

Second Session - Thirty-Ninth Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Daryl Reid
Constituency of Transcona

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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Ninth Legislature

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Wednesday, December 19, 2007

TIME – 6 p.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Daryl Reid (Transcona)

VICE-CHAIRPERSON – Ms. Flor Marcelino (Wellington)

ATTENDANCE – 11 QUORUM – 6

Members of the committee present:

Hon. Mr. Selinger

Mr. Altemeyer, Ms. Braun, Messrs. Caldwell, Cullen, Goertzen, Ms. Marcelino, Messrs. McFadyen, Reid, Mrs. Rowat, Mr. Saran

APPEARING:

Hon. Jon Gerrard, MLA for River Heights

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

Mr. Victor H. Schroeder, Chairman, Manitoba Hydro-Electric Board

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 2004

Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 2005

Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 2006

Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 2007

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Mr. Chairperson: Good evening, everyone. Will the Standing Committee on Crown Corporations please come to order.

This meeting has been called to consider the annual reports of Manitoba Hydro for the years ended March 31, 2004, 2005, 2006 and 2007.

Before we get started, are there any suggestions from the committee on how long we wish to sit this evening?

Mr. Cliff Cullen (Turtle Mountain): Mr. Chair, just for the committee's perusal, I wondered about 8:30 and then review at that time.

Mr. Chairperson: It's been suggested that the committee sit until 8:30 and then review at that point in time. Is the committee in agreement? *[Agreed]*

Are there any suggestions as to which order the committee wishes to consider the reports as previously mentioned?

Mr. Cullen: I just wondered if we could maybe review the reports on a global basis.

Mr. Chairperson: It has been suggested that the committee review the reports on a global basis. Is that agreed? *[Agreed]*

Thank you to members of the committee. We'll now proceed.

Does the honourable minister wish to make an opening statement, and to also introduce his officials at the table with us here this evening?

Hon. Greg Selinger (Minister charged with the administration of The Manitoba Hydro Act): Yes. First, I'll like to introduce Chairman of the Board, Vic Schroeder, and President and CEO, Bob Brennan, who are with me tonight.

I was wondering, also, if I could ask the critic: Is there an intention to try and pass a report tonight?

Mr. Cullen: Yes. We'll certainly give it serious consideration to passing a report and probably the oldest report that's on the record.

Mr. Selinger: I appreciate that.

In terms of opening statements, I was wondering if we could indulge the committee for a few minutes and ask the president and CEO just to give us a little short update—I'm not trying to divert the committee from other concerns they have—on where we stand with wind, the short list, and a little bit on the low-income energy efficiency project. Then, of course, I think there may be a lot of follow-up on the questions that were answered. I know the president tabled with this committee, and I believe all members have a copy of the questions and the answers that were given. Then I think the chairman

of the board would like to make a statement. Then, of course, I may follow up on that myself. Okay?

Mr. Chairperson: We thank the honourable minister for the opening statement.

We'll now proceed to the critic for the official opposition to make an opening statement.

Mr. Cullen: Just very briefly, certainly, it's nice to have the opportunity to get together with representatives from Manitoba Hydro, and we look forward to questions going forward. That's all I have to say. Thank you.

Mr. Chairperson: We thank the critic for the official opposition.

We'll now proceed to statements by the officers from Manitoba Hydro, Mr. Brennan and Mr. Schroeder. Whichever one you—

Floor Comment: Mr. Brennan.

Mr. Chairperson: Mr. Brennan. Please proceed, sir.

Mr. Bob Brennan (President and Chief Executive Officer, Manitoba Hydro): What a start, eh? Got it right.

On December 14, Manitoba Hydro issued a press release pointing out that we're moving to the next step in our process for the 300 megawatts of wind that we'd like to add to our system. At that point, we came up with a short list of seven various suppliers. The total amount of wind that's included in that is approximately 1000 megawatts, and we're asking those people to firm up their price and come back with a firm price. Some of the technical specifications were changed as to what we require, and now the suppliers have some benefits in terms of the federal government incentive credit, as well as any credits for gas emissions or carbon credits. They are to incorporate that in their firm prices that they're to give back to us. We're hoping to get everything back near the end of January, at which time we'll try to get something available very quickly to take to the Hydro board.

Mr. Selinger: Bob, did you want to just talk a little about the low-income energy efficiency program that we announced last week?

Mr. Brennan: I have copies of the press releases that we did issue at that time should anybody want one.

On the same date, we issued a press release and announced a low-income program for low-income

people in Manitoba. The particular program we have is done in conjunction with the Affordable Energy Fund, Manitoba Hydro's Power Smart program, and it's incorporated with the federal ecoENERGY program.

The program is going to be delivered in two ways, through a community-based approach or through individual applications. The program itself is targeted at, as I mentioned, the low-income people of Manitoba, and we have a range on salary depending on whether it's in the city of Winnipeg or outside the city of Winnipeg. All of them are in accordance with the ecoENERGY program, retrofit program, of the federal government. We're going to have to require an audit at the beginning and the end to make sure that the money is directed at the right type of saving for each house, as well as the actual savings having been achieved.

When they go out and do the first audit, they will get compact fluorescent lights, showerhead aerators, low-flow showerheads and the like, and then the program itself includes insulation in basements, attics and crawl spaces as well as high-efficiency natural gas furnaces. That's it, Mr. Chairman.

Mr. Chairperson: Thank you, Mr. Brennan.

Mr. Brennan: One other thing I should mention—I'm sorry.

Mr. Chairperson: Mr. Brennan, please proceed.

Mr. Brennan: When I did commit to responding to some of the questions that were left dangling, and I did that recently, and sent it to the Clerk.

Mr. Chairperson: Thank you.

Mr. Schroeder, please proceed, sir.

Mr. Victor H. Schroeder (Chairman, Manitoba Hydro-Electric Board): I just wanted to give some background. I'm going to be tabling a report. I am hoping there are copies available.

Manitoba Hydro suspended its preliminary consultations with east-side communities back in 2003, in the context of the East Side Planning Initiative. In '04-05, the board asked Manitoba Hydro to consider alternatives to the east side for bipole 3. Hydro studies into a range of options concluded that the west side was the best other viable solution to improve reliability. Based on the technical scope of their studies, in fall 2006, Hydro management recommended proceeding with bipole 3 on the west side if the east side was not available. The Hydro

board at that time requested additional information beyond the technical aspects on the routing options, including environmental impacts and risks associated with environmental opposition to the east-side route. The board performed what we believe is thorough due diligence, considering risks to export markets and resultant risks to Hydro customers, potential of licensing delays, capital costs, reliability issues, technical issues, environmental factors, as well as public policy considerations of the government in making its routing decision.

* (18:10)

This year, CMC Consultants Inc.—David Farlinger is the principal; I think most members of the committee are familiar with his background—was engaged to prepare a report on the environmental considerations and risks/benefits associated with environmental opposition, including with respect to Hydro's export markets. His study recommended that government play a major role in routing assessment, noting that many routing considerations fall outside of Manitoba Hydro's mandate, and government is significantly impacted and has much at stake in the decision: debt, reputation, duty to consult, responsibility for environmental stewardship and community and economic development.

In light of the government's election platform statements made ruling out bipole 3, the board requested that government detail its public policy position on the issue. Government was provided with the Farlinger report. Government then provided its position to the Manitoba Hydro board in writing. Management repeated its recommendation to proceed with a west-side routing if the east side is not available. I'd like to table the Farlinger report. The report also has in Appendix I, I believe it is, its terms of reference.

Mr. Chairperson: Thank you, Mr. Schroeder, for the comments.

Before we proceed to open up the floor for questions, I just want to remind committee members, as Chairperson, that for the benefit of our good folks with the *Hansard* behind me here that if you could please pull your microphones close when you're speaking, it would be helpful. Also, if we could have the questions addressed through the Chair and wait until the Chair recognizes you before speaking in response to the question or asking the original question, that would be helpful too, for the benefit of

our *Hansard* folks. We hope members of the committee will help us in that regard.

Floor will now be open for questions.

Mr. Selinger: Yes, as a result of the Farlinger report and a request I received from the chairperson of Hydro, I was asked to give the government's perspective on east side versus west side. As we all know, it had been enunciated earlier in the election window, and I provided a letter to the chairman of Manitoba Hydro, Vic Schroeder. I'm proposing to table a copy of that letter tonight with the committee. I'd like to do that and make sure everybody has copies of it. I think I have enough copies for everybody. So I'll take one for myself and you can just distribute as many of them as you can.

In the letter—and I know people will need some time to absorb it, which is why I'm circulating it before I make my comments and we can have the evening to discuss any of these things if you wish—I stated just the history of our experience with the east side since we came to government and start out by pointing out that, as early as August 2000, we made a commitment to initiate broad area planning on the east side of Lake Winnipeg as a result of accepting the Consultation on Sustainable Development and Implementation report, commonly known as COSDI. They had recommended broad area plans.

The east side was chosen for a variety of reasons that are delineated in the letter. Some of them were that the area is unique and environmentally spectacular, containing a vast expanse of undeveloped contiguous boreal forest. The east side is the home to a population that is 96 percent First Nation. It's one of the largest habitats for the threatened woodland caribou and home to the Bloodvein River as well as the Manigotagan River, the Bloodvein being a Canadian Heritage River, both rivers renowned for their marvellous recreational significance and access to transportation and networks. Many economic opportunities are more limited than in other parts of the province. As well, the east side has begun to feel the effects of climate change.

So I go on to make a variety of points in the letter. As well, I identify some of the issues that were discussed in the Farlinger report. The Farlinger report made no recommendations as to routing. It made a process recommendation, which is why I've asked for these items to be tabled tonight. The process recommendation, essentially, is that the issues are broader than the technical considerations

for where the line should go. There are broad public policy matters here and that Manitoba Hydro should get the views of government on this, and that's why the chairperson asked me for my views in writing, even though they had been stated in broad terms in the election. So the letter is my commitment to provide the chairperson and the Hydro board with our views in writing. We can discuss the contents of the letter as you wish to go on this evening.

But, in general terms, and we've discussed this in the Legislature as well as in the public, we saw this as an attempt to manage a variety of risks. One risk that we accepted, that needed to be acted on, was to increase the reliability of the hydro-electric system in the province and that had been a concern of Manitoba Hydro for many years. They were suggesting that they needed to take decision and take action on moving on increased reliability. What that really meant was they needed another bipole. The bipole was, in part, a response to the challenge that was identified in the Farlinger report that in 1996 there had been a serious problem with the existing bipoles. I think something to the effect of 16, 17 towers went down and created quite a risk to customers. Fortunately, at the time, it wasn't a peak period for demand. They were able to respond to and manage that risk and get the system back in shape.

But, ever since 1996, there was a heightened awareness that there needed to be action, so the government started working with Hydro on figuring out solutions to this. Previous ministers of Hydro announced that they thought, based on broad consultations with communities on the east side, a west-side option should be considered by Manitoba Hydro. So reliability risk was one of the risks that needed to be addressed in terms of broad public policy.

The other risk was the question of the environment and the boreal forest which has become a higher profile issue throughout North America. We know that many scientists have weighed in on this and many groups have asked that there be consideration to the east side being a UNESCO World Heritage Site. There's a lot of work that's being done on that and more work that needs to be done. We'll have a good discussion about that this evening as well.

Thirdly, there was the issue of insuring that the reputation of Manitoba Hydro, which is a good reputation, continues to be protected as a supplier of green energy, as a corporate entity in the public

sector in Manitoba, as a Crown corporation that acts in both an environmentally responsible and a socially responsible way.

So, when you put it together, you've got reliability risk, environmental issues and risks to our reputation in terms of customers and market, maintaining a good reputation in the markets that we sell in, primarily in the Minnesota region and in that part of the United States. Our views in the letter expressed the concern that we consider other alternatives. We didn't say to Manitoba Hydro, you shall pick this route. We asked them to consider another route other than the east side. The Farlinger report was an attempt by Manitoba Hydro, as I understand it, to look at those broader issues, and that led to their request to me to give them some of our views in writing. The reason I'm tabling these documents tonight is I think there's important information in here that we may wish to discuss to get more specificity about where this whole project is going and a greater understanding of the thinking that went into this.

With those comments, I'll leave it and perhaps we can start with questions or any issues that are arising, not only out of the documents we've tabled tonight, but out of the responses that the president tabled as the result of questions that were left unanswered or required further clarification at the last meeting.

Mr. Chairperson: I thank the honourable minister. I take it, then, that all committee members have been presented copies of the letter and the report for their viewing.

