

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

**Tuesday, 18 June, 1985**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. C. Santos (Burrows)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Bucklaschuk, Parasiuk,  
Plohman

Messrs. Enns, Filmon, Fox, Malinowski,  
Manness, Santos, Scott

**APPEARING: Manitoba Hydro-Electric Board:**

Marc Eliesen, Chairman

Art Derry, Senior Department Manager, Power  
Supply and Planning

Will Tishinski, Vice-President, System  
Planning and Operations

Peter Ferris, Chairperson, Limestone Training  
and Employment Agency

**MATTERS UNDER DISCUSSION:**

1984 Annual Reports of Manitoba Energy  
Authority and Manitoba Hydro-Electric Board

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**MR. CHAIRMAN:** A quorum being present, the Committee on Public Utilities and Natural Resources, please come to order.

We were considering simultaneously two reports postponing approval on the part of both reports, pending some general questions, the report on the Manitoba Energy Authority and the report on the Manitoba Hydro-Electric Board.

The Member for Lakeside.

**MR. H. ENNS:** Mr. Chairman, when last this committee met, we had an opportunity of dealing with a number of issues relative to the operation of Manitoba Hydro that are of continuing concern, particularly to some of our rural members.

It would be my wish to return to the subject of the future with respect to Manitoba Hydro and the Manitoba Energy Authority and, principally, the commencement of the Limestone project and other related matters to announcements made by the Energy Authority with respect to export sales.

I have a number of questions that I would appreciate some response to from either the chairman of Manitoba Hydro or individual members of staff who are here. I understand, Mr. Chairman, that we are bereft of the services of Mr. Arnason, the president, who is not going to be with us this week.

Mr. Chairman, I direct this question to the chairman of Manitoba Hydro, I suppose. I have had the opportunity of reading most of the basic agreements that were arrived at that the Minister tabled in the House some time ago relative to the Limestone project. I believe it's entitled the Burntwood-Nelson Agreement that sets out specific hiring practices. It sets out in detail the government's announced intention to accommodate to the largest extent possible northern residents, specifically northern Native residents.

I ask the question: what particular arrangements have been made with various unions concerned to establish priorities for hiring long-standing union members before trainees or local residents, and how can these two stated objectives in practice be carried out?

In reading through the Burntwood-Nelson Report, there seems to be a very clear understanding with the substantial number of organized labour groups that are signatories to that agreement that Manitoba Hydro will certainly honour or acknowledge the union's role in setting the priorities of their membership with respect to on-site work.

I ask what arrangements have been made to accommodate these two stated objectives?

**MR. CHAIRMAN:** Mr. Eliesen.

**MR. M. ELIESEN:** Mr. Chairman, it may be useful to have Mr. Peter Ferris, who heads up the Limestone Employment and Training Agency, to provide an overview from their perspective on how they are co-ordinating the various training and employment programs, and to then go into some detail specifically in response to the member's question on the various priorities that relate to hiring as well as training.

In a general way, I can say that Manitoba Hydro and the Manitoba Energy Authority, which has been the body co-ordinating the employment and training effort, have been gratified with the efforts made by management and trade unions in adopting what has been referred to as a fair share employment practices for the Limestone Generating Station. Perhaps Mr. Ferris can give a summary and then answer specifically the question posed by the member.

**MR. CHAIRMAN:** Mr. Ferris.

**MR. P. FERRIS:** Thank you, Mr. Chairman.

I think the first point I might make with regard to the unions is that they were very much involved as a signatory to the amendments to the collective agreement that brought about opportunities for northern Native people and Northern people. In fact, a number of the amendments that were made to the collective agreement were made at the urging of the unions, suggestions that they made to assist the employment opportunities for northern Native people.

I think underlying their commitment to that process was their belief and their understanding that, when we

talk about northern Native and northern preference for hiring, in every case we're talking about qualified people. If I can speak on behalf of the unions, I think it was their conviction that we were very serious about producing qualified people. That was the motivation for them to become firmly engaged in the process.

I think the other point was that it was made clear to the unions that they would have a role in the training of people to work at the site. The members of the unions know as well as anyone the actual skills that are required to work safely and productively at the work site. So you are, in fact, working very closely with the unions in determining the curriculum of the courses that are going to be provided.

They will be involved in the selection of people and when we can get union people who have not only had a lot of experience in the trade but who have experience in training themselves, we will hire those people so that they are not only involved in the process but they, as well as the contractors, can see that the training programs are credible and there will be no doubt about the qualifications of the people who go onto the site.

That's a general response. Perhaps if there are particular questions you have, I could try to answer those.

**MR. H. ENNS:** Mr. Chairman, those who attended the National Energy Board hearings with respect to the application for the export sale of power will recall that there was considerable interest shown by various groups representing the Indian community, northern community. My recollection, that the Federal Government offered considerable resources to some of these groups in having people at those hearings, and the concern that was being expressed was not - I'm going by recollection - they were not there to state a position of opposition to the Limestone project but, if I had to sum up their presence and their presentation, it was principally a call for time, recognizing that one doesn't become a skilled workman overnight. Repeated representations were made before the National Energy Board hearings, coming in a question from a different perspective. While others argued about the economics of advancement of Limestone, spokespersons for the Native community were arguing for time for sufficient training and development of skills, so that, in fact - not just in word or an agreement signed - they would have an opportunity to gain those skills.

My specific question to Mr. Ferris is it would seem to me that if, due to the advancement of the project, that time is not available, or at least not available to a sufficient degree to train any substantial numbers. In this process of negotiating and the Burntwood-Nelson Agreement that Mr. Ferris indicates the union had a considerable hand in - for instance, did the organized union representatives acknowledge that they may be prepared to accept less than fully qualified persons on the site? By that I mean that if they were talking about putting their own membership on a site, union practice and union conditions would call for, if the site asked for a journeyman or a particular status of skill in a worker.

In these discussions that you had with organized labour, was there any indication or acknowledgment that, in order to facilitate the desire to hire newly trained

persons who hadn't had time for adequate training to work alongside on a site, that otherwise the unions would raise objection to, if the job description called for particular type of skills, particular kind of workmen which we often read about is the case?

**MR. CHAIRMAN:** Mr. Minister.

**HON. W. PARASIUK:** Mr. Ferris can get to the specifics I wanted to raise one thing in relation to the NEE hearings in that, frankly, I was somewhat surprised by the presentation of one member from Indian Affairs who made a number of statements, not on the basis of fact, but I think on the basis of some opinions without having checked his facts out, while at the same time I was in receipt of a letter from the Minister of Indian Affairs and Northern Development, the Honourable Mr Crombie, praising what we were doing, saying that they wanted to be part of what we were doing and they were wanting to ensure that we proceeded. Those discussions are proceeding. We hope to arrange some type of cost-sharing arrangement with the Federal Government, Indian Affairs and the CEIC, and we hope that it can be achieved fairly soon, but I think there was a case of one member of the bureaucracy not getting his facts straight and not doing his homework sufficiently at that time.

The program is proceeding on schedule and one of the things that he didn't understand, had he done a bit of homework he would have understood, is that we're part of apprenticeship programs and people can come into apprenticeship programs in the first year, or they can come in a second year, depending upon what their skills and experiences have been. That's part of the whole program of training. Mr. Ferris could explain that further.

**MR. P. FERRIS:** In response to your question about less than qualified people, no one at any point, at any discussion that I've been part of, has ever talked about putting less than qualified people on the job, the opposite. We are determined that people will be competent, productive and qualified.

In looking at the particular job classifications for which we have to train people, we took the view that first of all there are considerable numbers of people in the North, both Native and non-Native, who have had a lot of work experience, who have a lot of skills, in a number of cases those skills have not been validated by completing a course. We didn't want to put people in a situation where they had to start at Square One to end up at Square Ten, when they had already the skills to start at Square Five.

Over the last number of months, virtually every community in the North has been visited by a team of people from the Federal Government, the Department of Employment Services and the apprenticeship branches the Minister mentioned. They have indicated to people in the communities what the opportunities are both for employment and for training and they have asked anyone interested to register.

Those people who have registered and indicated that they want training have been met with on an individual basis and an assessment has been made in terms of the skills that they currently have and the gap between

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ose skills and what they will require on the job. A hchedule of training that fits in to the schedule of hiring i the job has been worked out.

I think the point is that various jobs require various vels of skills, that require various types of training. e have approached the matter of training entirely om a competency base point of view. We started from e place of identifying the skills necessary on the job. If you start, as an example, with labourers, we have vveloped a curriculum for labourers' training that has en developed with the unions. It has been shown to umber of contractors because we want the ntractors to know what we are doing. We want them assess the kind of training that we propose to do id we have had feedback from them. In that particular ase, the feedback that we have had from the ntractors is that this is the most thorough training ogram for labourers that they have ever seen.

We propose to do the training in a very intensive anner and to do it as quickly as possible. We propose ith the labourers, for example, to train people for four eeks at a time, seven days a week, 10 hours a day. he people will then return to their communities for eek and then they will return for another four weeks f very intensive training. Those 10 hours a day will e spent something like six or seven hours in ndertaking the physical skills required, and there will e a couple of hours of life skills training, that kind of ing during the day, too.

We are confident that not only can the curriculum, hich is very thorough, be completed during that time, ut we can demonstrate to all concerned, particularly hink the trainees, that in completing that kind of a aining program they can move to the job site and ey can work very successfully on a demanding roduction schedule because we are determined to ove that people can not only do the job, but that ey have the attitudes that you are required to just oy with that kind of an industrial context.

In other cases, where skills are acquired over a longer eriod of time, there is provision in the collective greement and arrangements have been made with the pprenticeship branch whereby people will go into aining positions. They will not be less than qualified, n the sense that any apprentice who goes on to a job oes on as apprentice and not as a journeyman. But, t the suggestion of the unions, we have special easures to ensure that as many northern and northern ative people complete apprenticeships over the life f the job as possible.

So I think, and I don't think it's just my opinion, but n the view of the people that we are working with, with he unions and with business and the contractors, we lo have time to produce people who are going to be ntirely competent on the job.

**MR. H. ENNS:** Well, Mr. Chairman, allow me to express, am pleased that Hydro is undertaking this, along with he other resources of government, I suppose - the epartment of Labour, the Federal Department of anpower involved in this training.

The question certainly was not posed to presume hat less than qualified people would be performing ertain works, it stems from the fact that the traditional omplaint of our northern residents has been that they

have, all too often, been relegated to the job of site preparation, clearing away of brush and so forth.

Most of us should be aware, as we all are here in this room, that on this particular site, Limestone, most of that work has already been done. We are moving, as I understand it, right into the constructin of the dam proper which calls for a different kind of work. It's the special measures that Mr. Ferris mentions that I was after. I don't presume to be a labour expert, but I am aware that the various different skilled crafts have specific time periods to attain a journeyman status. That's not of this government's doing necessarily, it's something that over the years has been developed by the crafts involved.

