

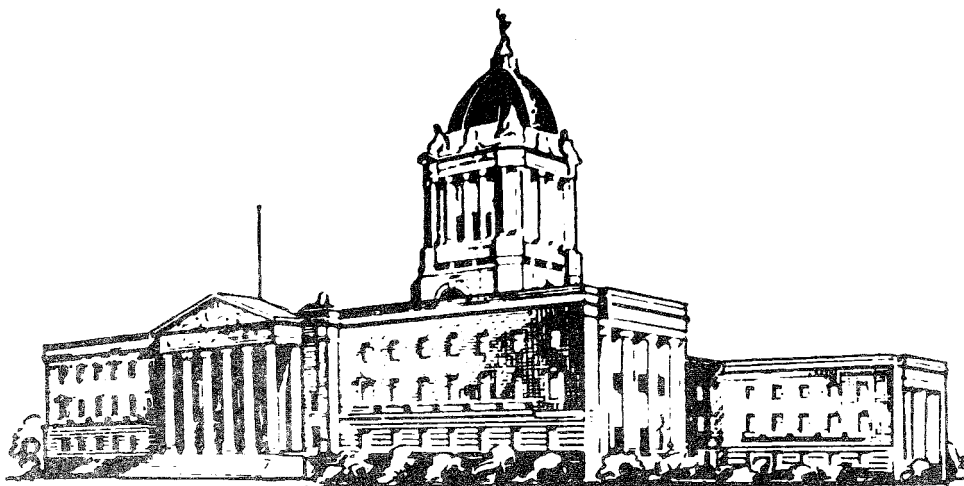


First Session — Thirty-Fourth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

37 Elizabeth II

Chairman
Mr. Harold Gillehammer
Constituency of Minnedosa



VOL. XXXVII No. 6 - 10 a.m., THURSDAY, OCTOBER 27, 1988.

**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature**

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	LIBERAL
ANGUS, John	St. Norbert	LIBERAL
ASHTON, Steve	Thompson	NDP
BURRELL, Parker	Swan River	PC
CARR, James	Fort Rouge	LIBERAL
CARSTAIRS, Sharon	River Heights	LIBERAL
CHARLES, Gwen	Selkirk	LIBERAL
CHEEMA, Gulzar	Kildonan	LIBERAL
CHORNOPYSKI, William	Burrows	LIBERAL
CONNERY, Edward Hon.	Portage la Prairie	PC
COWAN, Jay	Churchill	NDP
CUMMINGS, Glen, Hon.	Ste. Rose du Lac	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DOER, Gary	Concordia	NDP
DOWNEY, James Hon.	Arthur	PC
DRIEDGER, Albert, Hon.	Emerson	PC
DRIEDGER, Herold, L.	Niakwa	LIBERAL
DUCHARME, Gerald, Hon.	Riel	PC
EDWARDS, Paul	St. James	LIBERAL
ENNS, Harry	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Laurie	Fort Garry	LIBERAL
EVANS, Leonard	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen Hon.	Virden	PC
GAUDRY, Neil	St. Boniface	LIBERAL
GILLESHAMMER, Harold	Minnedosa	PC
GRAY, Avis	Ellice	LIBERAL
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HEMPHILL, Maureen	Logan	NDP
KOZAK, Richard, J.	Transcona	LIBERAL
LAMOUREUX, Kevin, M.	Inkster	LIBERAL
MALOWAY, Jim	Elmwood	NDP
MANDRAKE, Ed	Assiniboia	LIBERAL
MANNES, Clayton, Hon.	Morris	PC
McCRAE, James Hon.	Brandon West	PC
MINENKO, Mark	Seven Oaks	LIBERAL
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
OLESON, Charlotte Hon.	Gladstone	PC
ORCHARD, Donald Hon.	Pembina	PC
PANKRATZ, Helmut	La Verendrye	PC
PATTERSON, Allan	Radisson	LIBERAL
PENNER, Jack, Hon.	Rhineland	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren	Lac du Bonnet	PC
ROCAN, Denis, Hon.	Turtle Mountain	PC
ROCH, Gilles	Springfield	LIBERAL
ROSE, Bob	St. Vital	LIBERAL
STORIE, Jerry	Flin Flon	NDP
TAYLOR, Harold	Wolseley	LIBERAL
URUSKI, Bill	Interlake	NDP
WASYLYCIA-LEIS, Judy	St. Johns	NDP
YEO, Iva	Sturgeon Creek	LIBERAL

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

Thursday, October 27, 1988

TIME — 10 a.m.

LOCATION — (Winnipeg, Manitoba)

CHAIRMAN — Mr. Harold Gilleshammer (Minnedosa)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon Messrs. Neufeld, Orchard
Messrs. Ashton, Carr; Mrs. Charles; Messrs.
Driedger (Niakwa), Evans (Brandon East),
Gilleshammer, Praznik.

APPEARING: Mr. G.H. Beatty, President and Chief
Executive Officer

Mr. R.O. Lambert, Senior Vice-President,
Customer Service and Marketing

Mr. P. Thompson, Division Manager,
Marketing

Mr. R.B. Brennan, Vice-President, Finance,
and Chief Financial Officer

Ms. L.M. Jolson, Vice-President, Corporate
Relations

Mr. A.B. Ransom, Chairman, Manitoba Hydro-
Electric Board

Mr. R.M. Fraser, Senior Vice-President,
Energy Supply

MATTERS UNDER DISCUSSION:

1987 and 1988 Annual Reports of the
Manitoba Hydro-Electric Board

* * * *

Mr. Chairman: I would like to call this committee meeting to order to consider the Annual Reports for Manitoba Hydro, for the year ending March 31, 1987, and the year ending March 31, 1988.

I believe Mr. Beatty has some information that was requested at the last meeting.

Mr. Garry Beatty (President and Chief Executive Officer): Thank you, Mr. Chairman.

In response to a question from the Honourable Mr. Orchard regarding the accumulative impact of the Northern States Power 500-megawatt firm power sale, I would like to distribute to the committee a package of three charts showing the annual accumulated and present value impact of the sale on the corporation's revenue requirement.

These charts are similar to those provided to The National Energy Board during its review of the sale. In

addition to the projections developed in 1984, we have included the equivalent results using 1988 assumptions.

Mr. Chairman, I would recommend that we distribute these charts at this time and I would ask Mr. Ralph Lambert to give a brief explanation of the graphs to the committee. If needed, we also have present Mr. Derry and Mr. Thompson who worked with The Manitoba Energy Board at the time of the negotiations of this sale.

Mr. Chairman. I believe the graphs have been distributed.

* (1005)

Mr. Ralph Lambert (Senior Vice-President, Customer Service and Marketing): I will just give a brief explanation of what the three graphs are intended to represent.

If you take a look at Graph 1, it is intended to show the effect of the NSP sale as compared to the effect on the utility without the sale. What these two graphs reflect is the effect on the bottom line or the operating statement year by year with and without the sale. If you look at the zero base line, the horizontal line running through the middle, that represents the "without sale" case.

The other two lines, I will describe. The dotted line that goes below and above the base line is essentially the line that was presented and part of The National Energy Board application in 1984. This is, I believe, the graph that Mr. Orchard referred to last Session. What that shows is the year-to-year effect on the operating statement of Manitoba Hydro as a result of the sale. Values that show up below the line reflect increased revenue requirements with the sale and values above the line reflect decreased revenue requirements.

The solid line that goes above and below the base line is a reproduction of the 1984 National Energy Board graph, but using 1988 assumptions. Since the original application and the contract was signed, a number of assumptions have changed, the assumptions on the development sequence of Manitoba Hydro, assumption on coal costs in the U.S., interest and escalation rates, and U.S.-Canada exchange rates.

To you go to Graph 2 then, it is to reflect essentially the same requirements but on a cumulative basis. That is the year-to-year amounts cumulative. If you look at the dotted line, that is a reproduction of a graph that was given to the National Energy Board during the 1984 application showing the cumulative effect, and the solid line is the same graph, if you like, using 1988 assumptions. It is the cumulative effect of the solid line on Graph 1.

Graph No. 3 is a new graph. It is not one that was given to the National Energy Board but one that we thought we should include because it is the way that we often look at things within Manitoba Hydro. What this is is essentially Graph 2, the cumulative effect, but what we have done here is that we have discounted the annual amounts to 1984, using discount rates.

I think that is all I have to say about the graphs, Mr. Chairman.

* (1010)

Hon. Donald Orchard (Minister of Health): In Graph 3, that is the cumulative line?

Mr. Lambert: Yes, it is the cumulative line. It is Chart 2, but using discounts, discounted back to '84 dollars.