The floor is now open for questions.

*(18:20)

Mr. Hugh McFadyen (Fort Whyte): Thank you, Mr. Chairman, and thank the minister for the comments. Also, thank you, Mr. Schroeder, for your comments and Mr. Brennan as well, and would note that this is the second time this committee has met in as many months. We certainly appreciate the fact that there's time involved in preparing, time involved in following up on questions and the fact that it's been some time since the committee met previously. We appreciate the fact that we're having this opportunity to meet twice in a short period of time and that people have been good enough to make their schedules available.

It is an important process fundamental to legislative oversight of Manitoba Hydro as a

Crown corporation. We certainly acknowledge in that vein that there is a role for government in establishing guidelines and policy and other parameters within which the corporation must operate, and that, certainly, you know, our criticisms and comments have been more directed toward those guidelines and frameworks than they have been toward any decisions made at the level of the corporation. Much of the debate around the location of the bipole line surrounds the guidelines that Hydro has been provided to operate within.

So I just want to say that we have appreciated the very thorough and candid technical information that's been provided to date. Certainly, on reviewing the record and looking at the responses that have been provided, we know that every effort has been made to provide full, candid responses on all of the technical points. We are into a debate that has policy implications certainly, but which is informed by the factual basis and the technical issues that arise.

I would just like to come back, if I could, just initially, with a couple of questions to Mr. Schroeder just arising from his opening statement as chairman of Manitoba Hydro. There were a couple of points that were of particular interest, some of which, I think, is already on the record and has been established, some of which, I think, is at least new to me if not anybody else tonight.

The first question I have is to come back and confirm or clarify that, when the east-side consultations were suspended in 2003, you're saying that they were suspended because of the east side planning process that was then under way. Is that correct?

Mr. Schroeder: That's right, thank you, Mr. Chairman. The minister at that time anticipated that there would be a three-to-six-month process, and then what happened was one of the people involved in that process became the national chief, Phil Fontaine, someone else became—was it—in any event, another person had a career change and so on and there were numerous delays. That certainly was not something anyone was happy about.

The background was the government had announced its wide area planning initiative on the east side in about 2000. We, completely independent of that, started our consultations on the east side in 2001, and by 2003 there were people in the wide area planning initiative process who were not happy with our being out there in the field at the same time as a whole other wider set of consultations was going on.

Mr. McFadyen: The east side planning process you're referring to is a process that ultimately culminated in what's known today as the WNO agreement that was signed in April of this year. Is that correct?

Mr. Schroeder: That's my understanding of it, but from 2003 that was the end of our involvement.

Mr. McFadyen: Can I just ask then, as part of the east side planning process that took place that overtook essentially the consultations that were then ongoing by Manitoba Hydro, was there a proposal in front of east-side communities with respect to the possibility of a transmission line, or was that removed from the table in 2003 as the east side planning process was getting under way?

Mr. Schroeder: I am not aware that it was removed. We were consulting between 2001 and 2003 with east-side communities with respect to proposed bipole 3 on the east side. We temporarily abandoned that and never did get back to it.

Mr. McFadyen: One other comment that you made that got my attention was, you said that in light of election platform commitments made in the general election of earlier this year, the board felt that, or essentially felt that the government had a mandate, or the board had an obligation to remove the east-side route as an option. Are you aware that, in the course of that same election campaign, the Premier (Mr. Doer) committed on two different occasions, publicly, that the west-of-Lake-Winnipegosis route would not be used, and that the next bipole would go through the north?

Mr. Schroeder: I'm not aware of that. We had a presentation from Crown Corporation Council back in 2000, discussing and suggesting to us the role and responsibility of boards of Crown corporations. And, of course, there's a legal responsibility in the Hydro act for me to consult with the minister.

According to the information we received, the board must ensure that the corporate mandate is consistent, obviously, with legislation, but also with government objectives. So the board wanted to make sure that there were no misunderstandings, No. 1. We wanted to make sure that all issues were on the table had been fully considered, and that's one of the reasons we asked for the Farlinger report. At that point it seemed to us that it was appropriate, given that it appeared to be public policy on the part of government that we not proceed down the east side, that that be made clear to us, in which case there

really was not a decision for us to make other than what is the best other route, and that's what we did.

Mr. McFadyen: I think we can probably agree, but get your confirmation that, obviously, there are pros and cons to either an east-side route or a west-side route. There are different considerations: financial, environmental, impact on communities, all of these things; impact on species and other things. And I think that there is consensus that the west-side route, which is being pursued currently, compared to the east-side route that had earlier been recommended by Manitoba Hydro; when you consider the cons of that west-side route, that it is more expensive, it will produce a less reliable power grid, it will take two years longer to complete and result in more lost power, would you agree that those are the cons of the west-side option?

* (18:30)

Mr. Schroeder: I would agree with all except the two years longer to complete, because I think that's a question that's very, very much in play. The question of whether we would've ever been able to get a licence for the east side, certainly, is something that's a legitimate concern. That's, you know, going back to the previous board, back in 1999. They chose to leave 150 megawatts stranded at Wuskwatim because they weren't sure they could get a licence getting the full value. So 150 megawatts will stay there for the next 100 years. They also, as we were very concerned about their green image. The green image of this corporation is important for our sales efforts outside the province. Those sales efforts are what keep our electricity rates low. So I certainly don't think that one could say with any degree of certainty that we would have a line down the east side two years earlier or ever. You know, 30 years ago I represented the Province of Manitoba in the Mackenzie Valley pipeline hearings. We still don't have a pipeline. There are a number of those kinds of examples where you have environmental opposition that can hold things up.

Mr. McFadyen: So you're not prepared necessarily to accept that it will take longer to complete, but you do agree that the west-side route is more expensive, will produce a less reliable power grid, and will result in more lost power than the east-side option.

Mr. Schroeder: Yes, if we could build it.

Mr. McFadyen: If I can just come to Mr. Brennan then, just with respect to the completion times issue. You, the corporation issued, in response to questions

from the Manitoba Industrial Power Users Group in connection with the general rate application before the PUB, responded to questions, and in a document dated December 5, 2007, two weeks ago today, the indication or the document states, and I don't know if you've got—do you have a copy of that document in front of you, Mr. Brennan?

Mr. Brennan: It's a huge document.

Mr. McFadyen: Right. There's a specific question and answer that I just want to ask you about. If I may, I am providing, it's a—the reference, sorry.

Floor Comment: Are there copies for tabling?

Mr. McFadyen: Yes, he does.

Mr. Chairperson: Are we okay to proceed?

Floor Comment: We're just making copies for the rest of them.

Mr. Chairperson: Okay. Is everybody ready?

Mr. McFadyen: Thank you, Mr. Chairman.

The document that's being referenced is a document prepared by Manitoba Hydro. The heading is MIPUG\MH I-10 and it's referenced to major projects and its question, lowercase c). In the answer provided by Manitoba Hydro two weeks ago, it states, and I quote: "The longer route will involve dialogue with a larger array of local governments, towns and villages. This is estimated to add one year to complete the multi-year public/community consultation program associated with Manitoba Hydro's site selection and environmental assessment process. Manitoba Hydro believes that the public/community consultation process and related environmental assessment/licensing activities for either a west or east side option are challenging." And then, "Construction of a western routed line is estimated to take a year longer than an eastern routed line."

This is consistent with what you had previously testified to in committee, which is that the western route—setting aside the risk of not being granted a licence, which I want to come to in a second—but that the process of going through consultations and then ultimately building the west-side route is two years longer than it would be on the east-side route. That's the view of Hydro, is it?

Mr. Brennan: Putting aside the possibility of not getting a licence, it is estimated and, at this point, it's only an estimate, that it would take a year longer to go through the consultation process, and it would

also take another year longer to go through the construction phase. Those are certainly estimates, but that's our current estimate.

Mr. McFadyen: If I can just come back to a question I put to Mr. Schroeder. Coming to the cons of west side versus east side, and we're going to come to the arguments in favour of west side in a second because I know they are laid out in the report that's been tabled by the minister, but, on the con side, the issue with west side is that it is more expensive; No. 2, it's less reliable; No. 3, it's going to take longer to complete, setting aside the issue of licensing risk which we'll get to, and, No. 4, it is going to result in more lost power.

Would you agree that those are four major problems with the west-side route?

Mr. Brennan: Are you asking me or Mr. Schroeder?

Mr. McFadyen: Sorry, that's to Mr. Brennan.

Mr. Brennan: I think that's correct.

Mr. McFadyen: I would, then, just like to ask you whether it is for those reasons that you recommended an east-side line at the time that you were making recommendations.

Mr. Brennan: We certainly needed to take care of our reliability issues as soon as we could, but, for the most part, the fact that we believed we can handle the environmental issues and the issues associated with it, I guess, we hadn't gone through the consultation process the way the Province did, so we certainly thought we could get a commitment to the east side. So the reasons that you gave, I think, are valid from management's perspective.

Having said that, we did find that, after the Province went in and consulted, they seemed to get a different result than we thought we were going to get.

Mr. McFadyen: So, just to be clear, your view was that you thought you would get agreement to proceed east side, but it was the Province's process that produced a different view on the issue of the likelihood of getting east side approval.

Mr. Brennan: We didn't complete our consultations at all, because, as Mr. Schroeder said, we stopped when the east side planning review started.

Mr. McFadyen: Would it be fair to say at this stage we don't really know which side is going to produce more opposition?

Mr. Brennan: I think that's fair.

Mr. McFadyen: So, if I could, what you're saying then is that, in effect, we don't know because the consultations haven't yet taken place which side will produce more opposition, but that you have been directed by your board to proceed with an option that is more expensive, less reliable, will take longer to complete and will result in more lost power. Is that right?

Mr. Brennan: The board of Manitoba Hydro asked management what was the best alternative if the east side wasn't available. On that basis, we recommended the west side.

Mr. McFadyen: So it was the board that took away the east-side option?

Mr. Brennan: That is correct.

Mr. McFadyen: And who appointed the board?

Mr. Selinger: Well, I can answer that. Government did. Just like all governments appoint the board of the Crown corporations, as you well know.

Mr. McFadyen: On the issue of the process yet to be undertaken, I want to just ask you, who do you need to get licences from in order to proceed with a new bipole line?

* (18:40)

Mr. Brennan: The provincial regulatory body.

Mr. McFadyen: Which regulatory body is that?

Mr. Brennan: Clean Environment Commission.

Mr. McFadyen: Maybe Mr. Selinger will want to take this question: Who appoints the Clean Environment Commission?

Mr. Selinger: I believe when you were in government, it was the government of the day that appointed it, and when we were in government, we followed the same practice.

Mr. McFadyen: Can I just come back and then get you to indicate, Mr. Brennan, whether you think that this decision is in the best interests of Manitoba Hydro as a corporation?

Mr. Brennan: I don't think it's my job to question policy. My job is to implement policy when it's given to me. I make the best recommendations I can considering what I know, and certainly, if people that make policy decisions have different environment or different considerations, I respect that, and I implement that which they approve.

Mr. McFadyen: So you made one recommendation and that recommendation was rejected, and what you are saying is you are proceeding based on the limited option, the one option that you were provided by your board.

Mr. Brennan: Yes, we're doing it with enthusiasm.

Mr. McFadyen: I want to just come back. You know, I would suggest that the role of a corporate CEO, even of a Crown corporation is broader than simply taking direction from government. There's a statutory duty to do what's in the best interest of the corporation. So, setting aside policy considerations, I wonder if you can indicate whether you think the west-side route is in the best interests of Manitoba Hydro as a corporation.

Mr. Brennan: As a corporation, as being responsible for making recommendations to the board of Manitoba Hydro as to what I thought, and once a policy decision is made though, it's not my job to start arguing about it; it's to get on with the job.

Mr. McFadyen: If I can just turn to the report that was tabled just at the beginning of this meeting, *The Bipole III Transmission Routing Study* prepared by CMC Consultants Inc. dated September 2007. This is the report that was tabled by the minister, and it examined various issues, including environmental considerations and broader policy and procedural issues.

I would just like to, if I could, go to page 1 under the heading of Introduction and ask you, Mr. Brennan, if we can just turn our attention to the second bullet on page 1, there's a question followed by an answer. The question is: "Is there support from the First Nations on the east side of Lake Winnipeg?" The answer given in this report is, and I quote, "Government meetings in 2004 concluded that there was none. However, recent statements made by First Nations to the media and east side planning documents suggest that there is now some support."