But memory recalls that in some cases it's three or four years of apprenticeship prior to attaining journeyman status. What Mr. Ferris is indicating to the committee is that the unions have acknowledged, or have agreed, to allow some special measures to be undertaken which would then qualify persons to work as trainees in a particular skill or craft alongside - I should perhaps avoid the word - fully qualified journeymen that would normally be doing the job.

I just come back to my original question, and I want to acknowledge that if, in fact, organized labour is working toward this kind of solution to the problem, then they are to be congratulated. Organized labour has not always shown that willingness to share work with persons who, from their standpoint of view, have not gone through the prescribed period of training to gain a particular status for which, in their mind, a job description falls under.

Just a few more further specific questions on the subject matter, can Mr. Ferris indicate what kind of success we're having in attracting Northerners to the training program that he described, either in terms of applications for the training program, and are we actually at that point where training programs are being operated now?

**MR. P. FERRIS:** A couple of points. First of all, we have had to date about 2,000 applications for training from the North. The reaction that we're getting is very positive.

I should also indicate how the apprenticeship system is working, because it answers your other question about what is happening at the moment. We are already undertaking courses in the communities. As an example, a course has just finished at Island Lake where a number of people identified themselves as carpenters. That, in fact, meant that they had worked in the carpentry trade, in the community very often building houses, and they had acquired certain skills, none of which had been validated.

We put in an eight-week course that was, in fact, run by Keewatin Community College in the community. I heard just last night that, out of 29 people who took that course, 15 passed it to the level that they are now at the Level 1, the apprenticeship level. It was a test that is recognized by the Apprenticeship Branch. So those 15 people can go onto the work site as Level 1 apprentices in the same way that any apprentice would. I really want to emphasize that in no case are we putting people with less than the qualifications onto the job, whether it's as a worker or as an apprentice.

Those kinds of courses are taking place in the community at the moment and a number of carpentry courses, truck driving, bus driving.

The member indicated that the preparation work is done. He also mentioned that, in the past, the range of jobs has been limited. I'd like to point out that we have made provision for training, literally from labours to engineers. An announcement was made a month or so ago about an engineering program at the University of Manitoba which follows the model of a very successful medical program at the University of Manitoba. In between those extremes of labourers and engineers, there will be a civil technology program delivered by KCC in Thompson; there'll be an electrical technology program delivered at Red River Community College; there are a number of institutional programs delivered by KCC, either in The Pas or in Thompson that range from 50- to 60-week programs, that capture that sort of middle ground of training, and these are timed to produce a flow of people to go onto the job as the demand schedule requires.

**MR. H. ENNS:** I thank Mr. Ferris for that information. One further question on this subject matter, and I deal now specifically with the effort that has been indicated by government, in particular, about the hiring preference for northern Native residents which I describe, and has been described as an Affirmative Action Program. The government, I believe, has so called it and certainly that's now one would describe it in reading the Burntwood-Nelson Agreement.

In most Affirmative Action Programs, the employer sets some targets. I ask what targets have been set with respect to the carrying out of this Affirmative Action Program with respect to the northern Native employment on the Hydro project. Have there been specific targets set in terms of percentage of the work force or actual numbers? What information can be supplied on that?

**HON. W. PARASIUK:** The employment goals were 60 percent of apprenticeships at Limestone for Native Northerners; 45 percent of the labourer jobs; and a range of 10 to 30 percent of journeymen, depending upon the trade and the availability of skilled and northern tradesmen. That would vary, there are others, you know, you start getting into pipefitters or electricians, and those will vary. This was the type of employment goals that were established. These are supposed to be reviewed on a quarterly basis by a committee of the contractors, the unions and the training authority.

There's a special liaison process in place with Native organizations that will be involved in that review process on an ongoing basis because, frankly, the key thing is not to, in a sense, say that well we've got x-number or y-number, because I think people have done that in the past where, if someone was coming around counting, they'd just pack the numbers and then two or three days later those people might be gone and a lot of frustrations involved in all parts. It's not just been unions that have been involved in that, you've had contractors who have trotted a whole set of reasons as to why Native people and northern people may not be employed, or couldn't be employed.

What we've always said is let's try and be practical and realistic in terms of setting employment goals that we think are realistic, are practical; let's review this on a quarterly basis to see how we're performing; let's see how everyone's performing on this, let's see how the contractors are performing, let's see how the unions are performing, let's see how the agencies are performing, let's see how the various government departments, both federal and provincial, are performing; what's happening at the community level?

So I expect this to be something that's monitored and evaluated and with some changes, rather than having some type of fixed blueprint. So you do it in an evolutionary way over the progress of the construction project. I think that we can draw on some good experiences, and some of the people that have been put together within the Limestone training and employment agency have had experience in this. Mr Ferris, himself, was heavily involved with the BUNTEF program and the Teacher Training program.

I can recall 13 years ago when people were talking about launching programs to train teachers in the North. A whole set of uncertainties were raised; a whole set of questions were raised whether this could be done, whether you're going to have a dilution of quality, what have you. Well, I think 13 years later, we find we have 350 qualified teachers, most of them up North.

If we can have some type of success of that nature in this whole area while Limestone is being built, and conceivably afterward when Conawapa is being built, then I think we will have done a lot with respect to what I would call chronic unemployment in the North, at least for certain categories. It established some role models. You might do something with respect under employment.

You might deal with something that I think is tragic, and this is where I do fault everyone in the past and I guess, specifically, and I say this, I don't know if Indian Affairs, nationally, has been that wise. We have built schools up North; we have built a lot of facilities on Indian reserves, and I go into some of these communities and they don't have anyone who can fix a simple electric motor. There's no one there who can do any construction work, they have to wait for people to come up from down south. There are people there who can do some carpentry work, but there's no one there who can read a blueprint. When you think of all that's been built on the reserves, reserves aren't there without anything. They're not in some type of state of nature, but somehow, through all this process of development of what ever type over the last 50 or 60 years, this type of training process has never been put together.

I'm quite excited by what's being done. I think that at the same time, people have to realize that a lot of new ground is being broken and that means that mistakes will be made. That's why I think the monitoring on a quarterly basis is important because if a mistake is made, or if things aren't going right in one particular area, one shouldn't try and just cover that up. One has to say, okay, it's not working, what would work. But I think the general strategy's a good one and I think that what's been happening to date is happening roughly on schedule, and I think that we should be in a good position to monitor activities starting I would think probably in September or October as these jobs start

coming on stream. I think that's the approach to take knowing full well that it's a big challenge, but a challenge worth trying to meet.

**MR. H. ENNS:** Well, Mr. Chairman, I don't believe anybody would quarrel with the Minister's sentiments in respect to resolving the problem that's been with us for far too long. Can I just get back to the original question again? On the stated goals for what I describe as the Affirmative Action Program for northern Native hirings, the first figure that the Minister indicated.

**HON. W. PARASIUK:** 60 percent of apprentices.

**MR. H. ENNS:** 60 percent of apprentices; 40 percent of labour . . .

**A MEMBER:** Laborer jobs.

**MR. H. ENNS:** And 10 percent . . .

**HON. H. PARASIUK:** And a range of 10 to 30 percent of the other journeymen . . .

**MR. H. ENNS:** 10 to 30.

**HON. H. PARASIUK:** Yes, depending upon the trade and availability of skilled and experienced northern people. It may turn out that we'll find, and we're looking to find, electricians up North. I think we probably will find a couple of people who ultimately have had electricians or carpentry or truck driver qualifications, and that's why we're combing the North to see who we have. At the same time, there's no sense setting a figure of 60 or 70 percent when we know that you don't have those types of skilled people that are up there, plus the provision to be reviewing this on a quarterly basis.

**MR. H. ENNS:** I thank Mr. Ferris for that information. On another subject, Mr. Chairman, has the Energy Authority or Manitoba Hydro available to them what are the current prices received by Northern States Power for on-peak firm power to adjacent utilities in the United States? What are the projections for such power during the NSP sales period is it 12 years, 1993 to the year 2005?

**MR. M. ELIESEN:** Mr. Chairman, in my opening remarks as part of my presentation for the Manitoba Energy Authority, I referred to the review and analysis undertaken by the National Energy Board into Manitoba Hydro's application for a licence to export 500 megawatts to NSP between 1993 to 2005. One of the areas I referred to was the question of the price to NSP versus the price to Manitoba Hydro customers. It may be helpful if I simply repeat the information I provided at the beginning since this relates to the question asked by the member.

"We provided information to the committee last year showing that due to the profits resulting from the NSP sale, the rates paid by Manitoba customers will be lower with the sale than without the sale. Furthermore, additional material indicated that the rates that will be paid by Northern States Power will be significantly

greater than the rates that will be paid by the average ratepayer in Manitoba during the sale period, that is, 1993 to 2005.

"The National Energy Board in their report stated that while it was difficult to compare rates at which power was sold to another utility and those at which it was delivered to a customer, they were confident though that Manitobans would pay less for Manitoba Hydro electricity than NSP would."

Then I quoted from the board's report. "The Board is aware that the export price would be substantially greater than the rates paid by the applicant's large industrial customers. The evidence showed that the proposed export price of from 67 to 98 mills per kilowatt hour over the life of the contract would far exceed Manitoba Hydro's domestic rates for large industrial customers of approximately 20 mills per kilowatt hour in 1984 and 34 mills per kilowatt hour estimated for 1993."

In addition, Mr. Chairman, I believe Mr. Fraser when he made his presentation to the committee on Thursday, June 6th, presented comparisons which is covered in the committee report of June 6th as an appendix, which compared the rates between monthly bill comparisons - actually it was Slide Eight, Mr. Chairman - monthly bill comparisons, Canadian dollars, residential as of May, 1985, which reflected the tremendous difference between the rates now being applied in, for example, Minneapolis compared to Winnipeg and Brandon. Here the comparison was provided for 5,000 kilowatt hours, rates effective 85/04/01, in which Winnipeg has a rate, at least in dollars per month, for that kind of energy utilization was \$165.35; and for Minneapolis, the winter, it was \$338.86; and in the summer for Minneapolis, \$431.86.

So clearly both today as well as projected into the future as confirmed by the National Energy Board, and this really relates to the competitiveness of the Manitoba Hydro system, users south of the border, particularly in Minnesota and in Minneapolis, will be paying significantly higher rates than those ratepayers in Manitoba.

**MR. H. ENNS:** Mr. Chairman, I have no objection to the Manitoban chairman repeating the information the committee is already apprised of, but my specific question was: do we have information as to what Northern States Power sells to neighbouring utilities, peak firm power? Do we have that information? My understanding is Northern States Power wholesales power to adjacent utilities. My specific question was, do we know at what price?

**MR. M. ELIESEN:** Mr. Chairman, I'll ask either Will Tishinski or Art Derry to provide some detailed information, but we are not aware of any firm power sales that Northern States Power is involved in with their neighbouring utilities. They operate on an interruptible basis through the Midcontinent Power Pool, but perhaps one of the two Hydro individuals can provide the details.