Mr. Orchard: If you use your pricing formula on which the Northern States Power Agreement was signed, what would be the price of a kilowatt hour of electricity sold under that agreement today, given today's assumptions on capital cost of the U.S. coal-fired plant and the cost of coal? What would be the revenue to Manitoba Hydro given that we are selling at 80 percent below their costs?

Mr. P. Thompson (Division Manager, Marketing): I do not have the exact number in front of me, but the revenue in 1993, the first year of the sale, is at approximately 5 cents, today's estimates, per kilowatt hour.

Mr. Orchard: Let me get the correct understanding on that. Your calculations today on the pricing formula for that sale says that in 1993 the first kilowatt to roll off the turbines sold to NSP under the agreement would be priced at approximately 5 cents per kilowatt hour?

Mr. Thompson: That is correct.

Mr. Orchard: Again, we get into the confusion of constant dollars, but is that a 1993 dollar or is that a 1988 dollar?

Mr. Thompson: As received in 1993.

Mr. Orchard: So that is a 1993 dollar. What is the average price that we charge a Manitoba consumer today? Say a farm or a residential consumer.

Mr. Bob Brennan (Vice-President, Finance, and Chief Financial Officer): The average we have before considering extra-provincial and one small bulk sale is 4 cents a kilowatt hour in 1988.

* (1015)

Mr. Orchard: In 1993, with Limestone constructed and your capital costs identified and your operating costs presumably identified, what is the projection of cost per kilowatt hour from the Limestone station in 1993 dollars?

Mr. Brennan: It would be 3.3 cents.

Mr. Orchard: That is your on-line cost of Limestone power?

Mr. Brennan: That is what I am informed, yes.

Mr. Orchard: What was it when you originally were projecting? Was it 6.5 that was the figure around? You are losing money the first year—

Mr. Thompson: We had a number of different assumptions and one pertinent one to this was, of course, escalation rate. We had a higher escalation rate, so costs and revenue would have turned out higher, but the numbers for Limestone on the same basis that we have just given you the 3.3 cents at that time was around 5 cents and at the same time we were estimating the revenue much higher at 6.7 cents, I believe.

Mr. Orchard: In terms of the flow of revenue as presented in Graph 3, that is cumulative and in 1984 dollars it turns out to be the 210; that is the 210 figure that was given last Tuesday. Am I approximating the chart correctly?

Mr. Thompson: The figure that was given last Tuesday, I believe was \$301 million in discounted 1984 dollars. What we have here is in the year 2014, we are just over \$200 million; but if we continue this curve on out, it would eventually arrive at that \$301 million.

Mr. Orchard: When does the contract end with the Northern States Power?

Mr. Thompson: In April of 2005.

Mr. Orchard: In April of 2005. Then on your chart of Graph 3, what is your 1984 revenue expectation cumulative to that date for the period of time of sale?

Mr. Thompson: The revenue or the decreased revenue requirements?

Mr. Orchard: Graph 3.

Mr. Thompson: I will just have to read it off here. It looks like it is approximately \$150 million.

Mr. Orchard: What does that mean? That during the time of this 12-year sale, the net contribution in 1984 dollars is somewhere in the neighbourhood of \$150 million? Is that correct?

Mr. Thompson: In discounted 1984 dollars, that would be correct, yes.

* (1020)

Mr. Orchard: So if we were to average that, regardless of the chart, if we were just to go across the board and we have a 12-year sale, you are looking at about an average contribution annually to net revenue of somewhere around \$10 million or \$12 million in 1984 dollars per year?

Mr. Thompson: I have to agree with the arithmetic. I think the proper way of looking at it is with the information as we have presented it here.

Mr. Orchard: Mr. Chairman, I am not questioning the information that was presented here. We are looking at accumulated revenues of \$150 million over a 12-year sale from '93 to year 2005 according to Graph 3, and that is a comparable figure to the \$1.7 billion in profit that has been talked about at some point in time when NSP was discussed. Is that a fair analysis, except for the fact that the \$1.7 billion was not 1984 dollars, I guess?

Mr. Thompson: The 1984 dollar curve is the one that we are looking at, Graph 3. If one is talking about the \$1.7 billion, Graph 2 might be a more appropriate one to look at because that is the actual dollars as they occur on the operating account.

Mr. Orchard: That, Mr. Chairman, is cumulative again, and at 2005, what would that cumulative total have been?

Mr. Thompson: I will have to look at it on the graph myself and read it off here. It looks like \$700 million to \$800 million.

Mr. Orchard: That would be the fairly comparable figure to the \$1.7 billion that was talked about previously?

Mr. Thompson: The \$1.7 billion was referring to the entire period, not just the sale period.

Mr. Orchard: It was not as a result of the year 1993 to year 2005?

Mr. Thompson: It was as a result of the sale during that period, but it was related to the entire arrangement, not just the effects during that sale period in the books.

Mr. Orchard: That is interesting. Where do we get into the \$1.7 billion then?

Mr. Thompson: The \$1.7 billion is simply taking the revenue-cost ratio for the arrangement, which back in 1984 was 2.32 was what we had at that time. The revenue for the sale was estimated at being \$3.2 billion at the time, so simply taking the revenue for the sale and that revenue-cost ratio results in a difference or a benefit of \$1.7 billion. As we said last Tuesday, if you repeat that same exercise today, you come up with \$1.2 billion, not \$1.7 billion.

Mr. Orchard: And then if you go to Graph No. 3, which is real dollars in 1984, you are down to \$150 million?

Mr. Thompson: Go to Graph 3 at the end of the sale, we have approximately \$150 million. Over the entire period, we have what we quoted last Tuesday of \$301 million. Back in 1984, we had \$402 million.

Mr. Orchard: By the entire period, you are going to year 2014?

Mr. Thompson: No, I am bringing into account the effects on our Manitoba Hydro's books, you might say, to infinity. In other words, there are some effects that occur after the sale period.

* (1025)

Mr. Orchard: Does that assume that you are going to continue selling power to Northern States Power after the year 2005?

Mr. Thompson: No, it does not. It is just related to the fact that the plants that you have brought on line come on in different years with the sale than without the sale. After the sale is over, you are still paying for those plants but, with the sale, they came on earlier so their cost is less. So you have benefits that occur after the sale because you are paying on a less costly plant.

Mr. Orchard: I guess that is a little too complex for me to fathom this morning, and I do not want to waste—I know my honourable friends have a lot of questions here. I will have to discuss that possibly with some of the experts in Hydro to understand that one.

Just one question—during the period of time of the sale, 1993 to 2005, are we receiving or are we charging in terms of our expense side? Assuming, is it a 67-year lifetime of the plant? Are we charging 1/67 of the capital and interest costs to that sale during that period of time?

Mr. Brennan: We would be charging as depreciation 1/67 of the plant cost. Those were the assumptions in '84, of course.

Mr. Orchard: And in terms of interest cost?

Mr. Brennan: Interest costs would be recovered on the operating statement on the same basis at whatever actual embedded interest rates occurred at the time. It would be declining as we recover some of the depreciation recoveries from ratepayers.

Mr. Orchard: You are into a bit of a two-edged sword as your Canadian-U.S. dollar relationship and interest rates equate your saving on one side on interest cost on U.S. borrowings, but then the value of your sale goes down because it is priced in U.S. dollars. So does that balance out even, roughly?

Mr. Brennan: We are attempting to manage that. Yes, we are trying to match our exposure in terms of interest costs with our revenue from the American market.

Mr. Orchard: So that you end up as close to neutral, regardless of what happens in terms of interest rate and parity on the two dollars?

Mr. Brennan: We are attempting to do that as best we could. But with new issues coming up and everything, but that is what our attempt is, yes.

Mr. Orchard: Good, thank you.

Mr. Chairman: Shall the report pass? Mr. Driedger.

Mr. Herold Driedger (Niakwa): I am not one who follows graphs very easily. Just to make certain that I

understand these, I will just ask a couple of questions for points of clarification on the graphs alone.

The decrease—if I just take a look at Graph 1, then I will take them in order. The decrease in revenue requirements, in other words, indicates that when the line of the analysis is above the zero case or above the baseline case, that essentially indicates the rates do not have to increase as much to give you the revenue requirements to essentially operate Hydro properly or profitably?

Mr. Lambert: Yes. When the graph is above the baseline, it essentially indicates that the sale is contributing revenue to the operating statement of Manitoba Hydro.

* (1030)

Mr. Herold Driedger: A second question on the same graph—we notice that in the 1984 analysis and the 1988 analysis, there is about a five- or six-year difference when the graphs, about 204 and 209, there is a delay in achieving the same kind of income. Was that delay simply due to the fact that had Limestone not been built when it was, advanced for the purposes of the export sale, this same income would have been earned then later when it had been built according to normal domestic load requirements?