I just want to ask you if that indication of recent support is consistent with the indications of earlier support that Hydro was receiving prior to the suspension of the Hydro consultations in 2003.

Mr. Brennan: Although we did not complete ours, the early indications were that we were getting sort of a mixed review. Certainly, some of the elders weren't as supportive as some of the younger people.

Mr. McFadyen: There's been a reference to international opposition. That's referred to in the

third bullet of the report that we're referencing right now. Do you have, in your records, any documents outlining international opposition to an east-side bipole route?

Mr. Brennan: After the last meeting we had, I did point out that there are a good number of letters of opposition that did come in. I went back and checked, and, without counting them or anything like that, they estimate the number to be 10,000. But, certainly, environmental groups were getting together. Now with the Internet it's easy to do. The estimate given to me was 10,000, or over 10,000.

Mr. McFadyen: Those are letters from international, from outside of Canada or outside of Manitoba? Or is that—sorry.

Mr. Brennan: They were global.

Mr. McFadyen: Does the opinion of Manitoba engineers and east-side residents who have been writing to express support for the east-side route factor into this, or do we only pay attention to form letters from international organizations?

Mr. Brennan: Probably your question should be directed at the chairman. From my perspective on that question, we listen to everybody.

Mr. McFadyen: If I could just go to the third bullet of page 1 in the report. The question that's posed there is, and I quote: "Will there be international opposition from environmental groups to an east side route even if there were First Nations agreement to proceed?" The response is: "Very likely, but the tenor of the debate may change, as environmental groups could no longer point to a lack of First Nations support for the east side route as part of their opposition, and it could potentially place them in conflict with First Nations communities, with whom they have previously partnered."

Can I just ask you whether, of the international form letters that have come in, is there acknowledgment in those letters of the growing east-side community support for an east-side line that's referenced in the second bullet of this report?

Mr. Brennan: I would say no. They tend to reference the support. Most of it was a, prior to that, I believe, most of the letters coming in to hearing that opinion.

My concern, and I'm not sure if I made this clear at the last time, my concern about a lot of environmental opposition to anything Manitoba Hydro does is getting our purchases of our power

outside the Province concerns. Most of them are on a rate of return basis for obtaining rate increases and, consequently, any—and they definitely look at the lowest cost option. Although it's a market we're selling into and market prices prevail, if, in fact, there are a lot of problems with purchasing power from, let's say, Manitoba Hydro, they would just move to say all this concern and hassle on our part is not worth it; we'll go the next lowest cost and not have the hassle. That is the concern that I have. It's a major concern just because of the amount of revenue we get for the power we sell.

Mr. McFadyen: Is it also your observation that there's a desire in the environmental movement globally to reduce the amount of coal-burned energy, whether it be within Manitoba or outside of Manitoba?

Mr. Brennan: For sure, greenhouse gas emissions are a problem everywhere.

Mr. McFadyen: Is that a major factor that would be in Manitoba Hydro's favour when it comes to the environmental arguments that might be made to regulators or companies that might be purchasers of Manitoba Hydro power?

Mr. Brennan: It's certainly an argument we make.

* (18:50)

Mr. McFadyen: You have indicated that environmental assessment and licensing activities are, and I quote: For either a west- or east-side option are challenging.

Can you just outline what the challenges would be with respect to environmental assessment and licensing activities, or the anticipated challenges because we're not there yet, but the anticipated challenges with respect to the proposed west-side route?

Mr. Brennan: It seems that anybody who's opposed to a line, no matter what the reason, uses environmental issues as a reason not to build. So I would expect there would be opposition on both sides. I think from a straight environmental perspective, though, there would be more opposition for the east side for sure.

Mr. McFadyen: Could it be that the opposition of the east-side route that has been received to date would appear to outweigh the west-side route only because the west-side route was just announced two months ago and there has been little opportunity for

analysis of the environmental impacts of a west-side route? Sorry, it was announced three months ago.

Mr. Brennan: I would think from an environmental perspective we'd get more opposition from the east side just because of where it's going. The west side has definitely been more developed.

Mr. McFadyen: So, at this stage, the assumption is that there would be more opposition to east side than west side, but, at this stage, that's only an assumption because the west-side option was only announced three months ago and there has been little opportunity for analysis. Would that be fair?

Mr. Brennan: I think it is fair. I think it's a judgment on my part.

Mr. Selinger: I'm just wondering if I may make a comment there. The rising concern about the boreal forest has been growing for several years in the environmental community and in the scientific community. They have made comments about the intact, large tract of boreal forest on the east side. They've also always had the opportunity to make comments about boreal forest in any other part of Canada. Even before the specifics of this decision became under active debate in the last several years, the environmental community and the scientific community have identified the east side as an area of boreal forest that has outstanding universal value. That's the phrase that's used by UNESCO.

I think the member is asking would there be opposition. I think there will be opposition probably to hydro lines no matter where they are put. I think Farlinger actually does a very fair job of discussing that. There are exposures on both sides, but I think there is something specific and unique about the east side in that it's less developed, in that it has a large intactness to it which I think the report we've tabled with you attempts to try and discuss that. Again, I think they try to discuss it fairly.

So, when the president of Manitoba Hydro says he thinks, he makes an assumption there would be more opposition on the east side. Demonstrably up to this date, knowing about the boreal forests anywhere in Canada, there has been more support to protect the east side than there has been to protect other areas of boreal forest across the country. There is demonstrable support for greater protection on the east side. Would there be opposition on the west side? Likely as well.

Mr. McFadyen: If I could then, the minister has picked up on this and it is the broader policy issue

that is at stake here. I just note on page 9 of the report under the second bullet there is reference there, and I'll just quote the passage. It says: "A west side routing will cross not only boreal shield but also boreal plains ecozones (from roughly Ponton to Red Deer Lake). This latter ecozone is considered to be highly impacted and at greater risk – according to Global Forest Watch, less than 15% remains in large, intact areas. This includes the same ecozone that was identified for protection as part of the proposed Manitoba Lowlands National Park. Although there are potential routing options through this ecozone that could parallel existing developments, an argument could be made that this region has greater urgency for protection of ecological integrity than the vaster boreal shield forest of the east side."

So, in light of the fact there is an argument that the west side has greater urgency for protection than the east side, I wonder if this changes the minister's mind with respect to which route the line should go on.

Mr. Selinger: I just wish the member would read into the record the last sentence there, that how this forest on the west side does not have the same profile and emotional appeal as the east side. I think what the comment here that's made by the report is that there are sensitive and important areas to be protected on the west side as there are on the east side, and that's what I think is valuable about the report. It doesn't try to pull any punches in regard to either option. It says that whatever route you choose you're going to have to be very careful to protect ecological values. But later on in the report, and I know the member has just received it tonight and he'll want to read all of it because, I mean, there's so many things in here that are worth discussing, he does discuss the unique notion of the intactness of the boreal forest on the east side, which distinguishes it from other sensitive areas on the west side. There are challenges wherever you route hydro lines these days.

So the report and my letter that follows up on that report, to the Hydro, draws out of the report those points that were of a concern to us with respect to an east-side option. But we have always said that we think there will be concerns on the west side as well. And Manitoba Hydro has acknowledged there would be concerns on the west side as well, and very careful planning and consultation will have to go into whatever option is chosen.

Mr. McFadyen: I can't help but follow up on the very last thing you said, careful planning and consultation for whichever option is chosen. Are you saying that there's still more than one option on the table?

Mr. Selinger: I'm saying the west side has been chosen, but my point is that there had been a lot of work done on the east side, to consider it, and there had been considerable opposition expressed to it. Manitoba Hydro has, after receiving our reviews and knowing where the government stood prior to the election and also being aware of the WNO process, is now proceeding to consider our route on the west side in a wide territory, and they will have to look at the most efficacious, least environmentally sensitive option on that side. That will require careful planning and consultation.

Mr. McFadyen: I want to thank the minister for acknowledging that there are sensitive ecological areas along the west-side route as well as the east side, because what I'm taking from this report, which has been tabled, is that there are issues on both sides. Arguably, they say the west side is more urgent in terms of the need for protection, but let's put that aside. If there is urgency in protecting the forest on both sides—they say more urgency on the west side; you appear to be saying more urgency on the east side—if there is uncertainty, then, as to which route has the least negative environmental impact, then why would you choose an option that is hundreds of millions of dollars more expensive, is going to produce a less reliable transmission system, is going to take two years longer to complete, and it's going to result in more lost power?

Mr. Selinger: I just want the member to be careful about what he is interpreting out of that. It says an argument could be made. It didn't say definitively that an argument should be made. It didn't say that for certain. It says an argument could be made. The point that we are making here is that the Farlinger report brings out many issues that are worthy of consideration with respect to a west-side option. It doesn't definitively come down and make a hard statement. It says that there could be an argument that there are urgent areas to be protected on the west side, and that will have to be considered in the west-side option.

Now, the member says that it will be more expensive. It will be more expensive only if you can actually build it on the east side. I mean, this is a hypothetical example here. If you can't build it, if

there's a resistance, and we've seen this with other projects, it could wind up being more expensive. We just saw a project in Alberta that had to be cancelled and redone after many millions of dollars of expense because of the concerns that arose as a result of that.

Clearly, it's a longer route. That's been acknowledged from day one. When you build a longer route, it's more expensive than a shorter route just on the cost of the actual physical requirements to do that. But that longer route, depending on whether or not it achieves acceptance in terms of the constituencies affected by it, may actually wind up being more cost-effective than a route on the east side that has a huge amount of resistance attached to it and can't get built. So these are questions that require careful consideration, as I've said earlier.

* (19:00)

Then the member also suggests, in his points, that it's less reliability. Well, it's over the base case. The base case is that there is no additional bipole right now. For many years, there've been recommendations to proceed with the bipole. What's happening now is there's a bipole being built which will increase reliability. That's the whole purpose of this exercise, is to increase reliability over the status quo, not over a hypothetical alternative that may not be able to be built.

Mr. McFadyen: You've indicated that there was a global, or Mr. Brennan indicated that there were global signatures or petitions that came in opposing the east side, roughly 10,000. Now, I just want to ask the minister if 10,000 Manitobans sign a petition in opposition to the west side will you withdraw that option and proceed with the more reliable, shorter, less costly, quicker-to-complete route on the east side?

Mr. Selinger: Well, the member is assuming that the volume of e-mails was the critical factor in the decision of which side to pick. I suggest to him that that is a completely inaccurate analysis. There was much more consideration that went into which side should be chosen. Many of those considerations are discussed in the report, and we've had debates on this in the Legislature. So that kind of a question, I think, really misrepresents the basis upon which the decision was made.

Mr. McFadyen: Sorry, but it was you, Minister, that said that the decision to go west side rather than east side was because of international opposition. Mr. Brennan said, when I asked him what form that came

in, that there were written submissions, 10,000 of them. So, if the basis for the decision is international opposition as evidenced by letters and petitions, then why would you not give the same weight to 10,000 letters in opposition to a west-side route?

Mr. Selinger: I think the member once again may be misinterpreting and may be misconstruing what was said. What we said was, and we have said this in discussion in the Legislature as well, that there is considerable risk to the reputation of the corporation of Manitoba Hydro in choosing a route that will generate a good deal of controversy. We have examples of this on other projects that have been attempted in other jurisdictions.

That reputational risk is something that has to be accounted for in the public policy decision because it could put at risk our major market. That could be up to \$5.5 billion of revenues over 10 years. We never ever said that it depended on the number of e-mails one way or the other. I think the member, to try and put the question that way, really misrepresents the depth and the quality of the debate we've had up till now.

Mr. McFadyen: So what the minister's saying is that, if there is significant opposition to the west-side route, which could damage the reputation of Manitoba Hydro by virtue of the fact that that route is more expensive, less reliable, will take longer to complete, will result in more lost power, is running through highly endangered spaces that, according to this report, say are a greater risk, if opposition should arise for those reasons, then what you're saying, Minister, is that you'll change the decision and go with the less expensive, more reliable, faster to complete, less lost power, more environmentally friendly east-side route?

Mr. Selinger: The member is remarkable for his ability to try to put words into other people's mouths. That's actually what you're saying, and I don't think you should try to suggest that that's what other people are saying.

First of all, just to go back on your statement, there's never been an acknowledgment that it would be faster to complete. You've tried that question many times tonight. There's been *[interjection]*—if you would let me finish the question before you proceed with yours. Courtesy is usually the best way to proceed in this hearing.

So there's never been an acknowledgment it be faster to complete. As a matter of fact, there's

considerable concern that an east-side alternative may never get completed. So that negates that point.