Art or Will?

**MR. A. DERRY:** Mr. Chairman, Northern States Power is a member of the Midcontinent Area Power Pool and

under that organization, they have a number of service schedules that they have to operate under. A normal procedure for making incremental sales would be a markup of 10 percent over their incremental cost. Now I can't give you a specific number because incremental cost varies.

**MR. H. ENNS:** Just so that I understand what Mr. Derry is saying, the Northern States Power people would receive that 10 percent in addition to what they are paying us for our power, if and when they make sales to adjacent U.S. utilities?

**MR. A. DERRY:** Mr. Chairman, if the cost at that time, that was the highest incremental cost, yes, it would be a markup of 10 percent on that.

**MR. H. ENNS:** Mr. Chairman, do we have any information as to the extent of these sales by Northern States Power either in percentage terms of their operation? Does Northern States Power sell substantial amounts to adjacent utilities above and beyond their immediate requirements to service their direct customers in the Minneapolis area?

**MR. CHAIRMAN:** Mr. Tishinski will answer this one.

**MR. W. TISHINSKI:** That's very kind of you, Mr. Chairman. No, we don't have any detailed information on the exports of Northern States Power to their neighbours eastward on a day-to-day basis.

**MR. H. ENNS:** That information is not available?

**MR. W. TISHINSKI:** No, it isn't.

**MR. H. ENNS:** Mr. Chairman, I know this question has been asked before, but it's always of interest. What is our current system's firm surplus?

**MR. W. TISHINSKI:** There are actually two answers to the question. The first is the capacity surplus, and the second is the energy surplus under average water years.

In the fiscal year just ended, we've had close to 6 billion kilowatt hours of surplus hydro energy, actually 5.7 billion. Our capacity during the time of winter peak would have been in the vicinity of about 800 megawatts.

**MR. H. ENNS:** Pardon me? About 800 megawatts.

**MR. W. TISHINSKI:** Yes. Now, of course, that's capacity and then we have to have an allocation for reserves. We would have to deduct reserve from the 800 megawatt number that I had given you.

**MR. H. ENNS:** Mr. Chairman, it has been a while since we have had any change in our generating capacity. I appreciate that we have had, of course, variable weather conditions to contend with. What I am searching for, has that surplus of capacity been at that level the last three or four years?

**MR. W. TISHINSKI:** No, it has been decreasing in an ongoing basis. Each year, as our load continues to grow,

that takes away from the surplus that we would have for export.

**MR. M. ELIESEN:** If I can just add, Mr. Chairman, as the President of Manitoba Hydro, John Arnason indicated in his presentation on Thursday, June 6, the present forecast of future load growth is at 2.8 percent per year which is the lowest rate of increase ever projected.

However, load growth over the last two years has averaged 6.3 percent each year and when adjusted to reflect average weather conditions, the growth would have been 5.2 percent each year.

So notwithstanding the fact that Manitoba Hydro presently are forecasting the lowest load growth over the next 10 years at 2.8 percent, in fact, over the last two years our load growth has been significantly higher and accordingly our surplus has been, obviously considerably smaller.

**MR. H. ENNS:** I know I can do my own arithmetic, but there are better qualified people here who can help me. What does 2.8 or even 3 percent represent in terms of megawatts on our generating system?

**MR. W. TISHINSKI:** Between 90 to 100 megawatts.

**MR. H. ENNS:** About 100 megawatts?

**MR. W. TISHINSKI:** Yes.

**MR. H. ENNS:** It would appear then, Mr. Chairman that if nothing changed over a period of eight or nine years, that surplus capacity would be used up.

**MR. M. ELIESEN:** That is correct, Mr. Chairman Manitoba Hydro had forecasted, based on that 2.8 percent load growth, that Limestone would be required for Manitoba's own usage, the first unit's in-service in 1992 and that had been based on 2.8 percent. I guess I am emphasizing our experience over the last two years which has shown a much significantly higher load growth, which causes a little concern with regard to the future of wanting to ensure that there is sufficient capacity available for Manitoba's own usage in the future.

Now we monitor, obviously, these load growth trends very carefully and we do note the increases that we have been experiencing here in Manitoba are similar to what has been happening in other jurisdictions, in other provincial utilities. Similar rates of increases are taking place. Even higher rates of increases, in fact, are taking place in the United States and there, there is considerable concern and this, in fact, provides us with quite a significant competitive advantage in our current deliberations for future export sales. Because of the difficulties they have had of bringing on additional generation, whether it is nuclear or coal, there is great concern in many parts of the United States that there will be all sorts of blackouts and brown outs taking place in the early 1990s.

It may be of interest to members of the committee, just reading my favourite newspaper yesterday, the Wall Street Journal and I have copies for members of the committee - where it is being reported that utilities

indicate that this summer they will be experiencing all sorts of brown outs which will escalate to severe shortages in the early 1990s. That, in part, is one reason why we are having some success in our ongoing negotiations with the U. S. utilities who are having great difficulty considering any additional expansion to their own system or replacement of existing capacity because of either the tremendous costs involved or the extensive regulatory delays that are involved in commissioning new plants.

But as this article points out and as studies that have been undertaken by numerous U. S. private institutions as well as the U. S. Department of Energy, if the current trend continues, they are forecasting significant difficulties in the United States in the early 1990s.

**MR. H. ENNS:** Just one further question on this particular area. The situation, of course, and we have discussed at this committee previously, would be altered fairly dramatically if substantial diversity programs were entered into by Manitoba Hydro as envisaged by the MANDAN line for instance. I say that recognizing the nature of our demand for energy and how energy comes onstream while our demand lessens. We, of course, had to build to provide that peak load. Any offsetting support during the period would considerably stretch out the period of time that we have firm surplus energy available to us. The 800 megawatts that we currently have in firm surplus position could be extended here substantially if an appropriate diversity exchange was in place. Would that not be a fair assumption?

**MR. M. ELIESEN:** Mr. Chairman, Manitoba Hydro, for some time in the past as well as the present and hopefully in the future, is attempting to enter into transactions along this basis. Of course, we have attempted with the MANDAN line to try to accomplish that particular objective because seasoned diversities where we peak in the winter and the utilities to the south of us peak in the summer is obviously a beneficial arrangement which will be of advantage to both sides.

The difficulties, as we've had with the MANDAN line, clearly reflected changes in the perspective and changes in the load growth from the U.S. participants down there and as a result, notwithstanding the fact that they made a very heavy investment of \$35 million U.S. for their contribution, they have decided to terminate the discussions.

We are currently since that time, as I have mentioned in my opening remarks, entering into discussions with other U.S. utilities who are perhaps interested in working out a seasonal diversity arrangement.

**MR. CHAIRMAN:** The Leader of the Opposition.

**MR. G. FILMON:** Mr. Chairman, following along that line, which of the other discussions that are being carried on, the WAPA, the Wismintoba and all of those different ones involved in seasonal diversity exchanges as part of the package?

**MR. M. ELIESEN:** Mr. Chairman, up until recently, clearly our objective was to try to consummate successfully the MANDAN seasonal diversity, and that's been a recent decision by the MANDAN people not to

proceed. Since that time, we have raised on the table with the Minnesota utilities, in particular, the question of seasonal diversity as an option for them to pursue, and we have raised it with the Wisconsin utilities as perhaps part of the longer arrangements that we have been talking with them on firm power sales. So these are the two main groups.

Clearly, our first priority is to see whether or not we can work out an arrangement with the Minnesota utilities, given the fact that we already have three lines, interconnections, in place, having a capacity of up to let's say about 1500 megawatts. So there is still sufficient capacity to undertake some significant seasonal diversity.

What we have noticed though with some particular utilities, because of their great difficulties of bringing on additional generation and because of changing load forecasts, that they are successfully implementing a kind of load management strategy to even out the summer and winter peaks. Therefore, we have found at least of a recent vintage that while there is still interest in diversity in terms of the quantities that are involved, it is less so than in the past because of the new practices being implemented by a number of U.S. utilities on load management.

**MR. G. FILMON:** We, as part of our current agreement with Northern States Power, have an opportunity I believe to purchase capacity from them on a seasonal basis. Is that possibility being carried on beyond the 1993 period?

**MR. M. ELIESEN:** Mr. Chairman, as I have mentioned, we just started discussions with a number of Minnesota utilities on the possibility of diversity sharing, and NSP is part of that group of utilities whom we are talking to.

**MR. G. FILMON:** The chairman mentioned that other utilities are pursuing a load management strategy to try and reduce their peak requirements on a seasonal basis. Is Manitoba Hydro doing anything towards that?

**MR. M. ELIESEN:** Mr. Chairman, no, we have not involved ourselves actively in that area because of the nature of our economy and the kinds of practices that are available to U.S. utilities through irrigation projects and what not. Given the fact that they have less harsh winters than us, it doesn't allow us the kind of scope that these other utilities have, so we are not actively involved in that kind of process.

**MR. G. FILMON:** Is the chairman saying that load management strategy only involves increasing the demands in the normal off-peak period like the summer; it doesn't involve reducing the demands, say, in the winter, the traditional peak time?

**MR. W. TISHINSKI:** I suppose one can deem that demand billing does this naturally whereby the customer will try to schedule his load in such a way so as to keep the demand down and as a result reduce his bill. This is deemed to be a form of load management but not to the extent where we would cut the customer off or even that extent.

**MR. G. FILMON:** Would there be some significant advantages to Manitoba Hydro in having a program that would encourage customers to perhaps reduce peak demands, particularly winter?

**MR. W. TISHINKSI:** We don't believe that it would be generally to the benefit of development of our system to do this, but we do have, for instance, cases with the pumping station loads that in times of an emergency they understand that they could be curtailed for short periods of time until we have restored the system back to normal conditions. But, no, we don't believe that this would enhance the general operation of our system.

**MR. G. FILMON:** Would there be no economies to Manitoba Hydro in this?

**MR. W. TISHINKSI:** Because we are a hydro system, the cost to providing peaking power is relatively small as compared to the thermal utilities in United States; thermal units which come in-line, it's therefore a high load factor and all that is entailed is to provide a fuel supply for the plant. In our case, because we are a hydro system, to cater to the peaking requirements would just add incrementally several more units to an existing generating plant, the base cost of which is fixed, the dams, the dikes and the powerhouses and things of that type. So for a hydro system there isn't the same incentive as there would be for a thermal base system.

**MR. G. FILMON:** That is assuming that you have it constructed. What about with respect to delaying the time in which you construct the new capacity?

**MR. A. DERRY:** Mr. Chairman, there are two conditions that we have to add generation to our system: one is peak and one is energy. If we go as far as reducing the peak, we will more than likely be caught up in adding because of energy.

**MR. G. FILMON:** Mr. Chairman, I will identify myself as Mr. Filmon. I wonder if I could ask a further question of Mr. Derry then.