Mr. Lambert: I think I understand the question, and the answer would be no. Both of these graphs are reflecting a 1990 in-service of Limestone, both graphs, as compared to the baseline which was the '92 date. The difference in the dotted line, '84 line, and the solid '88 line is the change in circumstances or change in assumptions in calculating the two graphs.

You recall I had mentioned that a number of assumptions had to be changed as a result of changing conditions between '84 and '89. The development sequence of the utility has changed, coal costs in the U.S., interest and escalation rates and exchange rates. Those types of things are what causes the difference between the dotted line and the solid line.

Mr. Herold Driedger: I am going to ask a hypothetical question. What would these graphs essentially look like if the Canadian dollar and the American dollar were at par?

Mr. Thompson: The benefit would be lower. The revenue would go down if the Canadian and U.S. dollar were at par because the sale is coming in U.S. dollars.

Mr. Herold Driedger: Still on the first graph, there are two time periods—I will not look at the solid line. We will just take it to the dotted line and the solid line where they sort of parallel each other, where the increase in revenue requirements is below the base case. The first one obviously means that Limestone is coming on stream and its costs have to be absorbed before the export sale takes effect. What is the reason for the decline in revenue requirements if post-1999 but before the export sale is off the books? There is another dip down below the base case.

Mr. Lambert: That is to reflect the situation that at that point in time there is additional plant coming on the system. I believe in this case it is the Conawapa Plant.

Mr. Herold Driedger: No, I do not think we had quite determined that plant was going to be coming on line, but it is nice to see that it is factored in already.

Mr. Lambert: It is only to reflect the sequences that are reflected in here. The decision as to the plant has not really been made yet.

Mr. Herold Driedger: I understand. I am just simply trying to understand how to interpret these graphs. I think for clarification, since we are talking in projected terms here and talking about Estimates, the revenues for the export sale were based on projections of the cost of American coal.

In what way do you determine—I mean I realize all of these things are hypothetical. You have to sort of make the best-case guesstimate. How did you determine your prices of coal?

Mr. Lambert: I will let Mr. Thompson answer that.

Mr. Thompson: What we are using right now in 1988 is we are starting with the actual cost. The Sherco 3 Plant, which we are pricing against, is now in operation. So we are using actual costs, and the only assumption that we have to make is how they will escalate in the future. What we are assuming in the present time is the same rate of escalation that we are assuming in our own costs, 5 percent a year.

Hon. Harold Neufeld (Minister of Energy and Mines): When you take the 5 percent escalator, do you take that escalator on the full price of the sale or only on the variable part of the sale?

Mr. Thompson: The sale is priced—it has a demand charge and an energy charge, and it is the energy for the coal cost that we are referring to with the 5 percent escalator. In the case of the demand charge, it is related to the capital cost of Sherco and we also have assumed that will escalate at 5 percent a year from today till 1993 but then, in the terms of the contract, that is held fixed throughout the contract.

Mr. Neufeld: But in your calculation you do escalate the capital cost from now until 1993?

Mr. Thompson: That is correct.

* (1040)

Mr. Herold Driedger: Just to continue on the same line of questioning for awhile, you have in your projections for these costs of coals and you have done the cost of inflation. In this particular line that you have now for the 1988 analysis, have you factored in—I guess I should ask the question this way. What kind of factor did you include for the purposes of the differential between the Canadian dollar and American dollar?

Mr. Thompson: We used a 78-cent Canadian dollar for the 1988 analysis.

Mr. Herold Driedger: The analysis—mind you, some of the analyses we tend to read are just as hypothetical as analyses that prove what we are reading are wrong, but I have read that the dollar is actually going to rise to meet the American dollar as the free trade deal actually is implemented as we go into the time period of the sale. So, as you indicated earlier, revenue would be going down if the Canadian dollar and the American dollar were at par. Assuming that if the revenues are decreased, then the decrease in revenue requirements are increased, suggests then that you have to add more and more rate increases to the rate base or to the actual cost of the consumer in Manitoba in order to fully pay for the cost of Limestone and any other future capital plant.

Mr. Brennan: That would have been true in the case of the 1984 analysis. In actual fact now, as a result of the amendment to The Energy Rate Stabilization Act, our interest cost would also go down. That was not the case in '84 though.

Mr. Herold Driedger: I understand. I mean, where one goes up, the other one—so the cost essentially stays the same. Then just briefly to look again at this Graph No. 1 where the revenue requirement falls below the base case of zero dollars without the sale, are you anticipating rate increases in that period of time?

Mr. Brennan: Yes.

Mr. Herold Driedger: At the same rate as they were projected, I would think we are talking between 4 percent and 5 percent a year? Is that what you are—

Mr. Brennan: The last forecast that we had that was approved by the board indicated that in the longer term we could get by with rate increases that were somewhat closely aligned with the projected rate of inflation.

Mr. Herold Driedger: In 1986 I think, I am not sure on the actual date but I know that there was a rather large increase in rates, something like 9 percent, where the rate of increase itself was about inflation and there was a difference factored in because you had to absorb the cost because of the change in energy rate stabilization. The cost was simply moved from one area where it had to be paid, back to the ratepayer.

Is there going to be any other additional cost to the ratepayer involved during this period on the graphs, say, at the worst case would be about 1993 where you would have to have rate increases higher than the rate of inflation?

Mr. Brennan: Our forecasts indicate that, if we do it ahead of time and we have them over the period of the forecast period at that rate, we do not have to have rate increases to take care of them.

Mr. Herold Driedger: Only time will tell and we will watch.

Mr. Brennan: I guess that does mean our assumptions definitely have to come true as to what we think they are.

Mr. Herold Driedger: Just a comment, not a question—all of these projections essentially are based upon assumptions and projections and, ultimately, we will find out. History will either prove us right or wrong, and I think that is the case with almost anything that we do.

I do not have any more questions on the graph and my two colleagues cannot suggest any more questions on the graph also so, if it is possible, I would like to move on to another line of questioning, unless somebody here wants to continue to ask some questions specifically on the—

Mr. Chairman: Are there any further questions on the graph and the material presented? I think we will proceed to another line of questioning then.

Mr. Herold Driedger: All right. I would like to ask some questions with respect to, for want of a better term, under the general heading of affirmative action, if that is all right.

Before I start asking these questions, I wanted to clearly indicate that the line of questioning that I may use is not implying that I am not in favour of what was done. I just want to find out what some of the costs were. Rather than run the risk of having someone later say that I said something and I am suggesting something by virtue of the line of questioning, I wish to put on the record right now that this is not the case. I am just trying to find out what some costs might have been.

Has Hydro done any actual cost evaluation with respect to the extra costs or extra prices that might have had to be paid with respect to the Limestone Training Employment Program?

Mr. Beatty: Those Limestone Training Employment Program costs are not Hydro costs. They are provincial costs.

Mr. Herold Driedger: That is fine. Then I do not have to proceed with that. I just would like—I thought they were factored into the costs of Limestone.

Then we will ask another question. Since 71 percent of the total Hydro generation tends to be involved with Nelson and northern rivers and I know that you have—I have seen a number somewhere in the Annual Report. There are a total of 150 employees of aboriginal descent in the Hydro system?

Mr. Beatty: Could I ask Ms. Jolson, who is Vice-President of Corporate Relations, to deal with that?

Ms. Linda Jolson (Vice-President, Corporate Relations): I do not have numbers. I have percentages in various occupational groupings. I would have to provide you with numbers at a later date.

Mr. Herold Driedger: Actually, when I first was going to ask this question, I did not recall reading the number

that is on page 17. But this number, this group of employees, is this as a result of the Limestone Training Program or was this number actually—

Ms. Jolson: This would refer to the Manitoba Hydro work force per se. Limestone Employment is the contract. Various contractors work for us.

Mr. Herold Driedger: In that case, does Hydro have a specific program in place in order to bring more and more people of Native ancestry into the total employment picture to reflect that a great deal of the income that is generated by Hydro is generated in the North. There are a large number of employees up there, people who could be potential employees.

Ms. Jolson: We have a policy that says it is our objective to increase representation for Native persons as well as other target groups. Many of our actions have been directed at outreach recruitment towards Native persons, sponsoring scholarships to encourage Native persons, as well as other target groups, to attend technology programs at Red River College or University of Manitoba science and engineering programs. We have measured our results from when we began to the present and we do see an increase in the representation.

* (1050)

Mr. Herold Driedger: Could I just ask where within the organization the majority of the 150 Native employees are assigned?

Ms. Jolson: We have concentrated on getting them into the entry jobs in the technical and operational areas. We have, I think, one or two engineers now who are of Native ancestry, but the most progress has been made getting them into the trades and the technical areas. In fact, I believe they have increased to about 6 percent in the operation and construction area now.

Mr. Herold Driedger: I notice that you have in the Annual Report referred to the affirmative action scholarships which are designed to attract a specific target group. Is this just one aspect of your Affirmative Action Program with your outreach?