Loss of power. Even in your own document tonight, which you provided here to us, it says the differential of 16 megawatts, up to 32 megawatts, which has been far less than what you've been quoting in the Legislature.

On your third point: less reliable. The point is that it increases reliability over the base case where nothing has been done for many years after suggestions have been made that there should be something done. We understand that it will increase the efficiency of the system by up to 76 megawatts and add additional reliability to secure the ability of the corporation to provide energy not only to Manitobans, but to its external customers. So the reliability increases by proceeding with the bipole.

Mr. Chairperson: Before I proceed to the next question, as Chair, I am asking committee members to direct all their questions and answers through the Chair. It would help us with our proceedings here this evening. So, if you would co-operate in that fashion, I would appreciate it.

Mr. McFadyen, with the next question.

Mr. McFadyen: Thank you, Mr. Chairman.

We certainly understand that, from the base case, the debate, obviously, is east versus west in the route. We know that east is less expensive, more reliable, faster to complete. I want to take issue with your point about completion time when, two weeks ago, Manitoba Hydro issued a document that said there will be one year less in consultations by going east side and one less year in construction. So it's two years faster to complete on the east side, assuming it gets licensed by the government-appointed Clean Environment Commission.

So I just want to ask you, Mr. Minister, if there is some particular reason why you think your appointees on the Clean Environment Commission will reject an east-side application, and how it is that you would know at this stage in the process that that will be their conclusion?

Mr. Selinger: I don't think we've ever made a comment one way or the other on a hypothetical case that's being put in front of the Clean Environment Commission.

The one thing I do note, though, is that the member seems to suggest in the way he characterizes the question that perhaps the appointees to the Clean

Environment Commission wouldn't exercise independent judgment on what they think would be the best alternative. I would just like to say that the people appointed—and I believe that was the case when you were in government as well—is we try to appoint, everybody, every government, I think, tries to appoint competent people that will exercise due diligence and good judgment on behalf of the public interest. So I think the characterization of your question is really an attack on the independence and credibility of the members of that commission. I would hope the member would consider withdrawing those kinds of comments.

Mr. McFadyen: So you can confirm, then, that you don't know what the Clean Environment Commission would decide with respect to an east-side proposal.

Mr. Selinger: What I can confirm is that, as we appoint people to these bodies, that exercise, as I said earlier, what we hope is good judgment based on their backgrounds and experience, and then try to make decisions in the public interest.

Mr. McFadyen: So you've made a decision that will cost hundreds of millions of dollars more, result in a less reliable energy grid, take longer to complete and result in more lost power on the basis that you're concerned about the ability to get approval from the Clean Environment Commission, but what you're saying right now is you actually don't know right now what they might decide.

Mr. Selinger: Actually, I didn't say any of those things. Those are things that you've been saying. You're, once again, putting words into people's mouths at the same time as you attack the credibility of the people on the commission.

What we've been saying is that we need to proceed with reliability improvements to manage risk in the corporation, improvements that have been recommended for many years, improvements that your government did not act on, even after they had a very serious incident in 1996. There was no follow-up action to increase reliability. We take the reliability risk of the corporation seriously. That's why we've worked with the corporation to find a way to move forward on reliability.

What we are also saying is that we have an historic opportunity to have a UNESCO World Heritage designation that will protect an important tract of boreal forest in Manitoba, which we think will provide long-term benefits not only to the

environment, but to the peoples on the east side in terms of economic development, eco-tourism and those kinds of developments that have long-term sustainability.

We also think that we are proceeding in such a way, in co-operation with the corporation, that we will ensure the reputational integrity of the corporation in its marketplace where it sells products, to ensure that the product that is put out there is one that is well received by the consumers of that product, and that the ability to attack the credibility and the quality of that product is reduced so that the product will continue to generate profits, which keep the cost of Manitoba Hydro electricity low for Manitoban companies and citizens and families.

So it's a question of managing risk which is, I think, what good governments do. If you look at it compared to what you've suggested you would do, you have said you will ram a hydro transmission line down the east side regardless of what people think about it, one way or the other, regardless of what the environmental consequences are, regardless of what the potential risk is to customers in the marketplace. You have actually generated an alternative that could create a perfect storm that could put not only the profits and the viability of the corporation at risk, but could put the reputation at risk and also bring an enormous amount of grief not only to the peoples of the east side, but to the people of Manitoba in terms of the UNESCO World Heritage designation and the protection of the boreal forest. When you think about that, that's very high-risk gambling that you're proceeding with in terms of what you say you would do if you were government.

* (19:10)

Mr. Schroeder: Just for clarification, it's not just the Clean Environment Commission. It's also Fisheries and Oceans. It's also, potentially, the Court of Queen's Bench. It's also, potentially, the Court of Appeal. It's also, potentially, the Supreme Court of Canada. So there are a variety of actors involved. When one says that there are difficulties, one looks at other cases to say that. Nobody can guarantee that that would or would not happen.

Mr. McFadyen: I think to be fair, what I'm pleased to hear tonight is that there is acknowledgment all around the table that there is risk of challenge and opposition regardless of what route is chosen, whether it's east or west. There are people who are

going to have issues and are going to raise concerns about various options. Obviously, we have the report today tabled by the minister which says, and I quote, that the latter *eco-[interjection]* Excuse me, it's not a point of order. I thought you were interested in courtesy tonight. Can I just finish?

An Honourable Member: We'd just like to get the record straight.

Mr. Chairperson: Hold on, folks. Hold on a sec here. If there is a legitimate point of order, I have to recognize the attempt, at least, and then make a ruling on that and then we'll proceed with the question.

Point of Order

Mr. Chairperson: Honourable Minister, do you have a point of order?

Mr. Selinger: Yes, twice the member has put on the record that the report was tabled by the minister. I'd just like the record to show that the report was tabled by the chairperson of the Crown corporation in question, Manitoba Hydro.

Mr. Chairperson: Any other comments?

It's not a point of order; it's a dispute over the facts.

* * *

Mr. Chairperson: We'll now proceed back to the questioning.

Mr. McFadyen: Thank you, Mr. Chairman. The report tabled tonight by the chairman of Manitoba Hydro says, and I quote, the ecozone on the west side "is considered to be highly impacted and at greater risk – according to Global Forest Watch, less than 15% remains in large, intact areas. This includes the same ecozone that was identified for protection as part of the proposed Manitoba Lowlands National Park." It goes on to say, "... there are potential routing options through this ecozone that could parallel existing developments, an argument could be made that this region has greater urgency for protection of ecological integrity than the vaster boreal shield forest of the east side. However, this forest does not have the same profile and emotional appeal as the east side."

I wonder in light of that statement whether you continue to believe that the Clean Environment Commission is more likely to approve the west-side route than the east-side route, to the minister.

Mr. Selinger: Once again, we appoint people to these bodies such as the Clean Environment Commission that exercise impartial judgment in the public interest. Really, I don't think it's appropriate for me to speculate on what they would decide on a hypothetical case that they haven't had in front of them. I mean, I think we have to let them do their job.

Mr. McFadyen: So, then, when you say that the risk of not getting a licence is one of the reasons for the decision to go west side, what you're saying is that you actually don't know at this stage what the licensing body might decide.

Mr. Selinger: Actually, once again the member keeps trying to interpret other members' statements. The report itself and what we've debated in the Legislature up to now, indicates that there's a lot of concern about a route down the east side and that that concern has the potential to become a cause célèbre. That could bring a great deal of negative reputational risk, not only to the corporation, but to the Province. It could result in the delay, the serious delay, if not the permanent inability to build the route on the east side. We've said that consistently from day one.

We've also said, and this report confirms it, that there are issues wherever you route a hydro line, and they will have to be carefully considered in whichever route is pursued by Manitoba Hydro. But we do know for sure, and the member will see this when he reads the report further, that the east-side address has a high degree of saliency in terms of protection of the boreal forest because of its universal outstanding characteristics.

Those characteristics include the fact that it's a large tract of intact boreal forest. It is one of the primary habitats, which has the best chance of attracting the woodland caribou. It has not only unique environmental features that require protection, but it also has unique cultural communities over there that are part of the designation process for UNESCO. It's extremely rare in an UNESCO-designation process that you both have outstanding universal value of both on the ecological as well as the cultural side. These factors are the factors that needed to be considered in what the routing decision should be for the hydro transmission line. These factors are the kinds of factors that the report suggests Hydro should discuss with the government because they go beyond the

mandate of what Manitoba Hydro normally takes into account when they make a decision.

Mr. McFadyen: Minister, to sit on a record that he didn't table the report, can I just ask him, did he issue a news release today releasing the study that we're making reference today to?

Mr. Selinger: There was a news release put out on the report today that was tabled by the chairman of Manitoba Hydro here tonight. Absolutely.

Mr. McFadyen: I've got the release in front of me. It says the Finance Minister and Minister responsible for Manitoba Hydro "today released a study on routing options." So I just want to ask you, Minister, are you the minister that's referenced here that released the study that we're referring to?

Mr. Selinger: Yes. I think the press release is quite clear in that regard. That's completely consistent with the chairman tabling the report here tonight.

Mr. McFadyen: I just want to ask the minister if the news release you put out today makes reference to the threatened boreal forest on the west side, or does it only refer to issues reflecting the east side?

Mr. Selinger: The news release identifies those issues that the government thought were salient in choosing not to recommend an east-side route. The report itself speaks from a broader range of issues which were in front of Hydro after they commissioned a report. We felt it was important that the report not only be tabled here by the chairman of Hydro, but be put into the public domain, because the report looks at a broader range of issues. The government identified those issues they thought were salient on an east-side choice.

Mr. McFadyen: By salient, what you mean are the release points to things in the report that support the government's predetermined position, and makes no reference whatsoever to any of the issues around the threatened west-side boreal forest or any environmental issues on the west side.

Mr. Selinger: Actually, my letter speaks to that in terms of process. The government's position was formed after many consultations. It was formed after, first of all, accepting the COSDI, Sustainable Development Implementation report, in 2000. It was formed after the broad area planning process was initiated with communities on the east side and was formulated after more than 80 meetings that the government undertook with peoples and communities on the east side. So, when the members say it's

a predetermined position, it's actually quite the opposite of that. It's a position that was arrived at after our consultations with the peoples on the east side, broad area planning activity and the acceptance of the COSDI report. So quite a bit of process and consideration went into that, including many, many consultations with communities on the east side.

Mr. McFadyen: Mr. Chairman, through you to the minister, does today's news release make reference to the statement in the report that recent statements made by First Nations to the media and east side planning documents suggest there is now some support for an east-side route?

Mr. Selinger: Mr. Chairperson, the news release, I think, accompanies the report. The report itself speaks on page 1, as the member referenced earlier, about the fact that there has been some additional support expressed for an east-side route by some of the chiefs on the east side. So, when I look at the press release released today, it does not specifically mention that, but it comes along with the report itself, which identifies a variety of issues with respect to all of the alternatives that have been under debate for the last several months.

Mr. McFadyen: I just want to ask the minister why he wouldn't have made any reference in today's news release to any of the concerns raised in this report about the west-side route.

* (19:20)

Mr. Selinger: Well, once again, the news release is simply identifying why the government has decided that an east-side route is not as preferable as others might have thought. The report speaks to the broader issues that go along with that. That's why the report was tabled here tonight and that's why the report was released to the public, so that people can know all the elements that might have been considered, as well as what the government decided were the important elements to it.

Mr. McFadyen: So, if a member of the public wanted to know both sides of the story, they'd have to ignore the government news release and read the report?

Mr. Selinger: If the public wanted to know the broader range of issues, they would review the report which was released by the government and by the chairman here tonight to the committee, and they would know the government's rationale and they could ask questions about any other points that were raised in the report, as we are doing right now.

Mr. McFadyen: Given that the report says that the environmental groups could no longer point to a lack of First Nation support for the east-side route as part of their opposition, I wonder if the minister can indicate—sorry, and I'll go on, the quote says on page 1: "and it could potentially place them"—that's making reference to the environmental groups—"in conflict with First Nations communities, with whom they have previously partnered."

I want to ask the minister: In the event of such a conflict between international environmental organizations and Manitoba First Nations, where First Nations are lining up in favour of an east-side route and international environmental organizations are opposed, which people the minister would line up with: Manitoba First Nations or international environmentalists?

Mr. Selinger: I think, if you read my letter, we make it very clear that there were extensive consultations with the peoples on the east side, and the overwhelming consensus at that time, when the consultations were done, was that there was a great deal of concern about an east-side transmission line. That was one of the important pieces of consultation that contributed to the government deciding that an east-side alternative wasn't appropriate.