How close is that? As I recall from last year's discussions, there was a year or two difference between when we hit our requirements with respect to peak versus our requirements with respect to energy.

**MR. A. DERRY:** Mr. Chairman, yes, it's usually within about one year whether the peak governs or the energy governs.

**MR. G. FILMON:** At the moment, it's the peak demand that triggers before the energy demand?

**MR. A. DERRY:** That's correct, yes.

**MR. G. FILMON:** So if we could save a year in the development of a generating station, would that not be a significant saving to the system?

**MR. A. DERRY:** Mr. Chairman, I think we got into this last year that there is more to the fact of when we put a plant in than looking at a chart or a table of capacity

in energy. There is also the economics, of looking at the economics of the whole situation. We went through this at the National Energy Board in the hearing.

**MR. G. FILMON:** What does Manitoba Hydro reckon as the actual cost of operation of Limestone on a per-day or per-year basis given current estimated cost assumptions?

**MR. M. ELIESEN:** Mr. Chairman, I am not sure we fully understand the question. Does it relate to the mill rate that will be generated out of Limestone? These figures were provided at last year's committee.

**MR. G. FILMON:** 6.7 cents per kilowatt hour, I think was the . . .

**MR. A. DERRY:** Mr. Chairman, was the question the operating cost or the total cost? Like when we speak of operating costs, we think of the people there to run the plant.

**MR. G. FILMON:** I'm considering the total daily, weekly monthly, annual cost of operation of Limestone, which I would assume includes interest, carrying costs operating charges, water rentals, whatever have you I referred to it last year as the common bus rate of Limestone. I think we got down to it on a per kilowatt hour basis, but I would like it on a per year basis, total cost.

**MR. A. DERRY:** We would have to recalculate with the newest capital costs we have, but I think at the National Energy Board hearing we had indicated between 5 cents and 6 cents a kilowatt hour.

**MR. G. FILMON:** Getting away from the 5 cents or 6 cents per kilowatt hour, what is it per year to operate and to have in place the Limestone plant?

**MR. CHAIRMAN:** Who is good in Mathematics here? Mr. Eliesen.

**MR. M. ELIESEN:** We'll have to try to get that information. We can make that information available

**MR. G. FILMON:** In doing projections as to what it costs to have the plant in the system, surely you would have an annual cost available on what it costs when Limestone is fully operational in the system. Surely somebody would have it. According to your figures - may I review for you - you are assuming 11 percent interest rate, I believe, or is it 12 percent?

**MR. M. ELIESEN:** 12 percent interest, 7 percent inflation.

**MR. G. FILMON:** And we're not looking at the 2.5 billion as the cost that was given about a week ago at committee, capital costs. So 12 percent of that per year, plus what are the operational?

**MR. M. ELIESEN:** We'll have to get that information for the member, Mr. Chairman.



**MR. G. FILMON:** I wonder, just to be able to reconstruct it, whether or not anybody could indicate to me what are the costs that you would normally have when that plant comes into the system. Do you assign any annual capital costs to it, recapture of capital, sinking fund, whatever form you use? What are the normal operating costs in terms of the operation of the plant, water rentals and whatever have you?

**MR. M. ELIESEN:** I can provide some preliminary information which I have in front of me in the context of the units coming on stream. If you recall, Limestone Generating Station has 10 units, 10 turbines and generators. Two units are scheduled to come on stream in 1991m and five units in 1991, and the remaining three units in 1992.

Each unit has a capital cost of \$250 million. Therefore, I can give you the operating expenses for both interest and depreciation for 1990-91. For example, you would have Unit No. 1 in service November 15, 1990, and that would be four-and-a-half months of service. At interest of 12 percent and a depreciation of 1.5 percent per year, you would have 11.25 million and 1.4 million respectively. The Unit No. 2 would be in service December 15, 1990 for three-and-a-half months of service. The charges there would be 8.75 million and 1.09 for the depreciation. Unit No. 3 comes in service February 15, 1991 for one-and-a-half month's service at a cost of 3.75 for the interest and .46 for the depreciation. Therefore, the total interest charges for 1990-91 would be \$23.75 million and, for the depreciation, it would be 2.96.

Now, with regard to 1991-92, I won't go through the details of the various units, but the total interest charges

**MR. G. FILMON:** I'm sorry. If I can say it, the chairman may want to put that on the record, but it's not of interest to me because I don't think it's the kind of analysis I'm looking for. What is the current estimate of the major civil contract?

**MR. M. ELIESEN:** If I can, Mr. Chairman, the only reason why I thought it was relevant to the question being asked is because there have been references that interest charges would be \$250 million to \$300 million each year. What I was trying to point out is that, given the fact that there is a three-year time schedule on how those units come into play, the interest charges are significantly less than what some have suggested. That's why I thought it would be useful to indicate that 23.75 million are the interest charges for the first fiscal year; 163.75 million are for the second fiscal year; and 270 million are for the third year in which all units would be operational.

Now with regard to the estimate for the main civil contract - this is an internal matter obviously to Manitoba Hydro - we had calculated on the basis of a 1990 in-service date that the total cost for Limestone would be 2.52. The main civil contract which takes in the largest contract, out of the \$1.5 billion in contracts for goods and services that are provided under Limestone, will be considered by the board and a decision made with the announcement being made within the next short period of time.

**MR. G. FILMON:** Mr. Chairman, the reason that I don't accept the cost of 250 million per unit as being the cost that should be ascribed is that you have to complete almost the entire major civil works before you can get one unit operational. So your sum cost is proportionately higher than 250 million for one unit. You wouldn't just have, in order to get one unit in service, \$250 million of some cost, you would have considerably more than that in service.

**MR. M. ELIESEN:** Mr. Chairman, these generating stations are amortized over 67 years, and actually have a lifetime of considerably greater period of time. Your depreciation policies would obviously take into account the sunken costs that are being referred to. Those are the figures that I mentioned earlier.

**MR. G. FILMON:** I'm not looking at depreciation costs, I'm looking at the actual costs to the Manitoba Hydro system to get to the point of being operational on these and the interest that Manitoba Hydro is paying on it.

The other part of the analysis, of course, that was put forward by the chairman that isn't relevant is the fact that it doesn't matter when these first two years of interim payments takes place. The fact is that, whether you move them up by two years or three years or whatever, however many years you move them up, you move forward that first year at which you must pay the total cost of operation on the system. So that's really what is added to the system, despite what the chairman's analysis shows of it. It brings forward the first year at which the total operational costs of that plant are added to the system. That's really what the difference is, given any time frame that you want to do the analysis on.

**MR. M. ELIESEN:** Mr. Chairman, it is relevant in the context of ascribing the specific quantity of costs that are related to the project as a result of an earlier acceleration. That's in the context in which the interest costs have been used in the past. What I am trying to point out here is that the interest costs that are used as a result of the earlier acceleration are significantly less than what other people have brought forward in a public domain. I have given the policy which is Manitoba Hydro policy on how those units are charged to the system.

What is relevant is the small size of those interest costs and then put into context of the revenues that Manitoba Hydro would get as a result of the earlier acceleration and that is why in the review of our presentation, of our licence application to the National Energy Board, the National Energy Board agreed with our methodology of cost and agreed with our conclusion that the earlier acceleration of Limestone would mean approximately a \$20 million profit to Manitoba Hydro.

**MR. G. FILMON:** Mr. Chairman, we'll decline to debate whether the National Energy Board agreed that this was a proper analysis or whether they agreed that this was the analysis that was accepted in utilities as to when you take the costs into the system. Given that you don't take the full costs into the system until it is fully completed, this analysis may be acceptable in terms of the way in which the utility has normally

ascribed the costs. But, the fact of the matter is that by moving it forward two years, you move forward by two years, the first year, the second, the third, the fourth and whatever years in which you have the full cost in the system, so that's what you are really adding. You are not adding just those incremental costs because those incremental costs would have taken place two years later and they still would have been there two years later. So what you are really costing the system is the full cost of one year's carrying cost at some point down the line and that's exactly how it works.

**HON. W. PARASIUK:** The Leader of the Opposition is trying to redefine how Hydro should do its accounting. Its accounting has been done, I think, since it was established and it's the accounting that has indeed been accepted without debate, I mean there is no debate involved. The NEB said that Manitoba Hydro was right and the NEB said that the Conservative Party was wrong - very clearly. That was the bottom line, no matter what Mr. Filmon now tries to say at this meeting or other meetings. The point is that it was clearly established, clearly documented.

You could have made a presentation to the NEB of that form had you wanted to. I would have liked to have seen what they would have said about it. But you certainly had the opportunity. At one time I thought you might have, but you didn't. So to get up now and say, well, I want to debate. I'm going to knock the NEB for not doing its job correctly when, in fact, it has done its job correctly, not only with this one but with other applications and say that we will have a new accounting figure, is wrong. You don't take into account the fact that the costs have indeed been reduced.

We are going to be achieving revenue; we are going to be achieving revenue sooner. We will indeed be meeting our own needs and we will be having a reduced estimate of what that project is going to cost. We will be deriving revenues from export sales as well. We have taken the most conservative estimate for what our load growth will be even though over the last two years the indications are, that the load growths could quite easily be higher over a 10-year period than this.

Secondly, and this is what we'll have a chance to provide to the public as that analysis is complete and as Hydro completes its decision, it would appear that by proceeding now the actual construction costs of hydro, of that generating station, will be significantly lower because it is a very opportune time in the world business milieu to get very good prices, and how does one take that into account? We will, in fact, do the complete recalculation after we complete the negotiations and awarding of the general civil contract. We'll do a complete re-evaluation and reassessment of what the benefits and costs will be. I think that at this particular stage, they will be significantly higher to the people of Manitoba because the costs are coming in less.

**MR. G. FILMON:** Mr. Chairman, nowhere in the National Energy Board report did it say that the Conservative Party was wrong and the Minister is being specious in his comments on that respect. Secondly — (Interjection) — keep quiet, Scott, you'll get your chance to speak. Just keep quiet.

Mr. Chairman, will you bring this gentleman to order or I'll use a less complimentary term about him.

**MR. CHAIRMAN:** The Leader of the Opposition has the floor.

**MR. G. FILMON:** Mr. Chairman, secondly, at no point did I attempt to get into this discussion or debate about the National Energy Board analysis, nor did I . . .

**A MEMBER:** You did so.

**MR. G. FILMON:** I did not. I asked for certain specific figures about the operating costs of Limestone and the chairman of Manitoba Hydro chose not to give me those figures but to try and get me into another discussion about the interim costs on the operation of the plant before it was completed and that got us off on a totally different track. That's not where I wanted to be and that's not the question that I asked. If your chairman is sensitive about that and wants to get us out . . . that's what got us into this whole thing.