Ms. Jolson: It is one aspect and it is to, I suppose, more promote awareness that if you are interested in working at Manitoba Hydro, what you need is a technical or science background in order to enter the professional and technical job categories.

Mr. Herold Driedger: Are there any programs in place to try and get, and I am going to broaden the question, not only Native and minorities but also women to move up the corporate ladder into management?

Ms. Jolson: No, we have found that we have had a small pilot project where we have encouraged existing women that are in job families that have limited promotional opportunities. We have encouraged them to move into families that have greater opportunities for future progression and we have had a modest pilot project in that area and that has turned out quite well.

We do not have any programming per se for women or other target groups to move them up the ladder.

Mr. Herold Driedger: You mentioned you had some results of the pilot project. Were those results—you said “quite well.” What actually were the results?

Ms. Jolson: We had female employees training in the areas of storekeeping and business personnel and administration, accounting and engineering support. There were 10, and I believe six of them have now moved into the jobs that they were training for over a one-year period.

Mr. Herold Driedger: Just a question to the Minister with respect to this affirmative action. Are you satisfied with the pace of affirmative action as it has been outlined for us today?

Mr. Neufeld: I think in affirmative action, as it is in many other areas, you have to move at the pace in which you can. You cannot force it; you have to move with it. Yes, the fast answer would be, I am satisfied with the pace it is moving.

Mrs. Gwen Charles (Selkirk): My question to the Minister is, has he initiated any action to identify what is keeping women and/or minority groups out of managerial positions, as it becomes quite obvious here that there is not a 50 percent representation of any other minority or a woman's group in the management that is attending with us today?

Mr. Neufeld: As I indicated, these things have to move on their own; they cannot be forced. If you try to force them you breed inefficiency and as time goes on the percentages that you speak of may improve, but there is—I think we have to be patient and we have to allow the movement to be on its own and not force it too much.

Mrs. Charles: Is the Minister then saying that he does not believe in the Affirmative Action Programs?

Mr. Neufeld: I do not think I said that. I said we have to allow it to move on its own; you cannot force something. What you cannot do by education you will never do by legislation and I think that should be clear.

Mrs. Charles: Can the Minister inform me what educational programs are being taken within the Hydro Corporation to perhaps initiate some affirmative action direction?

Mr. Neufeld: I think Ms. Jolson has indicated the programs that are undertaken at Hydro and are available at Hydro and I cannot answer that.

Ms. Jolson: In addition to what I have outlined, we have staff that spend quite a bit of time going to schools, and especially in northern schools, to again give information about the entry requirements of the major occupational groupings. The problem is that if you look at the community colleges as well as the University of Manitoba, in the Faculty of Engineering, technology

programs at Red River, there are just not any numbers of women graduating from these courses.

Mrs. Charles: To Ms. Jolson—could she identify whether there has been any studies and how studies are done on what the barriers are towards the entrance of these people?

Ms. Jolson: There are not barriers toward the entrance if in fact we can get them to our doors with the bone fide credentials that we need for people to be able to work within our corporation.

Mrs. Charles: I appreciate that and I wish to speak as the Member for Niakwa (Mr. Herold Driedger) did, that we are not trying to imply anything of the corporation, but looking at the direction that perhaps could be taken if the will were there, by the political structure around it.

Understanding that you are having this problem identifying or having these people come to your doors, has there been any directive that there should be some study taken or some overall input taken from the corporation toward the ministry and through Government saying, what are the problems of getting them to your door?

Ms. Jolson: The answer to your question is, no, but I think that it is our affirmative action officer meets with her colleagues who work for the City of Winnipeg and Manitoba Telephone System, for example, and I guess those are the major ones. They themselves have identified actions that they might take to interact with community organizations and as well as programs that are located at Red River College or City of Winnipeg federally sponsored programs. They have developed quite good working relations. For example, they are now looking at a program that would assist women who are interested in entering the so-called non-traditional occupations, what kind of pre-employment aspects of that would help prepare them for some of the heavier trade jobs or, for example, the City of Winnipeg Firefighters Department.

Mrs. Charles: Yes, would you have available any statistics on how many women are in the Hydro employment and what area they presently occupy in greatest numbers?

Ms. Jolson: Yes, I do have that and I could make that report available.

Mrs. Charles: Thank you very much.

Again, to the Minister—he is indicating that the corporation or any such corporation cannot be forced into any direction. Could he indicate whether there have been any instructions as to the pay equity area?

Mr. Neufeld: Manitoba Hydro has a Pay Equity Program. I think I should also mention to the Member for Selkirk that Manitoba Hydro is also charged with supplying power to Manitobans at the lowest possible cost, and for that reason you cannot force too much the institution of any programs because they are costly.

If you want to force, as you suggest, a certain number of one group or another to be employed, then there is a cost to be paid. You have to suggest to Manitobans that there is a cost and they will pay it. We have to do this gradually, and by doing it gradually, with education, you will achieve it without the higher cost.

Mrs. Charles: I just have to put in a political statement that if the Minister does not think there is a cost of having people underemployed or non-employed, I think he is being a little bit blind to that fact. I do not think any of us, and I am certain the Minister does not want to put in the idea that he thinks any service should be given on the backs of any minority or any group that they cannot have some employment area. I am suggesting that the Minister rethink what he says and not suggest that it is okay to have cheap labour if we can get cheap services from it. I do not think that is the Canadian way.

I would like to ask though of the Minister if pay equity has been initiated? Was that done through a Government directive or was that done through a willingness of the corporation?

* (1100)

Mr. Neufeld: First of all, I will not allow it to remain on the record that I am not aware of the cost. There is a cost and the Member should be aware that somebody has to pay that cost. I never said that we should not employ minority groups; I never said we should not employ women. I said they have to be brought in, they have to be qualified, and they have to be educated, and we must be educated. I will not allow her to tell me that we should bring those in regardless of cost.

If she means by this that the consumers of Manitoba Hydro should pay whatever the rates are to cover those costs, then let her tell the voters in her constituency. Yes, there is a directive from Government for affirmative action and pay equity.

Mrs. Charles: I do not want to get into a political hassle.

Mr. Neufeld: Do not.

Mrs. Charles: I think we are talking about the same thing. I am not implying that we should not have qualified people. I do think there are Natives and minorities and women that are qualified if we work toward it and let us do that work, toward it.

I am just wondering now, since he said if there is an affirmative action directive, what content does that directive imply as he has indicated that pay equity and affirmative action are part of the directive to the Hydro Corporation.

Mr. Neufeld: Do you want the written directive? What do you want?

Mrs. Charles: Either I have not understood or perhaps it has not been explained fully. When I asked originally,

you said that it cannot be forced, that you were not going to impose it on Hydro. It was my interpretation of what you said, certainly not your wording, but that now you are saying that there is pay equity and there is affirmative action programming, so could you explain exactly what exists?

Mr. Neufeld: I said we would not move faster than we are moving now. If you want the words of the directive, I will let Ms. Jolson give that to you.

Ms. Jolson: There is overall direction, I guess, to include four target groups: women, Natives, physically disabled and visible minorities. We have a board policy statement that further defines the direction that we are to go.

Mrs. Charles: Would that direction include any targets in the time frame given?

Ms. Jolson: It acknowledges working toward a greater representation in the corporation based on available qualified groups in the labour market.

Mrs. Charles: So there is no direct quantitative numbers that you are putting in toward a hopeful date in any tangible—

Ms. Jolson: We have a general statement that says that within 20 years, I believe it is, that we would like to see a more representative work force. We certainly do, we have base line data that goes back to 1985 that is done by major occupational groupings, and our base line data includes numbers of women and Native people. We are just confirming the numbers with respect to visible minorities and disabled persons, but we continue to monitor those results, we continue to report to our board on our progress.

Mr. Steve Ashton (Thompson): I have a series of questions in the same area. I would like to ask the Minister if he could clarify a number of statements because, frankly, I was surprised. He made reference of inefficiency in reference to affirmative action; he talked about costs, he says there is a cost involved to affirmative action; he suggested that somehow the ratepayers should not be expected to incur costs in this particular area, that there should be a gradual process; he does not want us to move faster in the area of affirmative action.

I would like to ask him, what is the inefficiency of affirmative action and what is the cost?

Mr. Neufeld: I would like to correct your statement. I did not say it was inefficient; I said to move too quickly would be inefficient and any time you are inefficient there is a cost involved. If there is a cost involved, the ratepayers have to pay. It is the responsibility of not only the Government but of Manitoba Hydro to deliver the hydro to Manitobans at the least possible cost. If we move gradually, not forcibly, we will gain the results we wish without inefficiency. If we move precipitously, we will have inefficiencies.

