Executive Officer, Crown Corporations Council):** No, I do not.

**Madam Chairperson:** Thank you. For clarification, then, is it the Committee's will that these reports be considered in their entirety? *[Agreed]*

**Ms. Cerilli:** I was just going to suggest that we pass them all up until I think '98 and keep '98 and '99 for some questions.

**Madam Chairperson:** Is that agreed by the Committee?

**Mr. Loewen:** We certainly agree to pass '94, '95, '96, '97. I guess our preference would be to pass '98 at the same time and save the questions for '99, and with the forbearance of the members here that we could go back to '98 for anything.

**Madam Chairperson:** Is that agreed? *[Agreed]*

For the record, then, I am going to go through each of them individually for approval.

Annual Report for the Crown Corporations Council for the year ending December 31, 1994—pass.

Annual Report for the Crown Corporations Council for the year ending December 31, 1995—pass.

Annual Report for the Crown Corporations Council for the year ending December 31, 1996—pass.

Annual Report for the Crown Corporations Council for the year ending December 31, 1997—pass.

Annual Report for the Crown Corporations Council for the year ending December 31, 1998—pass.

I believe it is the will of the Committee then to open the floor for questions on the report ending December 31, 1999. Questions? I will go to the critic.

**Mr. Loewen:** Well, I would defer to the Member for Radisson.

**Ms. Cerilli:** Does that mean that the Official Opposition does not have any questions?

**Mr. Loewen:** I have a couple of very brief questions, but I defer. I am hopeful that, when we come back, we can pass the report after a couple of quick questions.

**Ms. Cerilli:** Okay. I will just ask a few questions then. I know that the Council has responsibility for the Manitoba Lotteries Corporation. I just want to ask some questions with regard to that corporation. I am wondering what knowledge the Crown Corporations Council had about any cost overruns related to the expansion of the Regent Avenue and McPhillips Street casinos and if you ever did provide any of that information to Treasury Board and when those briefings occurred.

**Mr. Hoffman:** Thank you very much for the question. I think I will give you an overview of what Council does with regard to capital. We do provide a capital expenditure review that covers off the capital requirements for all of the Crowns, including Manitoba Lotteries. That is done on an annual basis. It is provided as a report to Treasury Board. We rely on the material provided from the Crown Corporations, both their forecasts and their actual results to the time that we do that report. It is usually completed close to year-end, January, February, and provided to Treasury Board.

I cannot really comment on Treasury Board business because of cabinet confidence and what was discussed. I also have the perfect knowledge of not having been there. That was before my time. I came aboard in late May last year, so I did not attend any of those meetings specifically. But that is the general process that we go through. So council would have had whatever data that Lotteries was putting forward as they updated their capital programs.

**Ms. Cerilli:** Just to clarify then, I understand that you cannot answer the part of the question related to Treasury Board and information that went forward from Treasury Board or the dates, but you can give more specific information then about cost overruns information that you received from the Lotteries Corporation. Is that correct?

**Mr. Hoffman:** In general there are a couple of things in reading the Provincial Auditor's Report

on the capital program. We look at the total capital program of the Corporation. There are certainly some opinions on which parts of the capital program belong to the project, the closing of the Crystal Casino and the expansion of McPhillips and Club Regent. So we monitored the overall capital that was going on. Included in that would be the project costs that were specific to the expansion.

Part of the material, as the Provincial Auditor noted, was related to parts of the expansion, whether it was the building capital costs versus some of the amenities that were required, some of the upgrades to computer systems and gaming systems that were going to occur anyway regardless of the expansion. So it is pretty hard to separate out comparable numbers, but we were aware of the increasing costs. Our concern then and continues to be that the Lotteries manage their costs and maximize the return on the assets that they have acquired.

\* (12:00)

**Ms. Cerilli:** So at what point would you have known at the Crown Corporations Council about the cost overruns, what time frame?

**Mr. Hoffman:** The first report would have been probably in late 1997-98. Shown in our 1997 annual report on page 14, under the Lotteries, on the right-hand side, there is an indication that an independent review of the gaming was completed for Lotteries, so we would have reviewed it in '98, '99 and 2000.