**HON. W. PARASIUK:** A point of order, Mr. Chairman, a point of order.

**MR. CHAIRMAN:** A point of order is being raised.

**HON. W. PARASIUK:** That type of innuendo from Mr. Filmon is completely lacking in integrity and shows the hole that he will crawl through to try and prevent himself from being totally embarrassed and to start doing the personal innuendo is something that I didn't expect of him, but I guess that's how low he'll sink.

**MR. CHAIRMAN:** Differences of opinion or differences in personalities are not points of order.  
The Leader of the Opposition.

**MR. G. FILMON:** Can I get back to the point of the operating costs of Limestone Generating Station on an annual basis?

**MR. CHAIRMAN:** We have a question here.  
The Leader of the Opposition.

**MR. G. FILMON:** I asked for the operating costs of Limestone Generating Station on an annual basis.

**MR. CHAIRMAN:** The operating costs of Limestone on an annual basis.  
Mr. Eliesen.

**MR. M. ELIESEN:** Mr. Chairman, I indicated that we would make those figures available. We do not have them with us at the present time. What I did have with me were some of the aspects which obviously relate to the operating costs and I attempted to provide that as a partial kind of information, both on interest and the depreciation, but we will make available our estimates of the operating costs related to Limestone.

**MR. G. FILMON:** When will that be made available, Mr. Chairman?

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**MR. M. ELIESEN:** Very shortly. We can make it available in mail through the Minister in a couple of days without any difficulty.

Mr. Chairman, I should just mention one very important qualifying factor. Our estimates up to this date have been based on Limestone coming in at \$2.52 million, given our assumptions of interest and inflation. As the Minister has indicated, and I think as the president of Manitoba Hydro has indicated, on the basis of what we have seen taking place today of some of the major contracts that have been awarded under Limestone and are to be awarded, our costs will be significantly lower. As a result, the kind of estimates that we have been working with will obviously be lower, but we will make available what we currently have.

**MR. G. FILMON:** I wonder if the chairman can indicate for me, in addition to the interest and capital costs of the generating station, what other costs are there in the operation of Limestone.

**MR. M. ELIESEN:** The operating costs which are 35 to 40 people who are involved once the station is fully constructed and in operation, there are those kinds of costs. There are costs related to water rentals that are charged to the station. We will attempt to get an itemized accounting and the specifics provided to the member, Mr. Chairman.

**MR. G. FILMON:** I wonder if, prior to the commencement of the Northern States Power contract in 1993, what are the expected sources of income for any additional power that comes on stream as a result of an earlier completion of Limestone in 1991-92.

**MR. M. ELIESEN:** I'm sorry, Mr. Chairman, I'm not too sure I fully understand the question, maybe it could be repeated?

**MR. CHAIRMAN:** Yes. The Leader of the Opposition.

**MR. G. FILMON:** What are the sources of additional income that are being projected by Manitoba Hydro as a result of Limestone coming on stream two years earlier in accordance with the current selected plan of development?

**MR. M. ELIESEN:** Mr. Chairman, these were spelled out in our application to the National Energy Board where we indicated the interruptible sales we would be making is obviously a source of considerable revenue.

I should emphasize, the kind of interruptible sales that we are talking about in that period of time is similar to the kinds of sales that we are currently making today because, as Manitoba's own usage increases from our current surplus, we will have obviously smaller opportunity in quantities to make these interruptible sales.

But it isn't a significant increase in the markets open to us. We would be experiencing similar kinds of interruptible sales in that period of time as we are currently experiencing. Right now, for example, we obtain about \$103 million to \$105 million from our export sales, which is about 23 to 25 percent of the total Manitoba Hydro revenues.

**MR. G. FILMON:** So it's \$103 million to \$105 million per year is what has been in recent times.

Mr. Chairman, I wonder if I could get back to the question of what is Manitoba Hydro's estimate of the main civil contract. In view of the fact that the tenders are now all in, it wouldn't prejudice the tenders for that figure to be released, would it?

**MR. M. ELIESEN:** At the present time it would, Mr. Chairman. We hope to, following decisions taken by the board who will be dealing with this matter in a few days, try to come forward with some revised estimates on Limestone, but I emphasize at the present time that it would be premature to make this information public.

What we are encouraged for, and I guess it's worth repeating because it was one of the factors that the Manitoba Hydro Board took into consideration based upon the recommendations of management, that one of the significant benefits would be when is the right time to go out to the market to try to get the goods and services related to Limestone.

We thought that the best economic environment was now and, quite frankly, we are being proven right. That will be reflected in the public information that we will be making later on.

**MR. G. FILMON:** When is Hydro expecting to announce the award of the main civil contract?

**MR. M. ELIESEN:** The board will be dealing with this matter in the next two to three days and an announcement would be expected shortly thereafter.

**MR. G. FILMON:** What is the present estimated costs of the development of Conawapa?

**MR. M. ELIESEN:** We have been looking at, in our discussions with U.S. and Canadian utilities, an in-service date of around 1996-97. Again, assuming the same kinds of interest and inflation which, as I admitted last week at the committee, were perhaps a bit too high in the current context, but using those estimates of a 12 percent interest and 7 percent inflation, we had estimated Conawapa would be about \$3.9 billion for a 1996 in-service date.

**MR. G. FILMON:** 1996 in-service?

**MR. M. ELIESEN:** That's correct.

**MR. G. FILMON:** What is the capacity of Conawapa?

**MR. M. ELIESEN:** Mr. Chairman, the estimated capacity of Conawapa is approximately 1300 megawatts.

**MR. G. FILMON:** What preparatory work has been done at the site, if any, and what invested cost is there at this point in time in engineering and design and so on?

**MR. M. ELIESEN:** Mr. Chairman, at present we have not started that kind of planning and development. In our discussions with the U.S. utilities we have indicated to them that we require a minimum of 10 to 11 years for the planning and development of Conawapa and,

therefore, the earliest that we possibly could provide energy out of the Manitoba Hydro system, which would be the equivalent of a Conawapa, would be about 1996-97.

We are continuing, as I mentioned in my first presentation to the committee, our discussions with five groups of utilities, and we would anticipate that within the next 12 or 18 months we will be successful with one of them. In the interim, Manitoba Hydro will be starting up some preliminary work with regard to Conawapa of some of the basic parameters that have to be looked at for the construction of that generating station.

In the context of achieving the objective that has been handed over to us of a decade of hydro development, we are attempting to ensure that there are no bottlenecks that take place when there is major hydro development taking place up North. So we are looking at a kind of planning operation where you would be winding down some of the activities associated with Limestone and moving onwards and starting them up at Conawapa, but those are the time frames that we are looking at.

**MR. G. FILMON:** The Conawapa development is dependent on, as I understand it, a number of the potential extra-provincial sales, whether it be to Saskatchewan and Ontario, Wismintoba, WAPA, and whatever.

What basis of cost of production of that energy is being utilized? Is it as in the case of Limestone where it's merely the cost of advancement to the system, or is it the full cost of operation and amortization of the plant?

**MR. M. ELIESEN:** Mr. Chairman, as in the NSP sale, with any other sales we are not looking at a dedicated plant sale. We are looking at a sale out of the Manitoba Hydro system. So any of the costs that are associated with making that particular sale are charged against that sale. That is the methodology we have used with the Northern States Power sale. That is the methodology that's been used by all Canadian electric utilities, and that's the methodology that has been reviewed, evaluated and given a stamp of approval by the National Energy Board.

**MR. G. FILMON:** Mr. Chairman, in effect, the assumption is that the system will need it at some point in time, and that the costs are just those costs for advancement that are going to be charged for the extra-provincial sales.

**MR. M. ELIESEN:** Mr. Chairman, the charges that will be made to any respective sale are the real costs and they include capital and interest. They include operational and maintenance, and they include the obviously lost opportunity of making interruptible sales as a result of making firm sales. Those are the three main cost components related to making a sale out of the Manitoba Hydro system.

**MR. G. FILMON:** If, for a period of time, we are selling the entire production of the plant, will the flow of capital and interest costs of that plant be then charged to the sale?

**MR. M. ELIESEN:** Mr. Chairman, it really relates to the time period that we are talking to with our prospective purchasers of Manitoba Hydro energy. In the case of Northern States Power, it is a limited period of 12 years. Therefore, we look at Manitoba Hydro and evaluate what are the costs of making that sale over that 12-year period. We do know that the sale does result in an earlier advancement of the Limestone Generating Station, and we try to charge those costs that relate to making the sale as part of the total picture.

Limestone is in existence, at least on the books of Manitoba Hydro, for at least 67 years. If we are considering a dedicated sale, obviously over such period of time, those would be the costs that would be attributed to it, but we are not considering those kind of parameters. As I mentioned in my earlier presentation, we are looking at time periods of anywhere between 15- to 30-year sale periods with the prospective U.S. and Canadian utilities.

**MR. G. FILMON:** So you don't take whatever portion of that plant is producing energy for the sale, say, 60 percent of the production going over a period of time. That 60 percent of the capital cost of that plant is not what is charged to the sale then?

**MR. M. ELIESEN:** No, I'm sorry, Mr. Chairman, if I gave an incorrect impression. As in the Northern States Power sale, the costs of those particular plants that are impacted as a result of making the sale are charged against the sale. As in the Northern States Power sale there are three generating stations, the sequence of which is impacted by the Northern States Power over that 12 years. The capital costs associated with Limestone, Wuskwatim and Conawapa are charged directly to making the sale.

So in any future sale, any resulting change in the Manitoba Hydro own internal sequence generation, the costs of an earlier advancement or for a longer period of time, those would be the capital costs charged against making that particular sale.

**MR. G. FILMON:** Mr. Chairman, is the chairman saying then that since 55 percent of the energy approximately of Limestone goes to the sale, 55 percent of the capital costs of Limestone is charged to the sale?

**MR. M. ELIESEN:** What I'm saying, Mr. Chairman, is that we have a 500-megawatt sale taking place over 12 years which comes out of the Manitoba Hydro system. No one plant, for example, could provide that kind of energy over the 12 years. We could not supply a 75 percent capacity factor out of Limestone, so it is the Manitoba Hydro system that provides the energy out of the sale.

What we are though looking at and ascribing to the costs of that sale are the capital costs of a Limestone of a Wuskwatim, of a Conawapa over the period of time required to make the sale. We are also including obviously the associated operating and maintenance costs and, again to repeat, the costs arising from a reduced surplus for interruptible markets as a result of making those sales.

Those are the kinds of costs and, quite frankly, there is no other way that we are aware of that any other

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kind of methodology that other utilities use nor any other cost formula that has been put forward subject to evaluation and approval by the National Energy Board. That's why we felt, when we presented to this committee last year, the kinds of costing methodology as the appropriate one. It wasn't anything new or creative. It was consistent with what Manitoba Hydro have used in the past, with what other utilities have used across Canada.