Mr. McFadyen: So, to be clear, the opposition you're referring to is the opposition that is four years old?

Mr. Selinger: The concerns were those that were recorded and identified at the time that the experience occurred, and the member is suggesting that there have been different views expressed recently—those are on the public record, we're well aware of them—but the government has gone through a long process of consultation and it's very aware that there are a variety of views on the east side, but there are many, many people over there that are very concerned about an east-side transmission line.

Mr. McFadyen: So, as this issue revolves, given that the consultations stopped in 2003 and at the time the indication was that there was significant opposition on the east side, is the minister open to changing his mind based on more current information about the views of residents on the east side?

Mr. Selinger: Well, I think it's clear that we are now proceeding in consultation with the Manitoba Hydro to look at west-side alternatives.

Mr. McFadyen: If the basis for going west side, or one of the reasons was east side opposition, if that opposition has now turned into support, will that have any impact on the minister's decision making?

Mr. Selinger: Once again, we've had this discussion in the Legislature and the decision for all the reasons I've outlined earlier, the different kinds of risks that have to be managed, is to proceed with the west-side alternative.

Mr. McFadyen: Can the minister just indicate the names of the international organizations that are on the record as being opposed to the east-side route?

Mr. Selinger: Well, we're aware of several organizations that have concerns about protecting the boreal forest and concerns about the east side. The international organizations—the one that the member has referenced in the past is the Natural Resources Defense Council, which is an environmental action organization with 1.2 million members. We're also aware of the Sierra Club of Canada, the Canadian Boreal Initiative, the Western Canada Wilderness Committee, the Canadian Parks and Wilderness Society, sometimes known as CPAWS, the Nature Conservancy of Canada, and the boreal forest initiatives, as well as significant individuals including Sophia Rabliauskas, who has received the Goldman Environmental Prize, is an Aboriginal woman who lives in the Poplar River area on the east side and has been championing the protection of the boreal forest on that side.

We're aware a variety of other significant individuals have expressed their support for protecting the east side in terms of the intact boreal forest.

Mr. McFadyen: Is the minister aware that many of the organizations he has made reference to are opposed to any and all hydro development?

Mr. Selinger: We have not been made aware of these organizations that they're opposed to any and all hydro development.

Mr. McFadyen: Have these organizations taken a look at the impact of a west-side route and offered analysis and comment on the environmental impacts of the proposed west-side route, to the minister's knowledge?

Mr. Selinger: To my knowledge, not at this stage of the game, but they will have full and ample opportunity to do that as the west-side process proceeds.

Mr. McFadyen: In the event that they have concerns about the west-side route, will the minister listen to those concerns and not proceed with a west-side bipole transmission line?

Mr. Selinger: Well, once again, I think there will always be a willingness to listen to concerns that are expressed about the route that is potentially under consideration for the west side. Those concerns will be listened to and then decisions will be made based upon not only that, but other factors that go into the decision-making, including where local communities are at, where the reliability issue, as I've mentioned before, which is important to move forward on, the impact on markets, the impact on the environment, specific environmental aspects of the route chosen compared to the alternatives. All of those risk factors will have to be managed in such a way that we can continue to provide reliable, clean power with a good reputation for the corporation.

Mr. McFadyen: Given that we are in the early stages of that environmental review and the licensing process, I wonder if you can then just confirm that, in the event that persuasive arguments are made by either international organizations or Manitobans or others, that the west-side route is unacceptably damaging to the environment and damaging to the province in other respects, are you open to abandoning that option.

Mr. Selinger: Well, once again, there has been a decision to proceed with the west side. I think hypothetical questions that are unduly speculative really are a little too early to be discussed. I think we have to proceed to increase the reliability of the corporation, which we said earlier, a decision which had been not acted upon for many, many years even after serious incidents have occurred. It's incumbent upon all of us to find a way to move forward to increase the reliability. It's also incumbent upon us to do it in such a way that we don't take away opportunities to protect unique and intact, and some would call pristine boreal forest areas, and the opportunity to get a world class designation under UNESCO for what they call a landscape that has universal value.

Thirdly, it's important to proceed in such a way that we have the ability to market our product to our customers, a product with a good reputation, a good image and a good, quality product in terms of the fact that it's hydro-electricity and it displaces greenhouse gas alternatives.

So, all of those things are factors that have to be considered. It's not a one factor, singly. It's a complex of factors that have to be considered. As you know, we've talked about this earlier, any application to proceed has to be part of a full review by the Clean Environment Commission, which has people on it that act with impartiality and integrity and in the public interest of Manitoba.

Mr. McFadyen: So can you just confirm: you don't know at this stage, one way or another, whether the Clean Environment Commission would prefer the east side or the west side?

Mr. Selinger: I think, once again, we've never tried to second-guess what an independent body should do or what judgments it would have. It would be, I think, irresponsible to try and do that. I think they have to do their work and follow the proper process and render their decisions.

Mr. McFadyen: Since you would respect the process and have no idea at this stage what they might decide, how can you then use licensing risk as an argument for west versus east?

Mr. Selinger: Well, as we said earlier, there is experience in other jurisdictions of what happens when something becomes a cause célèbre. I think the question can be reversed: how could you discount those considerations in any choice you make? You have to make a judgment based on a variety of risk-management factors and without second-guessing, necessarily, what a body would do, but, at the same time, proceeding on something that has a chance of not only being successful, but will reduce risk for liability, will not bring reputational damage to the corporation or to the province, will continue to maximize opportunities to protect the environment and achieve designations which have long-term benefit to the province of Manitoba in terms of what that could do in terms of economic development, eco-tourism and green economic development, and, perhaps equally as important, to ensure that markets are willing to buy the product and accept that that product will have value to them and be prepared to pay a market return price for that.

* (19:30)

We've heard testimony from the president of Manitoba Hydro that those markets are very important to us, and earlier tonight we heard a suggestion that if something becomes too much of a hot potato, in effect, that there are other alternatives that might be pursued that could put the profitability

of the corporation at risk and the result of that could be a very negative impact on rates and Manitobans and the customers that consume that product in Manitoba.

Mr. McFadyen: Two weeks ago, Manitoba Hydro, in response to questions pursuant to the PUB process, said that the western route, because it is 50 percent longer, has and I quote, a greater probability of being interrupted by weather-related events, end of quote.

So the western route has a greater probability of being interrupted by weather-related events. Is that a risk factor you've considered with respect to your preferred western route?

Mr. Selinger: Well, Manitoba Hydro has themselves identified that as a risk factor in their technical review of what route they would have preferred. This is ground we've gone over. We know that at the engineering and technical level that a shorter route was to be preferred by Manitoba Hydro. We also know that in previous decisions to do routing they didn't choose the shorter route. They chose the Interlake route, which was longer, as opposed to the east-side route. So these factors were always on the table, and the corporation and the governments of the day make decisions what they think is in the broader public interest, given all the factors, not just the technical ones. They are important but other factors are important as well.

Mr. McFadyen: Just further to what the minister characterizes as technical quote unquote issues. Hydro said two weeks ago and I quote, further a western routed bipole is generally closer to the existing bipoles 1 and 2 in northern Manitoba than an eastern routed line. So the chances of all three bipoles being interrupted from a weather-related event are greater with a western routing, end of quote.

Has the minister factored in the risk of the interruptions in choosing the west side over the east side?

Mr. Selinger: Well, the west-side route is what's being considered by Manitoba Hydro for a west-side route includes a very wide swath of territory. Presumably they would pick a route that managed risk in terms of reliability to reduce the reliability risk as much as possible. That's the whole point of doing a third bipole and that's the whole point why we believe, based on recommendations and concerns by Hydro, that we have to act on a third bipole. It has

been sitting on the books as a concern for many years. Now it has to be acted on.

The reality is that a third bipole will dramatically improve the reliability of the product, not only to Manitoba customers but to export customers as well. The route that is chosen will have to ensure that there is risk that's managed between the existing bipoles, which are right together down the Interlake. We must remember when they were built that was probably the highest risk was to build them together. At that time that was the decision to build them together.

There could have been a decision at that time to build bipoles 1 and 2 in routes that were farther apart in order to manage risk. But they decided to build them together. Now we know that it would probably still be cheaper or easier to put it down the Interlake, but that wouldn't do the job of addressing the reliability risk. So another route is to be preferred other than the Interlake route at this stage of the game unless technologies, cost-effective technologies are available through an Interlake route that would reduce that reliability risk.

Mr. McFadyen: Is it the minister's view that power interruptions are merely a technical issue?

Mr. Selinger: Well, power interruptions are a serious issue of reliability.

Mr. McFadyen: If there's a greater risk of power interruptions on the west side than the east side, which you say is a serious issue, then I wonder what are the reasons on the other side of the ledger given that there's a greater probability of power interruptions with your western route than the eastern route. How can you justify that?

Mr. Selinger: Well, I don't think the member wants me to go back into the detail that I've mentioned earlier, but there are three types of risk that are being addressed here. One is reliability risk over the base case. The do-nothing option really doesn't seem sensible anymore. The do-nothing option was the one pursued when you were in government. Now we have to move beyond that. We have to actually move to the do-something option to increase reliability. The do-something option is the worst reliability option at this stage of the game, giving existing cost-effective technologies would be to build a third bipole in the Interlake, which was done when one and two were put together.

The recommendation is to look at something that provides separation between existing bipoles. So that's risk No. 1 that needs to be managed. Risk

No. 2 that needs to be managed is that relating to the environment and the potential of having the boreal forest protected on the east side where it has some unique universal outstanding characteristics. The third risk that needs to be managed is the risk to markets and the reputational risk that relates to the ability to sell product into other markets. All of these things interact with each other, as we know.

What we're trying to avoid is the scenario that you seem to prefer, which is one that could create a perfect storm, where you would have increased reliability risk because of the controversy around it, delays in building it, increased risks to the environment because the boreal forest on the east side would be under attack and increased risk to markets because of the controversy that would flow out of that that might actually reduce the ability to sell product into those markets which would have enormous financial risk to the corporation and to Manitobans. So all of those things, that perfect storm scenario, seems to be advisable not to enter into that scenario, but to proceed to address reliability, environmental values, as well as market and reputational issues in a way that unpacks those issues so that there's the best chance of succeeding on all three of them.

Mr. McFadyen: Leaving aside base case, you've been in government for eight years and you've had every opportunity to move forward with a decision. But we're pleased that you are moving forward with a decision to build a third bipole.

You've identified three risks that need to be managed. We're talking about east side versus west side. We're not talking about the single west-side option that you've provided to Hydro versus the current status quo. We're talking about east versus west. So, on the first risk, do you agree with what was written by Manitoba Hydro two weeks ago that the west side has greater reliability problems than the east side?

Mr. Selinger: Well, once again, the member likes to isolate the discussion to east side versus west side. I think the most important place to start—

An Honourable Member: Really?

Mr. Selinger: The member likes to ignore the fact that the base case was nothing was happening. There had to be movement forward on the reliability risk management scenario. The option that was the least preferable was the Interlake option because it brings it into direct contact with the existing bipoles.

The alternative that needs to be pursued is one that provides separation between the existing bipoles and a third bipole. The west-side option, in the wide corridor that's being looked at, provides for that alternative.

Mr. McFadyen: We get that there's a need for a new bipole. There's no debate about base case versus west side. If we have the option between having no car or a car, most of us would want to have a car. If the issue is a choice between two cars, one of which is way more expensive, way less reliable, takes longer to get and is less fuel efficient versus one that is less expensive, more reliable, faster to get and more fuel efficient, I would think that most logical people would choose the latter option and so that's why we're having this debate. It's a completely disingenuous issue to argue base case versus moving ahead with a bad west-side option.

I want to ask you again, as between east side and west side, you've identified three risks. Hydro says that west side is less reliable than east side, so that's the first risk you've identified. So that is in favour of east side. Would you agree that, on the reliability argument, east side is better than west side?

Mr. Selinger: What I would say is that the important decision was to move forward off the base case, which was the do-nothing case.

An Honourable Member: Nobody favours that.

Mr. Selinger: Once again, it's important that we started from nothing having been done for a long time. There was a growing concern about increasing the reliability of Manitoba Hydro. A route had to be chosen that would increase reliability, as opposed to the do-nothing option. Then the question was which is the preferable route, considering a broad array of factors, of which I've identified three primary ones.

The first one was the reliability issue. We know that reliability is improved and efficiency gains are achieved by building a third bipole. That is—

* (19:40)

An Honourable Member: What about versus east side?