Mr. Ashton: Mr. Chairperson, through you to the Minister—there was reference earlier to there being a

cost in terms of affirmative action. What is the cost that you are concerned about in terms of hydro? Are you suggesting there has been a cost up to this point in time? Are you suggesting there has been a cost involved in terms of people working? Are you suggesting that people have to be qualified? Are you suggesting that the people who have been hired are not qualified?

I want to get clarification on the statements that you made. They were in direct reference to affirmative action. What is the cost you have been referring to for affirmative action?

Mr. Neufeld: I never said—and if you will check the record—that there was a cost involved. I said if you move forcibly, if you force an action, you will have a cost. That is what I said, and do not put words in my mouth.

Mr. Ashton: I am not putting words in the Minister's mouth. If he wishes to be more careful in the statements that he is making, then he might clarify his words I think when he makes them initially. If he cares to check Hansard, he will find that he was talking about there is a cost, in reference to affirmative action. I think he should clarify that if he is talking about a cost that is in terms of affirmative action that he feels is not working, but I want to ask specifically, what percentage of Manitoba Hydro's budget is currently used in terms of affirmative action? What percentage of Manitoba Hydro's budget goes to affirmative action in related expenses?

Mr. Beatty: I cannot provide the percentage answer but I think between Ms. Jolson and Mr. Brennan we could provide a rough approximation of dollar amount, but that would have to be qualified very carefully. There is a cost.

Ms. Jolson: I do not have the percentage, Mr. Ashton. I believe this year it is approximately \$200,000 in staff salaries and approximately \$200,000 in programming.

Mr. Ashton: What is the overall budget of Manitoba Hydro?

Mr. Brennan: For wages and salaries and other operating admin. it would be in the neighbourhood of \$210 million.

Mr. Ashton: In other words, Manitoba Hydro is spending approximately \$400,000 on affirmative action out of a budget of \$210 million. Does the Minister feel that is an unreasonable expense? I realize it has expanded over the last number of years fairly significantly, but is the Minister suggesting that is an unreasonable expense in terms of affirmative action, an unreasonable load on the ratepayers?

Mr. Neufeld: The policy of Manitoba Hydro has not changed since April 26. If he is trying to suggest that we are bringing in a policy that is different from their own, then I will just deny that there is.

Mr. Ashton: I make no suggestions. I asked the Minister if he considered that to be a cost. He kept making

reference to costs and inefficiencies in terms of affirmative action. I am trying to get some idea about where this Minister intends to take Manitoba Hydro in terms of affirmative action. This cost has increased in recent years because there was a far greater commitment to affirmative action than existed previously that was referenced by the previous board. There was an expansion in terms of target groups just recently to include visible minorities. In the last period of five or six years there was an expansion in terms of affirmative action. I am trying to get some idea of where the Minister is coming from because he is the one that made reference to costs and inefficiencies and not wanting to burden the ratepayers with a particular cost.

My calculations are that it is currently approximately one-quarter of 1 percent of the budget. I am trying to get some idea of what the Minister feels is a reasonable cost for what I would consider to be corporate responsibility on the part of Manitoba Hydro.

* (1110)

Mr. Neufeld: You are talking about the direct cost that Ms. Jolson gave you figures on. That is some \$200,000 or \$300,000 which represents approximately one-half of 1 percent of the total revenue of the corporation. I talked about inefficiencies if you force an action without doing it gradually. If you force an action, you are going to create inefficiencies and if the Member had any idea about business he would know that.

Mr. Ashton: Is the Minister suggesting that somehow people in the affirmative action target groups are inefficient workers? Is he suggesting that Manitoba Hydro has been putting people into positions who are not qualified or that is any intention of the program? Is he not aware of the fact that study after study has proven—if he wants to talk to businessmen he can talk, for example, to the people at Limestone, the contractors at Limestone who have said that the workers there, many of whom are there because of the Affirmative Action Programs put in by the previous Government, are just as efficient as any other workers. Is this what the Minister is saying, that these workers are less efficient than other workers?

Mr. Neufeld: The Member for Thompson (Mr. Ashton) indicates exactly what I have been saying. We had a program at Limestone, or the Manitoba Hydro had a program at Limestone to educate and to train, that is bringing them in gradually and with education. You are taking a direction—what do you do over and above that. I am saying, that we will do it gradually and we will do it with education.

Mr. Ashton: The Minister stated earlier that he prefers education “not legislation.” He obviously misunderstands what took place at Limestone. Yes, there was education and training, but there was also the Burntwood-Nelson Agreement and clauses built into the Burntwood-Nelson Agreement which guaranteed that we would not just be relying on education and training, that there was some onus on the employers to hire Native people, to hire northern Manitobans. So

is he suggesting now that he is going to turn back the clock in terms of Hydro to rely strictly on education and training when affirmative action, where it has been successful, has relied on a lot more than that?

Mr. Neufeld: The success at Limestone is not the result of legislation. The success at Limestone is the result of education, the education being the educational program at Limestone.

Mr. Ashton: Mr. Chairperson, the Minister obviously has not taken the time to look at the whole series of programs that were put in place including support services. I realize that this Government has recently cut eight positions related to Limestone, related to support services. The Minister talks about education and training. He obviously has not looked at the workings of the Nelson-Burntwood Agreement which relies on wording in a collective agreement. You can call it what you want but it is not education and training.

The Minister obviously has not looked at the fact that in addition to people who went through the Limestone Training Program many other Northerners and many other Native people in particular who were already qualified were put in place because of the whole network that is involved with Affirmative Action.

I would like to ask him now, since he obviously does not understand what is going on at Limestone, what he sees the role of affirmative action and the affirmative action department being within Hydro itself? Is he suggesting that they are there to do nothing more than to indicate to people their education and training opportunities? Is that the only role he sees for affirmative action?

Mr. Neufeld: I am suggesting to the Member that were it not for the training, were it not for, as he calls it, people who are already qualified, the Burntwood Agreement would be of no use. You have to train and educate before you can use. No numbers of agreements are going to help unless you have an educational program to support that.

Mr. Ashton: I am wondering if the Minister has heard of the term “systemic discrimination.” Is he aware? It is a term that anybody is aware of in terms of affirmative action. Is the Minister aware of what systemic discrimination is and what it involves?

Mr. Neufeld: I am well aware what discrimination means. Anyone of German ancestry who grew up in Manitoba during the war knows what discrimination is, so do not you tell me and lecture me on discrimination.

Mr. Ashton: I asked the Minister, systemic discrimination. He obviously does not understand from his answer. I am not suggesting that he is not aware of what discrimination is. Is he not aware that in terms of the rights of, for example, visible minorities or women or Native people, that study after study, whether it be in Canada or other areas, have shown that one of the greatest problems that people have, in terms of discrimination, is not the direct kind of discrimination that the Minister is talking about, but often, for example,

that qualifications are artificially high or they are artificial.

We saw that recently with the City of Winnipeg with its police department in a situation where people were unable to become police officers because artificial height requirements which discriminate against women, and also discriminate indirectly, but not intentionally, against a number of ethnocultural groups. That is what I am referring to.

Is the Minister aware of the concept of systemic discrimination?

Mr. Neufeld: I am not here to defend the Winnipeg Police Department. I go back to what I said at first, urgently. You cannot force employment by legislation. You do that by education or you will not have the efficiencies. That is the program we are following. I do not know what the Member is driving at.

Mr. Ashton: The Minister does not understand affirmative action by his statements, quite clearly, because if he would look at Limestone he would find, for example, that in many cases there were artificial qualification requirements which prevented people, particularly Northerners, Native people from being hired at Limestone. One of the things that the previous Government did was get many of those qualifications changed so they were not an artificial barrier. If he would look he would find that in the case of Limestone one of the keys was support services, to ensure that people were aware of job opportunities. People were qualified, just as qualified as anywhere else. They were aware of job opportunities and received assistance to get to the site. If the Minister would check within his own operation here—we are talking about Manitoba Hydro—he would find that one of the functions of his Affirmative Action Department is to make sure that all people in Manitoba Hydro are aware of the program, particularly managers, and that they take it into account in their day-to-day operations.

So I guess my question is, and especially when I heard the Minister talking about this moving on its own, is he now suggesting that we are going to turn back the clock to the way it was 10 years ago, as is his Minister of Labour (Mr. Connery) in the Legislature where an affirmative action coordinator's position is being eliminated? Is he now suggesting that all we are going to do is provide education and training, that after that there is going to be no effort involved in terms of getting people into positions?

When he says he does not want things legislated or forced, is he suggesting that we should not be requiring departments where there has been systemic discrimination? By that I mean, where people, if you look at the representation of different parts of Manitoba society, where there are far fewer Native people working, which is the case in Manitoba Hydro still, where there are far fewer people from visible minorities working, far fewer women, and particularly in non-traditional jobs working, where there are far fewer handicapped, is he suggesting that we just leave it in terms of the education and training and do not deal with the problem of systemic discrimination?