That has been borne out by Manitoba Hydro witnesses coming before the National Energy Board, being subject to all sorts of cross-examination on cost and methodology by the board, by staff, by interveners, etc., and the National Energy Board, quite frankly, saying, yes, we agree with you, Manitoba Hydro, on the basis upon which you have costed this particular sale. That would be the basis upon which we would cost future sales.

**MR. G. FILMON:** Mr. Chairman, I wonder, on a different matter, is the chairman of Manitoba Hydro provided with an automobile as part of his employment contract with the utility.

**MR. M. ELIESEN:** Mr. Chairman, I am not under contract with Manitoba Hydro. In fact, I'm not paid anything from Manitoba Hydro nor am I provided with a car from Manitoba Hydro. I am not provided with any benefits at all from Manitoba Hydro.

**MR. G. FILMON:** Is the chairman then provided with an automobile as part of his employment remuneration or being the chairman of the Manitoba Energy Authority?

**MR. M. ELIESEN:** Yes, Mr. Chairman.

**MR. G. FILMON:** I wonder if the chairman could indicate what type of automobile he is provided with.

**MR. M. ELIESEN:** I am provided with a Volvo. Further, Mr. Chairman, it's a DL Volvo, not a GL, not a Turbo, but a DL Volvo.

**MR. G. FILMON:** Is that owned by the Manitoba Energy Authority?

**MR. M. ELIESEN:** Mr. Chairman, it's a leased car for a period of time that is provided, so the Manitoba Energy Authority does not own the vehicle. It's part of a contractual obligation between myself and the Manitoba Energy Authority.

**MR. G. FILMON:** Is the cost of the lease paid for by the Energy Authority?

**MR. M. ELIESEN:** Yes, Mr. Chairman.

**MR. G. FILMON:** What is the cost to the Energy Authority?

**MR. M. ELIESEN:** I can get that information and make it available to the member.

**MR. G. FILMON:** So the chairman will bring that back?

**MR. M. ELIESEN:** Well, I will send it in writing. There's no problem making that information available.

**MR. G. FILMON:** Okay.

**MR. CHAIRMAN:** Are we ready to approve the report? The Leader of the Opposition.

**MR. G. FILMON:** No, Mr. Chairman. I wonder, with respect to the various proposed power sales to Wisconsin, Wismintoba, WAPA and so on that are currently being investigated, what new transmission lines will be required for those sales.

**MR. M. ELIESEN:** Mr. Chairman, I went into this area last meeting when I was asked a similar question by Mr. Enns, and I indicated then that there are certain possible transactions which would call for new lines such as the Wisconsin sale, but there are other sales where we have existing interconnections, particularly with Minnesota where we possibly could entertain a sale under existing interconnections. With Ontario Hydro it all depended on which of the three options we will be successful in pursuing. There are certain sales that can be made under existing interconnections; larger sales in which the existing interconnections would have to be strengthened; but a sale the equivalent of a Conawapa would require a new interconnection in that regard and the same kind of remarks can be applicable to the Saskatchewan side.

**MR. G. FILMON:** Would this mean new transmission lines, for instance, for WAPA across North Dakota?

**MR. M. ELIESEN:** For any major sale to Western Area Power Administration, yes, it would require a new transmission line. For our part, it would mean bringing it to the Manitoba border and then the Western Area Power Administration having the responsibility of building the line on that side.

**MR. G. FILMON:** Given the difficulties we experienced with North Dakota with respect to the MANDAN transmission line, what is the expectation in terms of being able to achieve a new route across North Dakota?

**MR. M. ELIESEN:** Mr. Chairman, the expectation is quite good with Western Area Power Administration. They do operate outside state regulatory enforcement - the legal term will come to me in a second. They operate under eminent domain, which for those people versed in legal matters, meaning they do have the right to determine themselves their own rights of way in building lines. Now, normally, they work through states, but there have been many occasions where they - and this has gone to the Supreme Court level in the past - where they do have that particular right to build the line.

There is an additional positive factor with Western Area Power Administration which was not applicable in the MANDAN line, in that some of the proposed benefits as a result of a sale from Manitoba Hydro will be of benefit to users in the State of North Dakota, that is part of their current distribution. The results of, let's say, 1,000 or a 1,200 megawatt sale, some of it

will obviously be utilized in the State of North Dakota. There is less so of that in the MANDAN line which is mainly related to more of the states further down south, in Nebraska, Iowa and Kansas. So there will be benefits to the State of North Dakota as a result of any possible transaction. Both both those reasons, the expectation is quite good that a line can be built.

**MR. G. FILMON:** Are any difficulties anticipated with respect to lines for Wisconsin and Minnesota, additional lines?

**MR. M. ELIESEN:** Mr. Chairman, we have obviously spent a lot of time with the Wisconsin people in this particular area and they are obviously much more familiar with it but, to the degree that we have eight utilities, all of them on side and wanting such a sale. To the degree that we've done our homework and, in this case, we believe we had, making political people from the governor down to the regulatory agencies to congressional types knowledgeable about the particular sale. We believe we'll have less difficulty than, for example, any nuclear construction that takes place in Wisconsin where they have a moratorium, or where there is increasing concern of acid rain as a result of thermal generation.

In addition, there are alternatives which utilize non-agricultural land, as well as abandoned rail line ways, which would facilitate the building of transmission requirements through Minnesota into Wisconsin.

So, we are optimistic that with any possible sale there would be certainly fewer problems in the building of such a transmission.

**MR. H. ENNS:** Mr. Chairman, just on a further subject, as far as I can recall - and this goes back to the initial presentations made by Manitoba Hydro or the Energy Authority on the proposed NSP sale, the revenues that preclude from that sale. The material that this committee has received included, for Hydro's purposes, the total revenues of that sale to various projects, costs attributable to Hydro for advancement, the debt load that Manitoba Hydro would be carrying as a result of proceeding with Limestone. It was only, to the best of my recollection, during the National Energy Board hearings that the first suggestion came forward that some of the revenues may, indeed, be not available to Manitoba Hydro and is syphoned off or diverted. Since then, of course, the government, the Minister has made public announcements about the establishment of a Heritage Fund that suggests significant diversions of Manitoba Hydro revenue to go into that fund. It is not my intention, Mr. Chairman, to debate with the Minister or with Manitoba Hydro the advisability of that fund or, indeed, even question for the purpose of the next series of questions the profitability of the sale that has been indicated to us, both in the House and in this committee. I leave that aside for the purpose of these questions, accept the chairman's statement that there will be a profit resulting from the sale to NSP.

My question to the chairman of Manitoba Hydro is: has Manitoba Hydro projected their debt equity ratio of Manitoba Hydro in 1993 and 12 years later, assuming that half of the Northern States Power sales revenue are syphoned off as being suggested by the

government? Have we projected figures for that kind of action taken by the Energy Authority or the government?

**MR. M. ELIESEN:** Mr. Chairman, debt equity ratio have never been a high priority with Manitoba Hydro boards in the past or at present because the entire debt is guaranteed by the Government of Manitoba. Debt equity ratios are obviously important for those companies who go to the market for equity funds will regard to their companies. But, and I recall from reading previous Public Utility Committee hearings, when the previous chairman, Saul Cherniack, commented in the area debt equity ratios, at least trying to increase those ratios, would obviously be a significant burden on the ratepayers of Manitoba Hydro. Admittedly, if there were difficulties in raising funds for Hydro development the maybe the entire structure of Manitoba Hydro and the financing of Manitoba Hydro would have to be reconsidered.

In our particular case, we see just the opposite with great enthusiasm for the kind of renewable resource that we have in Manitoba, and quite a scramble by international bankers willing to provide financing under the most competitive conditions. So we have never been concerned about debt equity ratios, of trying to improve them. They had never been a consideration either to the Department of Finance or by any of the regulatory agencies reviewing Manitoba Hydro, as to whether there are an indicator that is worth improving in the future.

**MR. H. ENNS:** Mr. Chairman, taking advantage of some information that the chairman of the Manitoba Hydro provided committee members earlier on in the hearing this morning supporting his concern with respect to energy requirements in the United States as reported by the Wall Street Journal, that same article also refers to the fact that the growing contentiousness between electric utilities and the regulators recently led Standard and Poor's to reduce the amount of debt it considers a utility can carry before its credit rating drops. The rating service says, "Its move reflects the increase operating risk for electric utilities. A trend will make more costly for utilities to raise money."

I direct that observation and thank the chairman of Manitoba Hydro for supplying me with that information to the concern that I think all of us have in the question of the cost of raising money for projects that we are contemplating. It seemed to indicate perhaps some higher priority should be placed on a debt-equity position of Manitoba Hydro than the chairman of Manitoba Hydro is currently willing to acknowledge.

**MR. M. ELIESEN:** Mr. Chairman, the references made by the member to the article really refer, not to public monopolies such as Manitoba Hydro, but to invest in the own utilities in the United States determining the usual profit maximization of rates returned and Manitoba Hydro is not in the business of generating as much profit as possible.

We are attempting to bring back the situation where Manitoba Hydro has sufficient reserves to withstand two years of significant drought, plus the one or two years when major generation stations come on stream to have adequate reserves for those purposes. B

whether it's Moody's or Standard and Poor's, those comments are not related to a public utility such as Manitoba Hydro or Ontario Hydro for that matter. To the degree that Manitoba Hydro Board of Directors wanted to pursue a policy of significantly increasing the debt-equity ratios, that would mean an unacceptable burden, in our judgment, on current ratepayers of Manitoba Hydro.

Those debt-equity ratios are obviously significant indicators to the financial community where the utilities involved are investor-owned and operating under a profit maximization principle. That is not the case with most of the utilities in Canada which are basically publicly-owned monopolies.

**MR. H. ENNS:** Mr. Chairman, allow me to get back to the original question. Projections that we have heretofore been considering in this committee with respect to the financial requirements involving the Limestone Project, have not taken into account any diversion of revenues from the NSP sales, is that correct what I gain out of the answers that I'm getting?

**MR. M. ELIESEN:** Well, what Manitoba Hydro has assumed is that all our costs related to making major firm export sales - and this is the first one obviously that Manitoba has entered into - that all our costs would be covered. Now that is related to the statement made by the Minister responsible for Manitoba Hydro. In addition he has indicated that 50 percent of the profits from this particular sale would stay with Manitoba Hydro.

Our interpretation, therefore, and the details have not been worked out since the policy statement was just made a couple of weeks ago, but our interpretation would mean that the ratepayers of Manitoba Hydro are obviously better off with a profit from the sale, than with no profit taking place being accrued to Manitoba Hydro.

So 50 percent of the profit of an expected \$1.7 billion will stay with Manitoba Hydro and those funds will be used to make rates lower to Manitoba Hydro customers than would not have taken place without the sale and that is our interpretation of government policy.