Mr. Selinger: We know that by building a new bipole, wherever we build it, we again, except through the Interlake perhaps, that we increase our reliability and we increase the efficiency of the system. We know that on the east side the risks that could come together there, in a possible perfect-storm scenario, could make it impossible to increase

reliability in a timely fashion. You insist that it could be built faster on the east side. There is actually no evidence to support that, given the other factors at play here. So that's where there's a major disagreement between us.

We also know that on the east side there are some unique and universal outstanding environmental values that need to be protected which you seem to think are not at risk here, and I think that's another fundamental difference. We do think that those values are at risk.

Thirdly, we think that that risk could interact with the ability to maintain and increase our markets outside of the province which would increase the profitability of the corporation, which I think there is an interaction between the controversy that could be generated on the east side and the ability to maintain market share in terms of our exports. That's something else that I think you underestimate the risk attached to that. So we are saying that we're choosing a methodology here and we're asking Hydro to consider a west-side corridor that will reduce the risk to markets, that will reduce the risk to environmental values, and increase reliability.

Mr. McFadyen: To the minister: He's indicated that there could be a perfect storm and could be a lot of opposition to the east-side route. Would the minister entertain the possibility of putting both options in front of the CEC and see what happens, so that we can get out of theoretical speculation and into reality?

Mr. Selinger: Well, actually, if we want to get to reality, we have to choose an option and proceed to do the due diligence around that. You can't have every option on the table at the same time. The resource requirements for that would be quite extraordinary. You have to pick an option based on good public policy objectives that will increase reliability, reduce environmental risk, and reduce risks to reputation and market, and you have to proceed with that. That was done after there were careful consultations done. That was done after there were broad area planning activities entered into. That was done after there was assessment done of the risk on the east side.

You know, the member suggests that there are changing levels of support on the east side and that is true. I mean there have been some people that have come forward and you've put some of those comments on the record in the Legislature, but there's also been a growing awareness of the need to

protect boreal forest. I mean, there are changing conditions as we go forward, and the reality is you have to pick an option and proceed on it and then try to take a look at all the factors that will come up through that process and see what can be done to address them.

Mr. McFadyen: Given that the east-side option has been under study and analysis for more than 20 years and that the detailed work has been done, including examination of all of the impacts of an east-side route, I would just ask the minister: Given that the western route is going to cost hundreds of millions of dollars more, given that it's going to be less reliable, given that it's going to take longer to complete, given that it's going to result in more line loss, why not just put all the detailed work done on the east-side option in front of the Clean Environment Commission and see if the theoretical perfect storm arises?

Mr. Selinger: Well, once again, I think to take the considerations up to now and just toss them in front of the Clean Environment Commission, I don't think they'd be very impressed with that kind of a presentation. Anytime you put a submission for an environmental licence in front of an environment commission, there is an enormous amount of due diligence that has to go into that. There's an enormous amount of technical work that has to go into that. There is an enormous amount of cost that goes into preparing those kinds of submissions, and I think that the approach the member is suggesting would ensure a lot of difficulty for the corporation if they proceeded that way.

Mr. McFadyen: So is it your view, then, that putting the 20 years' worth of analysis that's gone into the east-side option in front of the Clean Environment Commission for consideration is going to cost more than \$410 million in two years?

Mr. Selinger: Well, once again, we have a disagreement about whether the two years is a realistic assumption that can be made, and it's only an assumption at this point.

Once again, there is a fundamental difference about that assumption based on experiences in other jurisdictions, the most recent one which we've seen in Alberta where, after all the work had gone in, that option had to be withdrawn because of the controversy generated around that and just the enormous amount of resistance to that. The \$400-million cost of building a longer line is one that we've said would be more expensive in a perfect scenario, but it also acknowledges the fact that it

would avoid other kinds of costs that could attach to a controversial east-side decision. It avoids risk to our markets which could cost us \$5.5 billion in lost revenue over 10 years.

So these are factors that had to be considered. It's not a stand-alone additional cost. It's a stand-alone cost that preserves revenues that allows us to enhance markets and to increase sales to our customers. Those are positive things. As we've said earlier, one of the earliest pieces of information we had is that the west-side route would have a 75-, 76-megawatt gain in efficiency which will allow more power to be sold to our customers outside of Manitoba, which in itself would cover the cost of the west-side line. That was a statement that was put on the record by the corporation early on in our discussions.

Mr. McFadyen: So we are never going to know what opposition will arise to the east side because the government is not going to allow that proposal to be put before the CEC.

The minister has made reference to other projects in other places being stopped by regulators. Can the minister just outline what was the basis for the controversy in the Alberta scenario that he continues to refer to?

Mr. Selinger: Well, I was simply illustrating to the member an example of what can happen to any of these kinds of applications and the opposition. Once again, neither of us was there in terms of the details of it, but the opposition was one that they didn't find that that line was suitable for that environment at that level. They wanted a route that was less negative in terms of its impact on those communities. The alternative that they wanted to choose, I believe, was one that made more use of existing corridors and existing infrastructure which would be somewhat similar to some of the positives that could be pursued on the west side. It's well acknowledged, I think even by the member himself, that the west side has more development over the last 90 years of mining and logging and roads, and there are existing transmission corridors over there. So, overall, there is less intactness. There is less undisturbed boreal forest on the west side. There are, however, environmental issues that have to be addressed, but there is also clearly more development on the west side that would suggest that a hydro transmission line would be more readily accepted.

Mr. McFadyen: In the Alberta situation, the line that was rejected was on a corridor between

Edmonton and Calgary. As I understand it, the basis was that the company was engaged in practices that the regulators and the courts found distasteful in terms of the approach to the application, including surveillance of impacted landowners. Does the minister think that's a good analogy for what might happen in Manitoba?

Mr. Selinger: Well, the member will note that I didn't discuss those aspects of the difficulties out there, and some of those issues were going on, including with the regulator. That was one of the dimensions out there, but there was also just concern about the hydro transmission line, its impact on the environment in the areas that it was going to go through. They were the points that I was referencing which were pertinent to the situation here.

Mr. McFadyen: Is the minister aware that some of those concerns arose from the fact that there were communities in the vicinity of that route who were concerned about the routing of a high transmission line close to highly populated areas?

Mr. Selinger: That may very well have been the case. I'm sure it was. I think what the communities out there were saying was they would prefer transmission lines to go into areas where there was already existing transmission capacity and there were already existing routes and there'd be less disturbance of them.

Mr. McFadyen: Well, the concern was that people didn't want major transmission lines in the vicinity of populated areas. Given that the west-side route is going to run in the vicinity of populated areas, isn't the lesson from Alberta that you should try to route transmission lines where you have fewer people?

* (19:50)

Mr. Selinger: That might be the member's conclusion. I think the broader lesson is that you should try to choose transmission alternatives through a process that builds consensus and support from the communities that are impacted, as well as avoiding environmental issues; that increases reliability and protects your reputation and your markets. I think that would be the broader lesson.

Mr. McFadyen: I just want to just come back with some technical questions to Mr. Brennan. The prospect or the idea of running the next bipole line underwater has arisen in the public domain recently. I know it came up at committee last time. I wonder if you could just briefly address Hydro's analysis of

that as a potential option, as an alternative to the two routes that are currently being debated.

Mr. Brennan: Before the article in the paper I was told that the costs would be significantly greater to do an underwater transmission line from the north, especially that long. After the article appeared in the paper, being a chartered accountant and not an engineer, it sounded like something that I should find out more about so I asked about it, and the problems associated with it are just totally humongous. They're just huge.

The cost is—an estimate which appears to be on the low side is about 10 times as high. The weight of the cable is such that you can't move it except in very small pieces and it has to be spliced together. It is an oil-filled cable so there's environmental concerns. The whole thing just appeared to be a no-starter.

Mr. McFadyen: Thank you, and one other question. There was a CBC story last week from an engineer who had visited Japan, who said that there was the possibility of technology that would allow cables to run underground. My initial reaction was, given that we're talking about thousands of meters of rock covered by a couple of feet of dirt on the boreal shield, it was that it seemed impractical. But I wonder if you're aware of that option or technology and whether you might have any comment on that.

Mr. Brennan: Yes, I asked about that one as well. It could have some merit should there be something that's just totally impossible to proceed with. The cost of that is also pretty high. When you go to go underground, you need a substation, and when you come back up and convert back to an overhead wire, conductor, you would need another one. It just didn't seem to be very practical. It would be if you just came up with something that just, you just didn't—you found impossible to have an overhead conductor going by.

Mr. McFadyen: Can you just indicate what is your estimate of the percentage of the east side boreal forest that would be impacted by an above-ground traditional bipole transmission line?

Mr. Brennan: I'm doing it just off the top of my head, so the actual boreal forest is virtually the whole line if you are on the east side. On the west side, the boreal forest is a smaller part near the top of the west side, then there are the boreal plains that are not as pristine as the boreal forest, and that's what Mr. Farlinger was referring to in the report.

Mr. McFadyen: Is it possible, in order to mitigate the impact on a forest arising from a transmission line, to take steps such as allowing for more undergrowth and other measures that might minimize the impact of a transmission line on a forest, other narrower corridors, more undergrowth, or other steps that could be taken if we assume, which we all do, that there's value in protecting the forest, even though it might give rise to slightly less convenient access for maintenance and upgrade? Is it possible to do those things if one was committed, as we all are, to doing what we can to minimize the impact on the forest?

Mr. Brennan: I think there are things that you could do to mitigate the impact on the forest, some of which are probably more reliable than others and some might have a reliability risk. I think if we had a—if we were ever to study it we could probably come up with some options that would at least mitigate that. Having said that, reliability is really a major issue now, and we should get on with an option that's acceptable. Certainly, without the east-side option, we should get on with the west side as soon as we possibly can.

Mr. McFadyen: I'm going to turn it over to the Member for Minnedosa (Mrs. Rowat). I might have a couple of questions toward the end, but I'm done for now. Thank you, Mr. Chairman.

Mrs. Leanne Rowat (Minnedosa): The question that I have is posed to Mr. Brennan. You had just indicated that time is wasting on movement on the west side and that there seems to be a sensitivity to move the project forward. You had indicated that Manitoba Hydro did not complete their meetings on the east side.

Can Mr. Brennan provide to us the number of communities he did meet with on the west side—or on the east side, sorry?

Mr. Brennan: I'd have to get that for you. We have a record of where the formal consultations took place. There was a separate group looking at that. In addition to that, I met with a—I think they were more tribal council meetings and groups of First Nations together, about three or four of them. But the actual formal consultations I'd have to get back to you.

Mrs. Rowat: The east-side chiefs have maintained that the meetings did not outline the possibility of a bipole line on the east side.

Can you indicate to me what level of involvement your meetings would have played with those communities, or are you aware of the level of involvement the government had in relation to the discussions on bipole 3?

Mr. Brennan: There were three sets of consultations taking place. There were Manitoba Hydro consultations; there was the east side planning group that was also having consultations; and then the government itself had consultations. Manitoba Hydro's consultations were only around the bipole and the transmission line. That's all we talked about was the transmission.

Mrs. Rowat: So, based on what you're saying is that Manitoba Hydro's discussions were specific to the bipole line on the east side. Based on your earlier comments, you had indicated that there were mixed comments coming from the communities.

I guess I would like to know, the meetings that you did have, what type of guidelines or what type of outline was used in the discussions on the east-side bipole? What were the discussions? What type of comments were you looking for from the communities and what type of questions were you asking the communities to participate in dialogue?

Mr. Brennan: As I mentioned, there were two types of consultations done by Manitoba Hydro. The ones I was doing, which were more a description of what we're proposing to do, how we are proposing to get First Nations involved in the process itself, how we intended to get them involved in the building of the line and later operation of the line and that sort of thing. We had a discussion of what we were proposing to do, after which there was a question and answer period.

* (20:00)

In the case of the ones that were formally done as consultations associated with the line, there was a fixed process that we went through for every community. The whole process involves about three or four—well, probably even more than that—consultations with the various communities for any transmission line.

Mrs. Rowat: Mr. Brennan, would you be willing to share the guidelines that you used in this process?

Mr. Brennan: I don't see any problem with that. We're probably using the same ones on the west side, so I can get those ready.

Mrs. Rowat: Mr. Brennan, could you indicate to me what some of the challenges were that the communities identified on the east side?

Mr. Brennan: I'd have to go back. The meetings I had the concerns were mainly focussed around what kinds of impacts would be involved for the community and what kinds of benefits would the communities get out of it.