Mr. Neufeld: I hope the Member for Thompson (Mr. Ashton) is not suggesting that we have a quota for each and every job category in Manitoba Hydro. That would be damned ridiculous. There is a program in place. The program was in place and the Member knows that. If he is trying to make political points by suggesting that there has been a change, I am at a loss as to what he wants.

Mr. Ashton: The Minister is getting rather defensive and I can see why. It is obvious the Minister and this Government does not understand the concept, affirmative action, by their own actions. If he would check and see what had happened under the previous Government he would find that affirmative action was accelerated both within the Civil Service and, yes, with Manitoba Hydro and, yes, particularly with Limestone. What concerns me is his suggestion that now somehow it is going to run on its own.

The reason that I am asking these questions is because previously there was a commitment from the previous Minister, and especially the Minister before that, Mr. Parasiuk, in terms of both Limestone and both in terms of Hydro as well. It went far beyond the general statements that the Minister is making today, the sort of laissez-faire attitude, and by the way, did not include quotas. Never once were quotas set. What was set was targets, and targets are important because it gives a way of showing where we are at today and where we need to be in the future.

* (1120)

I guess my concern with the Minister is the fact that every time I ask a question he tends to throw back that either it is political, or suggests that I have not been involved in business or something of that sort. He has not really answered my basic questions to show that he has any sense of what affirmative action is. I am raising it because many people in my constituency, for example, are very concerned about the direction it will take, to make sure there is a continued commitment to get Native people employed at Limestone within Manitoba Hydro and Northerners as well. There are many people in the city I know as well who are looking to Hydro as supposedly a model corporate citizen and what the Minister is talking about is turning back the clock to the way it was under the Sterling Lyon era.

I would like to ask the Minister whether he will take the time to talk to his Affirmative Action Department within Hydro, whether he will take the time to go to Limestone and talk to the people who have been involved with the Affirmative Action Program there. Perhaps he could talk to the Limestone Aboriginal Partnership Directorate Board, which represents the interests of Native people. Could he run through and talk to some of the people who are involved so that they will educate this Minister on what affirmative action is about, which is not cost or inefficiency or forcing or quotas but simply giving people the chance that they deserve in terms of employment in this province?

Mr. Neufeld: First of all, there has been no change. I have said this before. There have been no changes

since this Government took office in the direction to Manitoba Hydro; and secondly, I only mentioned once about your lack of business experience. I mentioned it once, so I am not always saying that. I am not being defensive, but at the same time I think that good business sense dictates that you must allow things to happen with education. You cannot force a program of any kind onto people or onto your customers or onto your suppliers.

Hon. James Downey (Minister of Northern Affairs): Mr. Chairman, I just have one comment or question I want to put on the record for the Member for Thompson (Mr. Ashton).

I would suggest that the Minister talk with the Limestone Aboriginal Directorate Board and find out precisely how ineffective the policies of the former Government were in the employment of Native and northern people. That was the first issue that was brought to my attention by the Limestone Aboriginal Directorate Board. That is a record and I would ask—

Mr. Chairman: Order, please; order, please.

Mr. Downey: I am not surprised at the Member for Thompson (Mr. Ashton) being so upset at the tremendous terrible record of he and his Government and the actual involvement of Northerners and Natives.

Mr. Ashton: Point of order, Mr. Chairman.

Mr. Chairman: On a point of order, Mr. Ashton, will you state your point.

Mr. Ashton: I apologize to the committee if I get somewhat upset, but having run in northern Manitoba where Conservative candidate after Conservative candidate has opposed totally the Affirmative Action Programs that we have put in place, I have some difficulty in listening to this Member suggests that somehow our programs were less than effective and somehow the Conservatives are concerned about affirmative action. He should look at the statements of his candidate in the Thompson constituency in the last provincial election. My apologies, Mr. Chairman.

Mr. Chairman: I thank the Honourable Member. He does not have a point of order.

Mr. Downey: Mr. Chairman, it further confirms that our colleague and Minister responsible for Hydro (Mr. Neufeld), in his statement is inferring that the Member for Thompson (Mr. Ashton) just brings politics to this table. Let us bring some fact to the table.

I asked the Minister if he will further meet with the Limestone Aboriginal Directorate Board to get their story on how they have not only have been unable to help the involvement of Native people and Northerners, but the fact that some of the Hydro policies have not been conducive to them being directly involved in getting the involvement of northern and Native people.

That was the first issue that they brought to my attention, Mr. Chairman, and they continue to bring it

to my attention on the failure of the Limestone activities under the former administration. In fact, it will not only come from them but many Northerners and Natives that you talk to, how they were ignored and totally not involved in the activities as it was perceived to be by the Member and the N.D. Party. So do not leave it on the record, Mr. Chairman, their program, the NDPs, was a total failure and the people in the North and the Natives will tell you directly that is the case.

Mr. Neufeld: As the Minister of Northern Affairs knows, I have met with the Limestone Aboriginal Board Directorate and they are quite happy with the direction that this Government is taking. That is all I have to say on that matter.

We are moving along at the pace and in the direction that we set our agenda at.

Mr. James Carr (Fort Rouge): Mr. Chairperson, just one question on this subject; then I intend to move on to another one.

My question to the Minister is, since he has brought up a number of times this morning the importance of education, I wonder if he has discussed the needs of Hydro and the hiring practices of Hydro with his colleague the Minister of Education (Mr. Derkach).

Mr. Chairman: I would ask Members at the table, if they wish to carry on a conversation, to move to the back tables.

Mr. Neufeld: No, specifically, I have not discussed with the Minister of Education (Mr. Derkach) about programs relating to the affirmative action.

Mr. Carr: I would like to ask a series of questions based on page 17 of the Annual Report, "Taking Care of PCBs." I note that the report was published on the 8th of July. This was before the tragedy at St. Basile le Grande in the Province of Quebec and before a number of questions were asked in the Manitoba Legislature about the storage of PCBs. I wonder if, in light of the new information that has come forward over the last several months, there are any statements or assertions within page 17 that need to be altered given changing circumstances.

Mr. Beatty: Mr. Chairman, Manitoba Hydro has been involved for several years in the management of PCBs. Of course, the St. Basile le Grande event heightened awareness and we have, since that time, been requested by the Minister of the Environment (Mr. Connery) to look at means by which we could accelerate what is already the most advanced program of any utility in Canada. We are examining our options there. They are not without cost.

I would ask to get to the specifics of this thing. I think you are perhaps concerned about the description of our program?

Mr. Carr: No, I have many questions. I will have specific questions about storage and the removal of PCBs from insulating oil. If you want to wait for the specific questions?

Mr. Beatty: All right, I would ask Ralph Lambert who is in charge of that area to deal with those specific questions.

Mr. Carr: In the Annual Report, it says, and I quote, "While the toxicity of PCBs is in question, the law demands that PCB levels of 50 parts per million or more are deemed to be a risk to the environment." I wonder what the report is referring to by the doubt around the toxicity of PCBs.

Mr. Lambert: We have not, at this point, seen any conclusive evidence that they are or they are not a hazard to the health, and our approach in the PCB program is to tackle it with a view that over a period of time, where it is economically possible, we will reduce and eliminate the amount of PCB materials that we have within our operation.

Mr. Carr: Apparently the corporation has purchased special equipment which chemically destroys the PCB content of insulating oil. I am wondering where that process of destruction takes place.

Mr. Lambert: You are right. Approximately three years ago, we purchased some processing equipment which will decontaminate oil. When I say decontaminate, a lot of our equipment and a lot of the oil that we have on our system is not pure PCB oil, but rather it is mineral oil that has been contaminated with PCB oil. This equipment has the ability to reduce the PCB content of the insulating oil down to levels substantially below the 50 parts per million criteria that is used. This processing rig is used primarily at our Waverley shop operation in Fort Garry, but in addition to that, it is a mobile unit which we can take out to our generating stations and other locations in the province to process oil at those places.

* (1130)

Mr. Carr: I gather then that the insulating oil which contains more than 50 parts per million of PCBs is transported from around the province to the Waverley site. Is that correct?

Mr. Lambert: In some instances, it is transported to the Waverley site. In other instances, we take the processing equipment out to the site where the bulk of the oil is and process it on site. For example, we may take it to the Great Falls Generating Station if there is a substantial amount of oil there that is contaminated and requires processing.

Mr. Carr: So I gather then that the mobile unit would be taken out to the site. The insulating oil would be cleansed of PCBs, and then that oil would be taken back to the Waverley storage site?

Mr. Lambert: If we do it on site, what we would do is we would take the oil out and process it and remove the PCBs and put the clean oil back into the equipment for continued operation.