**MR. H. ENNS:** Mr. Chairman, I'm busily recalling the charts that we had before us last year in this committee that specifically indicated the time the first details of the projected Northern States Power sale was laid before this committee, a concern of course then as now was advancement and to the best of my recollection - and I apologize that perhaps I should have done my homework a little better and have those charts available with me, I know they are there for the public record and I have them - that costs, revenue, timing of revenue coming on stream, in all the instances included, the 500 megawatts at the projected formula price that was being presented to the committee, there was never a suggestion at that time that those monies would not be available to Manitoba Hydro. I take it that the same applies to the National Energy Board hearings when they gave their approval.

The Chairman of Hydro reread into the record this morning conclusions that the National Energy Board arrived at with respect to the pricing of electricity to

the customers of Manitoba, industrial users, with or without the sale, the conclusion was that the Manitoba consumer or customer would be better served with the sale. Now surely if you're making the contention before this committee, if the Manitoba customer is going to be better served with the sale, then the value of that sale, the revenue of that sale has to accrue to Manitoba Hydro and not to somebody else.

**MR. M. ELIESEN:** Mr. Chairman, I think the distinction is between the revenue and profits.

**MR. H. ENNS:** Well, Mr. Chairman, I hate to interrupt the chairman because I thought I made it clear. I did not want to take this opportunity to debate with the Minister. I think that's a debate quite frankly that the Minister and I can carry on in the House as to whether or not there is a profit. I'm accepting the \$1.7 billion profit for the purposes of my position and argument right now. All I'm trying to acknowledge from the chairman is, that those revenues accruing from the NSP sales have heretofore always been part and parcel of the figures placed before this committee.

When the committee met last year, neither the Minister nor the government nor Mr. Puttee or anybody else was suggesting - they gave some indication that the future might hold that possibility - but there was no finite amount put on it. We now know how much power we're selling to Northern States Power. We know at what price - it won't be a constant price because of the formula over the 12-year period - but we are being asked to accept the estimates by Manitoba Hydro, by the Manitoba Energy Authority.

We have been given projections as to how we, as a public utility, can carry the costs of advancement of Limestone based on those revenues coming to Manitoba Hydro. I would simply ask whether or not that isn't the case.

**HON. W. PARASIUKE:** Yes, the Slide 14 on June 6th takes it to 1993, and it shows that from 1993-1994 there is a tremendous increase in reserves. If one takes that projection beyond that, which we have not had here, but that could be done over a period of time, because I have just announced the policy, one could show a tremendous return to the people of Manitoba. That is what those projections start showing.

I indicated last year, to be quite clear, when there was a big debate here, and the debate was primarily by the Leader of the Opposition, that the calculations done somehow weren't correct by Manitoba Hydro and the Manitoba Energy Authority - that was the debate here, that the calculations done weren't correct. He went into that line of questioning again today, and it was indicated that exactly the same methodology, as was indicated today, that went to the National Energy Board, and it confirmed that the methodology employed by Hydro was correct, that our numbers were correct, and the numbers put forward in committee last year by the opposition were wrong.

What I did indicate at that time was, we were talking about profit, people were questioning whether there would be a profit. I said there would be a profit. People said, what are you going to do about it? I said we are going to take a look at that over the course of the next

year and make a determination as to where that profit should go, and isn't it a wonderful situation that Manitobans now have a situation where they can talk about profit deriving, not from Manitobans, but derived from sales to people outside of Manitoba.

So Manitoba Hydro customers will continue to receive their power at cost and they will be able to, in fact, get a subsidy to that cost because they will be able to allocate some of the profit from export sales against that cost. Those longer-term projections still have to be worked out by Hydro. I made that announcement only recently as to what that policy will be.

I certainly know that when you have a situation whereby a utility will be better off with a sale than without a sale, and it gets a portion of the proceeds from that sale, that the ratepayers of Manitoba will be better off. I am not sure this is the place to debate whether in fact we should have a fund or not have a fund, I think we could debate that in the House probably.

But certainly up to 1993, in terms of the projections that exist here, there are no returns from that sale and the calculations are put in here. I think the calculation this year is exactly the same as last year; there were no differences from this year's presentation as to last year's presentation. So if anyone expresses surprise at what they saw this year, it's exactly what they saw last year. We haven't made any changes of that nature at all.

Now that the policy has been announced, there will have to be a calculation with respect to the years 1993 and beyond, and that will certainly be done by Manitoba Hydro.

**MR. H. ENNS:** Well, Mr. Chairman, I am being stonewalled. If we want to argue profitability of making hydro sales, we can engage in an argument, as indeed, has been engaged in the media; and I am sure the Minister and all members of Manitoba Hydro will agree with me that if we could complete out that contract of 500 megawatt sales for 12 years to Northern States Power, without ever building Limestone, we would maximize our profit from the arrangement that you have entered into. If Limestone was not required to come on stream and we had a firm power sale at the price you gentlemen negotiated, that would surely maximize our profits as Manitobans.

**HON. W. PARASIUK:** We need Limestone in 1992 for ourselves.

**MR. H. ENNS:** I am excluding it completely; the position has been argued. All I am trying to point out, Mr. Chairman, when I am saying that I am being stonewalled, I am not asking that question. I am not asking the question whether or not the figures, the graphs showed a particular reserve escalating in the future years; I don't question the Minister and I don't question the Manitoba Hydro chairman on that. My question was to what extent, if any, was there an allowance made in the presentations and the documentations put before the National Energy Board or put before the Manitoba Hydro Board in its overall calculations about anticipating a significant sum of revenues from the NSP sale not accruing to Hydro? We are not talking a specific sum, we are talking 50 percent.

Is the Minister telling this committee that he is that confident with respect to the profits that he anticipates out of the sale that he will establish, as he has indicated a Heritage Fund which will get half of \$1.7 billion in those 12 years? Is he being that specific? I don't think so.

But surely Hydro planners have to face some finite information with respect to their decision-making. To the best of my recollection, without questioning for the purposes of this particular meeting the estimates of where Manitoba Hydro will be with the sale in terms of reserves; where it will be in terms of its capacity to generate revenue, not just for themselves, but as a public utility for the people of Manitoba. I come back to a question that I have now asked for the third time Mr. Chairman.

In the original calculations that led the Manitoba Hydro Board and Manitoba Hydro to proceed with the Limestone construction, to proceed with the two-year advancement of that construction, coupled with the knowledge, and it's often been put on the table here that the NSP sale triggers the Limestone construction and triggers the advancement. I am simply suggesting that the NSP sale represents, as we have been told often enough by members of Manitoba Hydro or the Minister, that those revenues from the Northern States Power sale are, of course, a major component of the decision-making process that's going on right now.

I am trying to ask what I think, in my layman's knowledge of things - I am somewhat hesitant to identify myself as a Member for Lakeside - there was another Member for Lakeside who was taken to task by Manitoba Hydro for his schoolboy arithmetic, so I don't presume to have either the resources at hand - I was referring to Mr. D.L. Campbell - I don't presume to have the resources at hand or possess them of myself but it seems to me that you can't have it both ways. You can't, on the one hand, try to convince this committee that the Northern States Power sale contract is a vital component that enables Manitoba Hydro to advance the construction of Limestone for what? Simply because we like to sell power to the United States, surely because Manitoba Hydro will have access to the revenue, and then halfway through the discussions we have the government pronouncing the establishment of heritage funds, and indicating fairly specific sums. In this case, half, 50 percent is the percentage that is . . .

**HON. W. PARASIUK:** It's after costs.

**MR. M. ELIESEN:** Mr. Chairman, I will attempt to provide the most comprehensive direct answer to the member's question.

Manitoba Hydro management recommended to the Manitoba Hydro Board, with regard to the Northern States Power sale, that as a result of it this would bring on Limestone one year earlier - that is from 1992 to 1991 - than what we had anticipated Limestone would be required for our own use.

In addition, studies undertaken by Manitoba Hydro staff indicated that there could be an expected profit of about \$21 million as a result of an advancement of one earlier year. These are the economic studies undertaken by staff of Manitoba Hydro. So that



Limestone first unit service, they were recommending for 1990 in-service date. Okay. Manitoba Hydro Board considered, reviewed, analyzed it and recommended to the government the recommendations that were brought forward by Manitoba Hydro management on this particular area.

Now, what I think the member is referring to is one of the issues which arose at the National Energy Board, and if he will permit me just one second I will read the quotation from the Energy Board Report which I believe relates to the area he was talking about.

"Two of the interveners expressed concern that because the purchase agreement provided that the Manitoba Energy Authority was to collect the export revenues, there was no guarantee that the export revenues would be used to recover Manitoba Hydro's advancement costs. The Board notes that it is not so much concerned with how export revenues are allocated to recover their applicable costs in Canada, but rather with the question of whether these revenues would indeed provide benefits to Canada. In this case, the Board was satisfied that the revenues from this export would accrue to the benefit of not only Manitoba but also Canada as a whole."

So figures were presented referring to the totality of revenues coming from Manitoba as a result of making that sale. Now, the obvious question to Manitoba Hydro is: No. 1, are all our costs going to be covered as a result of making the sale? Because, quite frankly, the Board of Directors of Manitoba Hydro would never recommend such a thing. They may recommend, if it's a break-even and there were an overall economic, socio stimulus to Manitoba, but that would be another decision. But certainly they would never bring forward a recommendation if our costs weren't going to be covered. So, yes, the government has since announced all our costs are going to be covered and, in addition, 50 percent of the expected profit.

Now let me repeat this particular area, because it isn't Manitoba Hydro's figures or Manitoba Energy Authority's, there has been an independent analysis and investigation done by an independent, regulatory board called the National Energy Board. It received all sorts of submissions and interventions from interested people, and its staff undertook independent analysis of our assumptions, of our forecasts, etc. It confirmed our profit expectations both with regard to the sale, as well as the earlier advancement by one year. In fact, there is a difference. They estimated only 20 million in discounted 1984 dollars as compared to Manitoba Hydro's own assessment of 21 million.

But on the parameters of the sale of the \$400 million in discounted 1984 dollars, they reconfirmed our estimates after all that investigation, which were the longest hearings that ever took place on an application before the Energy Board, so they determined, yes, there will be a profit. Okay.

Following that, the government made an announcement of a Limestone go-ahead with the NEB approval. It also recently indicated that Manitoba Hydro, not only would our costs be recovered, but that the revenues which are referred to in the National Energy Board Report - because people who conducted that contractual obligation, it's a contract between NSP and Manitoba. Manitoba is defined as the MEA and the Manitoba Hydro. So there is a mechanism for whatever

the government decided to with the allocation of the revenues.

In this case, the government has decided that the revenues will be allocated by ensuring:

(1) that all the costs that Manitoba Hydro incurs as a result of making the sale are covered; and

(2) that 50 percent of those expected profits will remain with Manitoba Hydro, while the other three, 50 percent of the profits will go into a fund which they have described for the purposes that were outlined by the Minister.

I hope that provides the kind of detail that the member was looking for.