**Ms. Cerilli:** I do not want to take too much more time on this, but I just want to clarify, then, it was '97-98 that you were first aware of the cost overruns. That is why initially I was talking about not passing that report because I am just wanting to clarify what time the decision was made to go ahead with those expansions of Club Regent and McPhillips.

**Mr. Hoffman:** Madam Chair, my understanding is that Lotteries made the proposal in 1997, and it was driven to a large degree by the closure of the Crystal Casino and the expiration of that lease. So the review was done, the concept was put together, and the initiative was started in '98 for completion in '99. So it would have been

during those two, two and a half years that the project would have gone from a concept with an estimate through to contract instruction and final opening in '99.

**Ms. Cerilli:** I guess what I am trying to determine is if information would have come to the Corporations Council over the span of two annual years' reporting periods and not just in one annual year reporting period, and also if the Crown Corporations Council would have seen information coming forward from the Lotteries Corporation about the initial estimates about the proposal, if that would have occurred in one year and then the next year you would have seen information about the cost overruns?

I am trying to understand if this spanned more than one year, and if the Crown Corporations Council—I am not sure about your function—if you see a major capital investment, a major project like that at a proposal stage, if that is a requirement of it, or if the Lotteries Corporation has the authority to just function on their own, and the only time they would come to the Crown Corporations Council is in the annual reporting? I hope that that is clear.

**Mr. Mauro:** The process, Ms. Cerilli, you have alluded to, we would, at Crown Corp, be looking at the annual budgeting process and the approvals of the board as they went forward. Our function would be to note that here were the absolute dollars budgeted in a given fiscal period. Here was the reality of the money spent in this fiscal period. Here is the forecast for the next one or two fiscal periods, and that the board has reviewed and approved any variances. That would form part of our risk assessment, which would be reported in the normal course by Crown Corporations Council.

So we would not be looking at it in the context of cost overrun per se, but as to whether or not the costs were identified, whether they were approved and had that in anyway substantively changed the risk profile that we would report to our minister.

**Ms. Cerilli:** Maybe just to sum up, to clarify then what I was trying to get at is if the cost overruns at the Lotteries Corporation were made in one fiscal year or if they spanned over a period of two fiscal years?

**Mr. Mauro:** They extended over more than one fiscal period.

**Mr. Loewen:** Just one very brief question to the Chair, just as normal course, he is satisfied that the mission and the mandate of the organization continue to be satisfied?

**Mr. Mauro:** Yes, I do. I think it continues to serve a purpose. I guess at some point one would say that maybe our ultimate success is if we go out of existence, that everything is running perfectly and there is no necessity for the shield, but, as you look back to the legislative discussions at the time that Crown Corporations Council was set up, I continue to see a value. I am hopeful that we can continue to contribute.

**Mr. Loewen:** On that basis, we are prepared to pass the report.

**Mr. Harry Schellenberg (Rossmere):** Just a comment. I appreciate what the Crown corporations have done. Financially, they have done very well. They have served the public very well, financially sound. But, throughout the whole morning, I have not heard anything about privatizing the Crown corporations or selling them off or going the way of MTS, and I appreciate that. Just an observation. There were no questions on that at all. I was listening to the Opposition. I thought they might have some of those questions there, but they have not, and I appreciate that. Our election commitment was to

keep Hydro, keep those that served the public, and that is one of the main reasons I came. Thank you.

**Mr. Loewen:** Well, just in closing, I would like to assure the Member that this side of the House has no intention of selling monopolies.

**Mr. Schellenberg:** Just an observation. I looked very closely for that all morning.

**Mr. Selinger:** First of all, I would like to thank everybody in attendance for the manner in which we have conducted this meeting. It was one of the more congenial ones I have been at. I think we focussed on questions of policy and substance rather than personalities and politics. I appreciate that. If we can continue this process at public utilities, we will all be well served in doing that. I thank all the members for their contribution.

**Madam Chairperson:** Yes, thank you, Mr. Mauro and Mr. Hoffman.

Annual Report for the Crown Corporations Council for the year ending December 31, 1999—pass.

Is it the will of the Committee to adjourn prior to 12:30? *[Agreed]*

**COMMITTEE ROSE AT:** 12:09 p.m.