Mr. Carr: In the case where PCBs are transported to the Waverley site, how are they transported?

Mr. Lambert: We have trucks and equipment for transporting oil and other PCB-contaminated material and that equipment has all been modified or designed and meets all of the requirements or regulations that are presently in force.

Mr. Carr: I understand that 43,523 litres of insulating oil containing PCBs were processed for customers on a contractual basis by the corporation. The question is, for whom does the corporation provide this service and how much does it cost?

Mr. Lambert: When we purchased this processing equipment from a U.S. supplier, it is a licensed process and we had insisted when we purchased it that we wanted to be able to process PCB oil for our customers. We have been doing that and we have processed oil for people such as Winnipeg Hydro, for Hudson Bay Mining and Smelting, for Inco, and numerous other people.

Mr. Carr: I wonder if Mr. Lambert can tell us what happens to the PCBs that have been taken out of insulating oil at remote locations across the province.

Mr. Lambert: The PCB material that is removed from the insulating oil, the process results in a salt residue, and the salt residue is disposed of in landfill sites. It is disposed there with the permission and the approval of the people who manage the landfill sites.

Mr. Carr: Does the corporation require a Hazardous Waste Transfer Permit to remove hazardous waste materials and transport them, such as PCBs, out of remote areas?

Mr. Lambert: Specifically, whether we require a permit, I am not sure. What I can say though is that we are transporting materials within the context of all the applicable regulations that exist, both provincially and federally.

Mr. Carr: What is the nature of the contractual relationship between Hydro and, for example, Winnipeg Hydro for the cleansing of insulating oil that contains PCBs?

Mr. Lambert: You had asked that question. I realize I had not answered that, but all the contract basis is, is that we have a fee structure whereby we charge our customers and Winnipeg Hydro, for example, a fee for service for processing the oil. The fee for service is intended to merely recover our costs of doing it.

Mr. Carr: Mr. Chairperson, I would like to ask the chairman of the corporation what the long-term plan of Manitoba Hydro is for this continuing problem, and whether or not he has any innovative solutions that he may offer, not only to this committee but to I would think literally dozens if not hundreds of industrial consumers and those who use PCBs and who are looking forward to innovative ways of disposing of them.

Mr. Brian Ransom (Chairman, Manitoba Hydro-Electric Board): Mr. Chairman, I do not have any

innovative ways given that this is a technical concern. What we as a board have assured ourselves of is that Manitoba Hydro is at the leading edge of technology in terms of dealing with PCBs, and we will continue to stay there.

Mr. Carr: Mr. Chairman, one final question, and it is a simple one but it may be the most important question of all, and it is to the chairman. Is the chairman satisfied that to the best of his knowledge and the knowledge of the corporation every conceivable effort has been taken to ensure the maximum safety of the people of Manitoba in this difficult and dangerous area of chemical storage?

Mr. Ransom: I would repeat the answer that I gave, that the assurance that I have been given and the board has been given is that we are on the leading edge in terms of dealing with this problem. Whether it is a question of storage, whether it is a question of disposal or whether it is a matter of our employees who work in areas where PCBs are part of the system. I am satisfied with the answers that I have received.

Mr. Ashton: I have some questions on PCBs, and I certainly appreciate the fact that Hydro has been on the leading edge in terms of dealing with PCBs. It relates to a case that actually occurred down the street from me in Thompson, a few houses down, where recently a neighbour of mine complained about leakage of fluid from a transformer. I had the ground tested in the surrounding area, and it was found that it contained 47 parts per million of PCBs, which is just barely under the allowable limit. In this particular case, because of his vigilance, Hydro was alerted and the soil in that area was removed.

What particularly concerns me is in this particular area the soil was on what might best be described as a tot lot. That is where kids, including my own kids, play on a regular basis. I am wondering to what degree there is testing of areas around transformers, around equipment that does have PCBs in place. I am quite concerned that if this happened in this one particular incident, there may be literally dozens of other cases around the province where there have been similar leaks, where perhaps someone has not reported it in dozens of other areas where children are playing. As I said, my own kids play there on a regular basis. I am wondering if there is any testing in place in surrounding areas around transformers containing PCBs.

Mr. Lambert: Specifically, I do not believe that we are doing any testing around the types of transformers that I suspect was the situation in this instance. We do try to monitor our equipment the best we can, given that we have a goodly number of pieces of equipment spread around the country. We monitor them to watch for leaks and, if there is any evidence, then we will do some testing. Specifically, I do not believe that we do any testing around the bottom of every distribution transformer, for example.

Mr. Ashton: I would like to suggest or if I could ask if it would be possible to do that. I know in my area the parents were very concerned because we are talking

about a situation where, while it was barely under the allowed limit, you are getting quite a high level of exposure because the kids were playing in that area for two, three, four hours at a time.

What I am suggesting, in fact asking for, is whether Hydro cannot test around areas particularly where there may be children and people generally having direct contact on a fairly frequent basis? Presumably, if there is a danger from PCBs, and there is a danger from what we understand, it would be expanding greatly with that kind of contact. Is there some way that Hydro cannot initiate some testing of soil in areas around the transformers involved?

* (1140)

Mr. Lambert: Your suggestion is appreciated and well taken, and we could take a look at the possibility of doing that. I would just want to say though that the committee should be aware that throughout the province we have approximately 140,000 of these types of transformers spread all over the place and the testing program can be rather major and rather costly.

As a result, we have up to this point relied primarily on two factors. One is that we do inspections of our equipment, visual inspections for leaks and stuff on a regular basis as best we can. Secondly, we are also aware of the fairly low incidence of failures and leaks of distribution transformers. But your concerns are appreciated.

Mr. Ashton: I hope that Hydro and the Minister do appreciate that I am particularly concerned about the contact with children, etc., but I would like to ask the Minister if he could undertake to either pursue this matter with Hydro or else with the Department of the Environment because, quite frankly, personally as a parent, I do not care who tests it. I realize it is a fairly large number of transformers we are talking about, but I do not want any risk at all to my children or other children in my area or any area throughout Manitoba.

So I am wondering if the Minister can either pursue it through Hydro to establish a testing program or, if that is not considered possible, whether he can ensure that the Department of the Environment conducts a similar testing program.

Mr. Neufeld: Both Manitoba Hydro and the Department of the Environment and my own department are well aware of the concern and we share that concern. We will undertake to discuss with Manitoba Hydro and with the Department of the Environment to see what can be done.

As Mr. Lambert has mentioned, it would be a very costly thing to examine them all. I think I discussed this with Mr. Lambert before and he mentioned in the area of \$60 million. It is costly, but it is something that we are discussing and we have a concern.

Mr. Chairman: Shall the report pass?

Mr. Leonard Evans (Brandon East): I believe the Liberal Opposition have some questions to ask, and

we have a number of questions to ask as well. Mr. Storie, who is in northern Manitoba today, will have some questions to ask subsequently as well.

Mr. Herold Driedger: I have some questions just to clean up on the—we were on the affirmative action line of questioning last time when I was asking some questions. I just want to ask some, just to tidy up this area.

I believe that we were looking at the actual permanent employees involved in Hydro that were non-Limestone employees. These are people actually employed within the general Hydro labour force. Of the 150 approximately people of Native ancestry, what percentage would be working outside of Winnipeg itself in the districts?

Ms. Jolson: I am sorry. I do not have that breakdown with me, but I would believe that three-quarters actually of them would be.

Mr. Herold Driedger: Would these people be located in—I guess I should actually rephrase that question a little bit. In the establishment of services to the eastern, western, and—I forgot what other. There are three regions. The eastern region takes care of most of northern Manitoba. Are there centres where, for example, like the Selkirk office, only further north, which sort of acts as —(Interjection)- Thompson? Is there anything else in the area?

Ms. Jolson: There are many regional offices. Perhaps Mr. Lambert could give you the exact numbers but, in each region, there are a number of district offices.

Mr. Lambert: In terms of district offices, which are the smaller offices that are located in smaller communities, we have about 70 district offices throughout the province and those district offices report in to the three regional offices: the eastern region in Selkirk, the western region in Brandon, and the central region which is located here in Winnipeg. It starts off with about 70 offices, and they in turn report in to the three regional offices.

Mr. Herold Driedger: The reason I am asking these questions is because essentially we do know that a lot of the hydro development actually benefits southern Manitoba a great deal economically. I am just trying to find out what actual benefit dollars accrue to the North, to the area wherein most of the hydro is generated. What I am trying to—if not, at least direct some thoughts to having more permanent employees of Native ancestry at the technical, at the managerial, at the operating level, essentially at the total service level of all of what Manitoba Hydro is involved in in the area wherein most of their unemployment exists, at least in the northern regions. That is not mentioning the fact that you also have a great number of urban Natives who are similarly unemployed.