Mrs. Rowat: Recently, there have been a number of First Nation communities that have gone on record over the past several months favouring an east-side line, and recently there was a letter from MKO North, which represents all the northern Manitoba First Nation communities, stating that all of the east-side First Nation communities that they represent are in favour of an east-side bipole route. Over this period of time there hasn't been a single chief go on record opposing the line.

I would just like to ask Mr. Brennan: Does he have any documentation to show that any of the east-side chiefs have stated an outright opposition to the bipole line going along the east side?

Mr. Brennan: Yes, there is one First Nation that's been opposed to the line all the way through. As far as I know, they still are opposed. It's the one that's most prominent, and that's Poplar River.

Mrs. Rowat: In my discussions with the communities are on the east side, it would appear that the opposition from the Poplar River First Nations is softening. MKO has issued a proposal that would allow for an east-side route avoiding Poplar River traditional lands and have minimal impact on the proposed UNESCO World Heritage Site. Has Hydro explored this option, and have they been in discussions with MKO?

Mr. Brennan: We continually have discussions with MKO. We have not talked about the routing of the line since the decision was made to come down the west side.

Mrs. Rowat: So, based on your comments and based on earlier comments, can you please confirm then that you have not had discussions with MKO or Poplar River First Nations since 2003 or 2004? If I have the dates wrong, can you please confirm the last opportunity that the east-side line was discussed with either of those communities or groups?

Mr. Brennan: We've had no discussions since 2003 regarding the actual possibility of building a transmission line on the east side.

Mrs. Rowat: So, Mr. Brennan, based on the recent softening of the Poplar River east side and based on MKO's tabling of a route map, those discussions have gone to the wayside because all negotiations are off, is basically what you're saying on looking at an east-side opportunity or proposal?

Mr. Brennan: Once the east side was not available to the management of the corporation, we did not pursue that.

Mrs. Rowat: On page 2 of the document that was shared today by the minister and Manitoba Hydro, page 2 indicates that the west and south of Snow Lake, the position of First Nation on the west side is unknown. Based on that comment, plus the comments that were shared by Manitoba Hydro to MIPUG in their questions to Manitoba Hydro that the longer route will involve dialogue with a larger array of local governments, towns and villages, and that the estimated time frame will be estimated to add one year to complete the multi-year public consultations, can the minister indicate to me, based on your earlier comments about time lines and sensitivity, can Mr. Brennan share with me how many man-hours Manitoba Hydro has spent negotiating with the west-side chiefs on the topic of compensation for traversing traditional First Nations lands on the west side?

Mr. Brennan: We have not started our consultations with the communities on the west side. We're proposing to start that in January.

Mrs. Rowat: Can Mr. Brennan please provide for me how many kilometres of traditional First Nation lands does Manitoba Hydro expect it will traverse on the west-side route?

Mr. Brennan: I'll have to get that number for you.

Mrs. Rowat: The Premier (Mr. Doer) has maintained that the First Nation ownership of the line is not on the table for negotiations of a bipole route. Is this an admission of failure of ownership model of the Wuskwatim Agreement? How would you interpret that comment from the Premier?

Mr. Brennan: Manitoba Hydro all along has not contemplated First Nation ownership of the transmission line. The model with Wuskwatim, from our perspective, is something that we're really, really proud of and certainly hope it proceeds. I really believe it will be a model that in some form will be adopted for any kind of natural resource development in the country.

Mrs. Rowat: One further question and then I'll let the Member for Turtle Mountain (Mr. Cullen) ask a few questions.

Will Manitoba Hydro be offering compensation to the west-side First Nations community or private landowners for access to a bipole route on the west side? If so, how would this compensation differ from that which would be offered to the east-side communities?

Mr. Brennan: We pay compensation for any private land that we go through, no matter where it is, and we would continue to do that.

Mr. Cullen: We discussed earlier some feedback from people who were opposed to the east-side proposal. I know we've asked the Premier from time to time for any customers of Manitoba Hydro, if there are any customers of ours that disagreed with the east-side proposal. I'm wondering, Mr. Brennan, if you could point out if there are any customers that have raised that specific issue.

Mr. Brennan: No. No customers have specifically raised the issue of anything Manitoba Hydro does within its own area. I think my concern with our customers is if a problem comes up and it's a problem that we think we're having, or they think we're having difficulty managing, it would cause them to look at other options within their own system other than Manitoba Hydro as being a purchase option. That concerns us very, very much.

As I mentioned earlier, anybody who's only concerned about the rate of return doesn't have a real concern like Manitoba Hydro does with the least-cost option. They would just go to the next item in their sequence and pass that customer on to the—or the cost on to customers and get their normal returns. As a matter of fact, in a lot of cases, American customers are giving up something on the rate of return because they're not investing capital in their own system by buying from Manitoba Hydro.

So I think we have a good, reliable product that's well considered, and we certainly want to keep it that way.

* (20:10)

Mr. Cullen: Just to confirm then, Mr. Chair, there have been none of Manitoba Hydro's customers specifically concerned about the east-side-proposed bipole 3 when it was proposed by Manitoba Hydro or the proposed UNESCO Heritage Site.

Mr. Brennan: As I mentioned, the concern would come if there's some kind of an outrage or some kind of a public concern about what we're doing, and that is a real major risk that the corporation and, certainly, all our stakeholders should be concerned about.

Mr. Cullen: Mr. Brennan, you pointed out earlier that, and maybe you can just clarify, you were out consulting with the First Nations communities on the east side because that was the proposal, the original proposal. What year did you stop the consultations with the First Nations communities on the east side?

Mr. Brennan: It was 2003.

Mr. Cullen: That corresponded with the Province going in there and having some discussions on the East Side Planning Initiative. I'm just wondering if the government, when they were in consulting with the First Nations communities regarding the east side planning at that time, did the Province of Manitoba, in their consultations, have a proposal for a bipole 3 running on the east side as part of their consultation package? Did they actually propose a bipole 3 as part of the consultation package?

Mr. Selinger: There was a different minister at the time, but as I understand it, the communities themselves had expressed concern about Manitoba Hydro being in there doing their consultations on the east-side bipole. They had, as early as 2000, started into the WNO, the broad area planning process. They were saying, Hydro's out here doing this bipole thing, we're in this WNO broad area planning process, we would like those two things not to be conflicting with each other. So the government went in to listen to the people on the east side and all of their concerns. One of the pieces of feedback they got from many of the people over there was that there was a great concern about the bipole proceeding down the east side.

Mr. Cullen: Would it be safe to say that there was some confusion at the time, then, when the government was in at the same time discussing east side planning and Manitoba Hydro being there discussing their proposal?

Mr. Selinger: I think they were expressing concern that the broad area planning process and the Hydro consultations were clashing with each other. They wanted the broad area planning process to be proceeded with without the other thing going on at the same time. The government's involvement over there was to listen to them as to what their concerns

were and where they wanted to go with all of this. The conclusion that the ministers and government came out of it with was that there were major concerns from many communities that they met in about an east-side transmission line.

Mr. Cullen: So, once Manitoba Hydro ended their consultations in 2003, did Manitoba Hydro, the corporation, go back and do any follow-up in terms of a proposal or was there any follow-up after that time?

Mr. Selinger: Well, I think you're posing the question to Manitoba Hydro.

Mr. Brennan: No, we did not.

Mr. Cullen: I appreciate the response. We talked a little bit last meeting about Wuskwatim. Recognizing that there've been some issues come to light there in terms of securing a contractor, I wondered if that particular issue that's come to light in terms of securing a contractor, is that going to be setting back the completion date for that particular dam?

Mr. Brennan: If it goes on for an extended period of time, it will. At this point, it is not. There was on the table an option to advance it as a result of doing it in a different way, and that's being pursued with the contractor. At this point it hasn't, but if it goes on for an extended period of time, it will.

Mr. Cullen: It would appear that there's going to be a significant increase in cost to that particular facility. Would you care to comment on what kind of financial impact it's going to have in terms of just having that one contractor?

Mr. Brennan: What we're proposing to do before we commit to having a general contractor come in, we're proposing to take to the board of Manitoba Hydro an estimate, along with a contract, and look at the benefits of the entire project. We'll be doing it at that time.

Mr. Cullen: Are you saying then, that that entire project is going to be re-evaluated?

Mr. Brennan: No. What I am saying is we're making sure the board of Manitoba Hydro has all the knowledge it needs to make a decision and we always try to do that.

Mr. Cullen: Another issue that's certainly before us downtown here, and it's under construction, as well, is your new office building. We're certainly looking forward to having a tour of that facility sometime in

the near future and I'm just wondering if you could comment on a completion date.

Mr. Brennan: We're still proposing to have the completion date, which will allow us to start having some people move in starting in June of this year. It sounds like it's pretty aggressive, but by the middle of June all the glass will be, or middle of January, all the glass will be on the building so it will be closed in and we're expecting to move the first people in at the end of May, or starting in June.

Mr. Cullen: At our last meeting you alluded to the fact that it looked like you were going to be over your budget amount. Do you have any estimate of where the final dollar amount is going to be for that particular structure?

Mr. Brennan: I sure hope I didn't say that. Our present budget is for \$278 million and we still have that as our budget. We're on schedule to meet that and I'm hoping that it'll be right on schedule.

Mr. Cullen: Okay, thanks. Well, we certainly will look forward to hearing that and seeing how that turns out.

I want to get back to your—

Floor Comment: Can I just add to that?

Mr. Chairperson: Mr. Brennan.

Mr. Brennan: I think, with the rising costs in the construction business, I'm really pleased with the way the building is going. I think we're going to have a really great building, and I'm pleased with the way the costs have been contained in this wild environment we're in.

Mr. Cullen: I appreciate your response.

Getting back to our earlier discussion, your indication about the requests for proposals on the wind energy projects, I'm just wondering when you expect those particular requests will be submitted and when you intend to move forward on those particular requests.

Mr. Brennan: We are hoping to have the—well, we're expecting, and the schedule provides for those to be in in late January, and we would like the board to approve our direction by March.

Mr. Cullen: Can you provide the committee an idea of how those particular, those specific companies were selected, or those specific locations were

selected? What was the criteria used for your selection?

Mr. Brennan: A whole series of criteria. The two most important ones are price and transmission costs related to our system to get the wind power into our system.

Mr. Cullen: When you evaluated the 84 submissions, did you have written criteria that you used, that Manitoba Hydro used to evaluate those?

* (20:20)

Mr. Brennan: Yes. They used a series of criteria to do that and went through the exercise of looking at how the various proposals met against that criteria, the two most important ones being the cost associated with it, as well as the cost associated with transmission in getting it into our system. Those are pretty important criteria.

Mr. Cullen: Mr. Chairperson, I just wondered if Manitoba Hydro would share that rating process, that criteria with the committee.

Mr. Brennan: I think that's a pretty competitive thing that it'd be very difficult for us to do. We expect to go out and get more wind after the 300 megawatts. That's something, you know, I think we can be transparent, but we shouldn't be silly either.

Mr. Cullen: Yes, I'm not referring at the specific submissions. You would provide the analysis on each specific submission. I just kind of like to have it in the context of what Manitoba Hydro is looking at in terms of their logic for making certain criteria and making those selections.

Mr. Brennan: If I was a wind developer, I'd be concerned about those two main criteria I talked about, and that is the actual cost of power to Manitoba Hydro and the cost of any related transmission, both for the developer as well as for Manitoba Hydro. Those are the two main ones, and those are the ones that will make anyone fly.

Mr. Cullen: The Premier (Mr. Doer), within the last two weeks, when questioned about wind energy in Manitoba, made the comment that the numbers don't work. I'm just certainly concerned about that particular comment. Obviously, the 84 submissions that were received by Manitoba Hydro, those particular companies and individuals associated with it certainly would have some reservations.

I'm just wondering, from your perspective, is that a valid concern in terms of the numbers, in terms of wind energy production here in Manitoba?

Mr. Brennan: I didn't hear the Premier's comments, but I'm really pleased he said them.

Wind power is something that has to be compared against hydro power. Most people certainly like wind power. Wind power is something that everybody seems to be able to relate to. Having said that, we have to compare it against the cost of the main alternative we have which is firm, reliable hydro. We got a real good wind resource in Manitoba, but because of the capacity factor of wind it doesn't have the same cost as some of our hydro options. Certainly, in time, as we get through the least expensive hydro we have and get into more expensive one, the wind resource we have in Manitoba can be really, really capitalized on. So I think we got a real good wind resource, and I think we should integrate it into our system as it's cost effective.