**MR. H. ENNS:** Mr. Chairman, with the greatest of respect to the chairman of Manitoba Hydro, I want to clearly preface when I make these statements for the record that I am doing so for the purpose of a position I am putting forward. When I say that I'm accepting the forecasts of profit, I do so for the purpose of this discussion and this line of questioning only. I want the record to show that.

But here we are again, being presented with an argument in defence of the profitability of the Northern States Power sale. I'm not arguing that question right now. I don't argue with the National Energy Board having arrived at a decision as that independent, outside group can and say, yes. Based on the documentation, presentation put before us, they come to a conclusion that this is good for Canada.

I'm a Manitoban; I'm a Hydro ratepayer. Quite frankly, I am more concerned right now what that effect is going to have on the Manitoba ratepayer. So I come back to the original question. I'll try it a little more elementary, if I may.

The chairman indicated that the Manitoba Hydro Board, in reviewing the proposed Northern States Power sales agreement, concluded that they should proceed. My question is: would the Manitoba Hydro Board have come to the same conclusion had they been told at the outset that Manitoba Hydro would have received no revenue from the Northern States Power sale? Would the Manitoba Hydro Board have recommended to the government that they proceed with the advancement of Limestone, knowing in advance that not a cent of the Northern States Power sales revenue would come to Manitoba Hydro?

Obviously, I think the answer is no. What I am trying to ascertain is, at what point - surely, the Manitoba Hydro Board and Manitoba Hydro have to work with hard figures, even estimated hard figures. So was it at 20 percent of the sales? Was it at 40 percent of the sales revenue, at 50 percent which is now being suggested by the Minister is available to the government to siphon off and put into a Heritage Fund? What are we looking at, smoke and mirrors here?

On the one hand, the Minister and the government can't stand up and make speeches that use the buzzwords - and Heritage Fund is a buzzword in Canada. Following the successful dedication of surplus resource revenues by a sister province in Alberta, the very name, Heritage, has a nice ring to it, particularly in an election year. I acknowledge that. It's got a lot of sex appeal, Mr. Minister. You're going to need a lot of it when next you meet the shareholders of this province.

But what I am trying to determine right now is, at what point - and I think, Mr. Chairman, it follows on the questions that my leader asked just a little while ago in trying to determine costs applicable to the Limestone operation. With all due respect, assembled experts and the Manitoba Hydro Chairman could not give my leader those cost figures.

So when you derail me a little bit from this question and you say, well, Manitoba Hydro will recover its costs and surplus to those costs. Because we're a public utility, we don't have to worry about a profit per se in the utility itself, those surplus revenues would then be available for other government purposes. I am simply asking the question, accepting the fact that the picture of profitability in the Northern States Power sale is as has been presented, but at what level, at what percentage, at what cost was Manitoba Hydro using, what percentage of revenue of the Northern States Power sales contract was Manitoba Hydro using in making its determinations? Mr. Chairman, I haven't received an answer.

**HON. W. PARASIUK:** We started off with a hypothetical proposition. We also went into a description where the same figures were put forward last year as this year. When you take it to 1993, there are no revenues coming in from the Northern States Power sale. There are no revenues; that was the same material put forward last year. It shows one year of very rapid incline in revenues. Manitoba Hydro was assured that it would receive its costs and a portion - it wasn't determined what portion - but people were talking in a rough way about 50-50, but it's all extra over and above their costs. It is a much better position than being told that you have a rate freeze and you might run losses each year. It is a much better position to have profits to allocate than have losses to allocate.

I think Manitoba Hydro has provided information over four sittings to this committee of a very detailed nature and the questions range - and the Member for Lakeside would have to acknowledge - from asking about some specifics with respect to, is it, Oakland Municipality one day, to someone coming in sometime later and asking for something entirely different than switching back and forth. — (Interjection) — That's fair enough. That's true, which I expected. I expected it from you but not from him, but I guess he's lower than you now. But that's to be expected; you expect these types of things from people.

**MR. H. ENNS:** People of Manitoba have a reason to expect a hell of a lot from Manitoba Hydro, too.

**HON. W. PARASIUK:** They produce it and they provide it. We'll debate about the Heritage Fund. Hydro is going to do the calculations down the line on the specifics of making sure they recover their costs because that's the bottom line, recovering their costs and recovering 50 percent of the excess over the costs. It puts them in a fail-safe position, and I'm going to go out to the people and talk to them about that. I will go out and talk to them about a Heritage Fund and I won't call it siphoning off as you will, because that's pejorative right off the bat. As long as you stay being negative against Limestone as you have been, I am going to show them

the Hansard from last year because you guys put a lot of things on the record. I'd like to talk about putting things on the record.

Last year you put on the record that you were basically against the NSP sale. You didn't think the numbers were right. You basically said you were against the advancement of Limestone, that you are against Limestone. Fine. That's out there. That is public knowledge. We'll debate that.

We are also saying that we're going to take a portion of those profits, that you at first said wouldn't exist and put those into the Heritage Fund for long-term economic development and diversity of this province. Let's go to the people and let them see whether in fact they are prepared to talk about allocating a portion of revenues derived from people outside this province for that purpose because we'll be able to show them that had you people consummated the Western Grid, for example, there were no profits to talk about. I mean profits seem to be a dirty word to the Conservatives when it comes to Hydro development and Hydro sale outside this province.

We sell Hydro at cost to Manitobans, but outside this province we will derive a profit. We will use a portion of that profit for purposes of keeping Hydro rates at the lowest rate structure, the lowest on this continent. We can say that with confidence.

Secondly, we are going to put a portion into a Heritage Fund. I have heard people already saying that is a superb idea - various people. You'd be surprised how many people are coming forward saying it's an excellent idea. We are going to talk to them about what type of things they would like that Heritage Fund to do. You will be going out saying we don't want a Heritage Fund. We'll be going out talking about the things that we think a Heritage Fund should do. I don't mind the groundwork for it. It's on the record as well.

**MR. H. ENNS:** Well, Mr. Chairman, the Minister indulged in his speculations about on what grounds the future election will be fought, I suppose, perhaps I invited him to do so.

**MR. CHAIRMAN:** Shall we pass the two.

**MR. H. ENNS:** No, Mr. Chairman. While the Minister wants to talk and has indicated that he is going to be roaming the province as he has, talking about the anticipated and future profits, associated with that is of course, which most Manitobans understand particularly after having been subjected to a previous New Democratic Party government where hydro rates rose at unprecedented levels. Mr. Chairman Manitobans have to understand that it is a given birthright that they should enjoy among the lowest utility rates in this province and any government that would fritter that away would have to take a great deal of responsibility for having most seriously damaged the future economic well-being of this province and of all Manitobans. That the Minister keeps trotting out the fact that we have and continue to enjoy among the lowest rates in North America, I tell him directly is taken as a given in Manitoba. It is one of the few advantages that we have.

I will be asking Manitoba Hydro sometime, when they give use these comparisons about our rates comparable

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other cities, particularly in the south, New York. One would also take into consideration sometime the consumption that is required in a province like Manitoba versus even Minneapolis or Chicago or New York. In terms of the net outlay of the individual or of the business enterprise, the comparison may not be that favourable. I don't know. It's just simply something that occurred to me when last we saw some of these graphs.

But, Mr. Chairman, along with the profits I think of qual concern is the debt obligation that Manitoba is assuming. I have no difficulty and get asked that question a great deal. It is my judgment that the American consumer of energy is in a far more stable situation with respect to cost, admittedly higher as a result of the Northern States Power during that 12-year period. Their escalating costs are relegated to future coal prices, not to our costs of the Limestone plant, and, Mr. Chairman, I find it less than acceptable that Manitoba Hydro cannot answer the questions that my leader posed half-an-hour ago with respect to Limestone's operating costs, the particular questions that he asked.

Mr. Chairman, we will await those answers at a future sitting of this committee because they are, in our judgment, extremely important to the deliberations of his committee.

**HON. W. PARASIUK:** We will then. But I would like to put on record that the Leader of the Opposition has missed a couple of meetings, that he has been formally part of this committee. He didn't come in last meeting to ask a question. He asked a question and walked out. We get this type of games playing by the Conservatives all the time when they come in. There's one person in the Conservative Caucus sitting here right now.

**MR. CHAIRMAN:** No references to absent members, even if they are absent.

**HON. W. PARASIUK:** What it shows, it shows their lack of interest in it but they'd like to go out and talk to the public about not having the opportunity to get answers to questions. They have asked a whole set of questions more than anyone ever has asked, received all the answers, been told that they will get something for purposes of precision because last year when they were talking about Limestone costs, they were told the figure of five to six cents a kilowatt hour and that was sufficient. Did they ask further questions? No. Let's look at Hansard and find that out. So we can meet some other time.

We'll meet probably on a Saturday night because that is when I'm going to try and set it up. I've got meetings next week and we'll set some meetings. You show up for them this time instead of having only one person show up for meetings. If you can't control your own caucus to show up, then don't play games.

**MR. CHAIRMAN:** The members of the committee should address the Chair rather than confront one another or else it will be a very heated discussion.

The Member for Lakeside.

**MR. H. ENNS:** Mr. Chairman, I not going to rise to that bating by the Minister. I simply indicate to the Minister that it is a question of House management that is arrived at by the House Leaders. We are not operating under Speed-up conditions, which, if we were, the Minister may well choose a Saturday afternoon or something like that to do that. I assume the next meeting will be on Thursday and we will carry on?

**HON. W. PARASIUK:** No.

**MR. H. ENNS:** Well, Mr. Chairman, let me put it on the record, although it is not necessary. Now we are being threatened by the Minister as to when and how this Standing Committee of the Manitoba Legislature will sit and consider Manitoba Hydro. This Minister is talking to the wrong member for that.

When his party was in opposition, Manitoba Hydro was subjected to the most exhaustive set of hearings which makes this look like a kindergarten exercise.

I'm referring to the year 1969, when the earliest considerations were given for a triple river diversion, when we had meetings upon meetings and meetings, and that wasn't good enough. We had to move into the auditorium to accommodate the opposition at that time to hold meetings having to do with Manitoba Hydro and Manitoba planning. So, Mr. Chairman, unfortunately around the table there are not too many people who were around there at that time, but I was. So I won't take that kind of intimidation by this Minister.

**HON. W. PARASIUK:** Very simply, there is a Hydro Board meeting taking place on Thursday, and I would prefer . . .

**MR. H. ENNS:** If our House Leader calls this committee to sit on Thursday, this committee will sit.

**HON. W. PARASIUK:** I'm sorry, it won't be sitting on Thursday. The Hydro Board meeting will continue to do its job, because it has a major job to undertake. If the Conservative Party wants to somehow disrupt the operations of Hydro for petty politics, then they can certainly try, but we will not let that happen. So we will be, in fact, having a meeting of the Public Utilities Committee some time in the future.

**MR. H. ENNS:** Committee rise.

**MR. CHAIRMAN:** If we agree, committee rise.

**COMMITTEE ROSE AT:** 12:31 p.m.