Ms. Jolson: I have that information available in a report, and I would be pleased to provide it to you.

Mr. Herold Driedger: Thank you very much.

Just a quick question with respect to—now this, I suppose, is customer service. You have Hydro inspectors who are able to go into places of business and places of residence and look for unsafe situations and obviously suggest remedial action which is actually suggested or which should be done in order to bring the situation into a safe condition. What actual power do these inspectors have?

Mr. Lambert: Under the provisions of The Manitoba Hydro Act, Manitoba Hydro has responsibility for inspection of businesses and residences in its service area with the exception of the service areas in the City of Winnipeg. Albeit that we do serve parts of the City of Winnipeg such as St. Boniface, St. James, St. Vital, etc., we do not do inspections in those areas. That is done under the City of Winnipeg. But everything outside of the City of Winnipeg where we provide service, we do inspections. It is done under provisions of The Manitoba Hydro Act and regulations under the Act.

Mr. Herold Driedger: I have to confess once again that I fell prey to my own reluctance to use the English language. I have words that do not tend to mean what I say. By “powers,” I did not mean the regulatory powers but actually what can the inspector do at that moment in time to either close down something or to immediately have a thing changed so that it can be rectified?

Mr. Lambert: What the inspectors primarily do is that they inspect and they advise on corrective action that should be taken to ensure safe installations. If under a circumstance, they found a situation that they felt was imminently unsafe, then they would advise our district offices and we may very well disconnect power in order to make it safe. We would keep it disconnected until such time as the steps were taken to make it safe. We do not exercise that power very often.

Mr. Herold Driedger: When the inspector makes a report like that, is his phone call sufficient or does he have to fill out reports, and is there a delaying time?

Mr. Lambert: Basically, under a situation like that, there would be a report that would be given to the homeowner and advice given to the homeowner, for example, to have the electrician come in to make the proper corrections. Under normal circumstances where it is usually not life-threatening, then we would ask that they be fixed up within a period of time, two to three weeks or whatever. If there was clearly a life-threatening situation, then we would take steps to protect the public from that.

* (1150)

Mr. Herold Driedger: What power of entrance do the inspectors have?

Mr. Lambert: Under The Manitoba Hydro Act, they do have power of entrance.

Mrs. Charles: Immediate?

Mr. Herold Driedger: Just for the record, the Member for Selkirk (Mrs. Charles) asked “Immediate?” and the answer was “Yes.” The answer is immediate access.

Just to follow up a little bit, I mean you do have immediate positive access. What happens in a case where a homeowner or I guess it would be a resident who does not wish to permit access and denies this?

Mr. Lambert: I am not sure because I am not sure that we have run into that kind of a situation. So I am not too sure what we would do. I guess, if we felt that there was clearly a life-threatening situation, that we may consider disconnection of power until such time as we had an opportunity to investigate it. But I do not recall in the years that I have been involved in this kind of business that we have had to take those kinds of steps. I would like to think we have a better relationship than that with our customers.

Mr. Herold Driedger: About early on in my beginning tenure in this position, I did hear of one case where someone was actually not allowing someone in and he was upset because power was disconnected. I think that in a situation like this where there is a potential life-threatening situation, I think you should have power of access and should be able to act accordingly.

Just one more question and this probably from Ms. Jolson, just to clean up one last section in one paragraph of the section on mitigation, just the use of the term "arbitrator," the arbitration hearings on mitigation, are these arbitrations binding on both parties?

Ms. Jolson: Yes, they are, with the caveat that errors in law may be appealed to the Court of Queen's Bench.

Mr. Herold Driedger: Thank you very much.

I have some questions to ask, but this probably falls more into the production of electricity area. We have read in the report that as the reservoirs were not being recharged quickly enough by virtue of the fact that our weather was not cooperating this year and the year before, insufficient rainfall, and in order to help produce sufficient electricity, the thermal stations were brought on line and used.

Could you please tell me what contingency plans have you in place that should this similar kind of drought situation occur specifically during the years 1993, '94 and '95, when the Limestone sale is actually coming on stream and you have to have these firm power commitments?

Mr. Beatty: Briefly, Mr. Chairman, in those years, of course, we do have Limestone producing so that we have some surplus load that we could draw on there. That is an advantage should we encounter drought conditions in those early years at Limestone.

Mr. Herold Driedger: I know that the production of electricity is based upon the worst-case scenario when you have to have lowest water levels and your water reservoir levels are at their lowest point. I am just wondering, do those low water levels take into account even the necessity for the firm power sale. I guess that is what I hear you saying.

Mr. Beatty: Yes, yes indeed.

Mr. Herold Driedger: With respect to managing water flows then, I have been reading in the report that the flows in the last year particularly or the last two years were particularly low on the Winnipeg River system. In a case like that, I understand that what the corporation tries to do is to build up reservoir levels whenever possible.

Would that be by shutting down the generators or not producing as much electricity to sort of allow the water levels to back up?

Mr. Beatty: Yes, we would be involved in ponding at that point as much as we could.

Mr. Herold Driedger: Thank you for the term. I will use that term to try and explain in a word what I normally would use a paragraph for.

For ponding now in the Lake Winnipeg system itself, because this one is actually one that drives the Nelson River system, are the levels of water under the regulated system now—right now, during the time, I suppose you are actually ponding for our winter use of electricity? Are the water levels higher now than they would be under the normal regulated condition?

Mr. Beatty: I am not sure that I understand the question. Lake Winnipeg is low. It is very close to our lower limit, if not right on. Perhaps I could ask Mr. Fraser to join us at the table if we are going into this a bit. We are very close to the lower limit of regulation for Lake Winnipeg, which is 711 feet above sea level. That is not a good situation.

Mr. Chairman: Mr. Fraser, did you wish to comment?

Mr. Herold Driedger: Then perhaps, just to quickly—Mr. Beatty, when you referred to the lowest now, the lowest limit, is that a different term than what you use in the Annual Report on page 22 where you say: "Manitoba Hydro maintained the water level at a higher level than would normally have been the case"?

Mr. Beatty: So far, we do try to do that. We are anticipating problems. We are not going to sell electricity or we are not going to export electricity if we feel we need that generating capacity, that water for our domestic needs later. So we have been doing that. But we have had a serious drought, and it continues and we do not have too many options at the moment.

Mr. Herold Driedger: It has just been drawn to our attention it is snowing outside. Unfortunately, it is not running off, which I would like to see.

The reason why I am asking these questions is simply to—we do hear periodically that people on the lake shore in Winnipeg do complain about the fact that the higher water levels are causing undue shoreline damage. I am just wondering if this is the situation as it would normally occur under normal situations, or whether or not it is just due to the fact that—or it may be attributable to the fact that there is some increased backing up of waters in order to bring up reservoir levels for the projected need.

Mr. Beatty: I will let Murray Fraser comment on that, but generally speaking, there is a better situation really with respect generally to shoreline damage and effect on cottage owners within that four feet of regulation than there would be in a state of nature, absolute state of nature, but Murray could comment on that.

Mr. Murray Fraser (Senior Vice-President, Energy Supply): The level of Lake Winnipeg is now lower than the normal for this time of year. The reference in the Annual Report is actually a slightly different reference. It says that it is higher than in the totally unregulated state, which means that the control that we have on Lake Winnipeg was being actively used to preserve water for the winter, but it has not anything to do with that reference to unduly high water levels.

Mrs. Charles: Just to follow up on that, living in the Town of Selkirk, I continually hear cottagers and residents on the lake complain about Hydro and the lake level. Could you indicate if these complaints come as far as your department and, if so, are they based on anything or is this just a feeling of the residents of the area?

Mr. Fraser: Yes, we periodically hear of concerns and we have staff who go out and meet with people who live along the lake. The lake, as you know, is licensed to be operated within this particular range and that is

where we operate it. The majority of the difficulties arise through abnormal weather conditions, either very heavy rainfalls and local flooding or wind conditions which can cause quite a difference in the level of the lake from one portion to another. So the majority of situations that have led to comment in the last several years have been of what I would call temporary nature.

Mrs. Charles: Just to finish this off, could you give me any indication what the time frame is from the time you open up the flow at Nelson to the lake, some results of that, is this like a day or is it within hours or a week or what is the time frame?

Mr. Fraser: There is no way to answer that question. It will depend entirely on the conditions of inflow at the time. There is some restriction on the speed with which we can open the outlet and increase the flows out of the lake, but there is no way that we can control the inflows to the lake, so there is just no way to answer that.

* (1200)

Mr. Chairman: The hour being twelve o'clock, I believe by earlier agreement, we would rise at this time. What is the will of the committee? Committee rise.

COMMITTEE ROSE AT: 12 p.m.