Mr. Cullen: In terms of cost, and I don't want you to put yourself in a place where it would negatively impact your discussions that you're having with these developers, can you give me kind of a rate where companies in Manitoba can generate electricity? I'm looking for a range and a rate per kilowatt. Can you kind of give me a ballpark of what the expectation would be?

Mr. Brennan: I think it'd be a little unfair to those people that are trying to come up with a price now that we want them to submit by the end of January. When we went out with our original proposal though there was a price in there that could be used.

Mr. Cullen: Well, what I'm wrestling with here is, and you alluded to it, too, like, obviously, our current price that we're generating electricity for right now is pretty reasonable because we have a relatively old infrastructure. When we start adding infrastructure into the system, what kind of a rate are those new systems going to be? What kind of a rate per kilowatt are we looking at once we get Wuskwatim on and Conawapa? Can you give me some kind of a range of what we're looking at in terms of costs there?

Mr. Brennan: I think I should be real careful with numbers I do give you, but power coming from Conawapa on a per unit basis is really, really cost-effective. It would be the lowest thing in the country by far. It is really, really cost-effective. The big concern we have is we have so much power coming

from it that it would be best if we could—you know, it's not like Wuskwatim. It's six times the size of Wuskwatim, so you've got to make sure you have a market for that power to carry all that cost. But it is by far the cheapest.

Mr. Chairperson: Mr. Cullen, did you have further questions?

Mr. Cullen: Yes, I do.

So, in essence, what we're doing with these proposals is these developers will be sharpening their pencils, if you will, and you're looking for probably the least-cost option so that you can buy it at the least cost and then turn around and sell it to your markets. Is that in essence how the process is going to work going forward?

Mr. Brennan: Yes, there's a cost to making sure it's a firm, reliable product because, you know, we have to—wind power comes into our system whenever the wind's blowing. It could be at a time when we don't want to sell it because the market prices are real low, you know, in the middle of the night or something. So what we want to do is cut back on hydro, not sell our hydro, and speculate on a time when we could sell both the wind energy and hydro power at a good rate. So there's a cost to that and that's got to be factored in.

So, to answer your question, we do want to buy the power out from the producer and resell it at a higher rate but there's cost to doing that, and we'd incorporate that into the whole mechanism.

Mr. Cullen: The whole premise of adding a generation capacity to Manitoba hinges on having a market to sell it to. Are you actively pursuing other markets, and what is the future capacity there in terms of export markets?

Mr. Brennan: As long as we don't get into any of these environmental fiascos that we were talking about earlier, I think the market is just really, really wonderful for Hydro. The American market is very, very hungry for power. You know, there are transmission constraints that we have to deal with like that we can only use existing transmission at this point. We do have a fair amount of it to the States, you know, 2200 megawatts. So we want to make sure that's fulfilled.

Saskatchewan is a market as well, as is Ontario. So, from my perspective, I think all these are real good markets that we want to take advantage of. I

think in the immediate future you will hear more about us making good sales.

Mr. Chairperson: The hour being 8:30 p.m., this committee agreed to review the sitting time. What's the will of the committee?

Mr. Kelvin Goertzen (Steinbach): I understand there's been an agreement between myself and the minister to allow the committee to sit till quarter to nine to allow the leader of the independent party to pose some questions, at which point we'll proceed to pass, I believe, the oldest annual report that's listed on the agenda for tonight.

Mr. Chairperson: It sounds like there's a will of the committee, then, to extend the sitting time for an additional 15 minutes till 8:45 p.m.

Hon. Jon Gerrard (River Heights): A question for Mr. Brennan: At the last meeting, you indicated that the route for the west-side line is not precisely known. Do you have an estimate of when that route will be known in terms of time?

*(20:30)

Mr. Brennan: What we propose to do is go through a consultative process with all the people on the west side and that would be about three or four rounds of that. So I would think that would take a couple of years to come up with, you know, a good route that is sensitive to people's requirements.

Mr. Gerrard: Will there be a look at the cost and a much better estimate of the precise cost of that route at the end of that two-year period? I would ask, in light of what you said last time, that much of the estimate was based on a per kilometre cost on the east side, which may or may not be precisely the same on the west.

Mr. Brennan: Yes, that will happen. Having said that, deviations in the price like the cost per kilometre is relatively high and I'm sure that over the whole length of it, it won't have a real major impact—whatever route we take—but certainly it would be revised as we go.

Mr. Gerrard: I would presume that, if there was an existing transmission line corridor, the costs there are likely to be significantly lower because you've got a route that would be fairly easy to use to get environmental permits for, et cetera. For example, the transmission line from, say, Thompson to Wuskwatim to The Pas; there is a corridor that's being built as a result of Wuskwatim. It, I presume, would be a lot less additional cost to add on to a

route like that than it would be in developing a new route, for example, just south and east of Winnipeg itself.

Mr. Brennan: I think the cost of the route itself is, in percentage terms, a relatively small part of it. The cost is quite low, of course, if we go through Crown land versus private land. I don't think that that would have a material impact. I really don't.

Mr. Gerrard: Is there any work currently being done on the east-side option?

Mr. Brennan: No. The east side was ruled out from a management perspective.

Mr. Gerrard: Question to the minister. The minister and his government have talked about putting a road on the east side. I wonder if the minister could table the route for that road.

Mr. Selinger: I'll have to get that precise details for the member, but I'd be happy to get him the information and provide it to him, what they're proposing there.

Mr. Gerrard: Okay, I thank the minister.

With the west side, on page 6, it says: "If the Bipole III line, together with converters, is built along the West Corridor, only about one-third of northern capacity could be transmitted to the south in the event of total loss of transmission on the Interlake corridor."

Could you explain to the committee why only one-third, whereas, if bipole 3 were on the east side of Lake Winnipeg, you would be able to maintain two-thirds?

Mr. Brennan: This is basically a technical issue and I'm probably not the best one to do it, but that's the maximum capability of the line on the west side. With the conversion equipment and the lines it is only able to handle 2000 megawatts.

Mr. Gerrard: So my understanding, in terms of what you're saying, is that the line which is to be built on the west side would have a much smaller carrying capacity for hydro-electric power transmission than the bipole 3 if it were built on the east side?

Mr. Brennan: That's only if there's a loss of transmission on the Interlake route. So it's a paralleling situation that would only occur should we lose the Interlake route. That's the only time this would happen.

Mr. Gerrard: Yes, I understand that this is where you have a complete loss of power transmission capability on the Interlake lines, but why is the west-side line, as proposed, so much smaller in terms of capacity under those circumstances than the east line would be if it were bipole 3 there?

Mr. Brennan: It's my understanding that that was the optimum size for the design of the line based on our system.

Mr. Gerrard: Now, I would ask Mr. Brennan if that is a reflection of the line itself or the converter capacity.

Mr. Brennan: Both.

Mr. Gerrard: Given that the west-side bipole 3 has such a dramatically smaller power transmission capacity if there was failure of the Interlake lines compared to the east-side bipole 3, that's a huge difference if there was a failure. You know, I'm quite surprised at the extent of that difference in terms of what that would mean for backup for southern Manitoba and for export transmission. I'm still having difficulty trying to understand why it should be so big and to what extent this was or wasn't taken into account in terms of the final decision.

Mr. Brennan: Certainly, in the design of any line on these, it was taken into consideration. You know, I think it'd be best to get you a technical answer rather than me trying to continue to do this. I know for sure that the entire system, it cannot be paralleled equal to the Interlake system. I know that. That's a fact, and what the exact numbers are I'm not sure about, but it's definitely less.

Mr. Gerrard: Yes, also on page 6, there's a reference on page 6 to, you know, if there was full development of the northern power capability that you would actually need a bipole 4 or a bipole 5. What is the reference to full development? Which, and how many additional dams are you referring to when you talk about full development?

Mr. Brennan: I have to remind you that this is not Manitoba Hydro's report. I think it's definitely true—what Mr. Farlinger considered to be full development I'm not sure—but we know that we got more than 5000 megawatts that's not been developed so I presume that everything that would be transmitted by DC or the equivalent of DC, that would be impacted, so I would think it probably does get into a bipole 4 and bipole 5. I'm almost positive.

Mr. Gerrard: The dams, Wuskwatim, Gull or Keyyask and then Conawapa, represent something

under 4000, so there's another thousand megawatts. Is that right?

Mr. Brennan: There's more than that. We have a map where it's all laid out though. We can provide that for you.

Mr. Gerrard: So, in terms of having a bipole 4 or bipole 5, if those were necessary in the future, could they run alongside of bipole 3, for example, if it was west or east?

Mr. Brennan: Once you get some diversity on lines you could put it almost anywhere, including going back to the Interlake because what you are concerned about is any lines going down in one particular area, and as long as you've got enough that would take care of the Manitoba load in the southern system, both through your AC transmission, any southern generation, as well as whatever DC lines you had coming down, as long as that took care of the Manitoba load it wouldn't matter.

* (20:40)

Mr. Gerrard: Because the capacity on the east-side route is much greater than that on the west-side route. We just talked about that in terms of you being able, if there was no Interlake route, that your security of power, if there's population growth, increased power usage in southern Manitoba, would clearly be greatest on an east-side power route. Is that not right?

Mr. Brennan: I'm not even sure, I don't think that's right. But I'm not sure I agreed with your preliminary part. I don't think I did. I'm not sure if I remember what you said, but I don't think I agree with it.

Mr. Gerrard: My understanding is—and it's referenced here—that if the Interlake goes down, on an east-side power line you're able to maintain two-thirds of your power capacity going to the south. If the Interlake goes down and you've got a west line, you're only able to maintain one-third. So there's a dramatic difference in the amount of power that you can transmit on the proposed east side versus a proposed west-side bipole. And in a future 30, 40, 50 years from now, if you're looking at adding another bipole, and suppose you added that bipole 4 or 5 down the Interlake, you're going to be much more restricted with the design of the west-side line if you're only able to carry one-third of the power that you need versus on the east-side line where you can carry two-thirds.

Mr. Brennan: The whole problem comes about because we can't parallel, because the technical

characteristics of the west-side line are not close to the Interlake. The technical characteristics of an east-side line are closer to that of the Interlake. That's why we have to put the conversion equipment in before we'd otherwise want to, and it's the very same reason as that. Once you put an additional generation on the system though, you'll be able to meet the Manitoba load by the additional generation anyway. So I don't think it really matters.

Mr. Gerrard: I mean, I think that you would be able to make the power so long as the lines were intact, but if you had a problem on the Interlake line, for example, then that problem would be much more severe with the west-side line than versus an east-side line.

Mr. Brennan: The real concern is making sure we can supply the Manitoba load until such time as we can fix the line. So we want to make sure that the Manitoba load is reliable until we get the line fixed, and I would think the 2000 megawatts would do it.

Mr. McFadyen: I just have two questions just arising from answers given to questions posed by the Member for River Heights (Mr. Gerrard), and then I think we're done from the perspective of our caucus.

The first is: Did I hear you correctly when you said that this report that was tabled today is not a Manitoba Hydro report?

Mr. Brennan: It is a report that was done for Manitoba Hydro, paid for by Manitoba Hydro, but it was not done by Manitoba Hydro people. Okay? It was done by an external consultant that we, you know, take a look at and use in our deliberations. That's what I meant to say. I probably didn't.

An Honourable Member: Right. That's fair.

Mr. Chairperson: The committee agreed to review our sitting time at 8:45 p.m., and we're at that point in time now. What's the will of the committee?

Mr. Selinger: I think there's one more question. Could we entertain an extension to answer the next question?

Mr. Chairperson: The committee agree to that additional one question, and then we'll proceed with the review of the reports?

Mr. Goertzen: Assuming that government members don't have any questions on this important file, but, certainly, if government members have questions, I think we would be willing to hear them as well.

Mr. Chairperson: Mr. McFadyen, proceed with your question, sir.

Mr. McFadyen: Thank you, Mr. Chairman.

Just arising from questions being asked by the Member for River Heights, and just back to Mr. Brennan on the issue of paralleling, the response provided to the question posed by the Industrial Power Users Group by Manitoba Hydro indicates that in the event the existing two bipoles in the Interlake were inoperative, the west-side route would be able to handle as much as a thousand megawatts less than an east-side route. I wonder if you can just indicate, in practical terms, what the loss of a thousand megawatts would mean in the event that the two existing bipole lines went down and we are left only with bipole 3 on the western route. Loss of a thousand megawatts: what does it mean in terms of the ability to continue to supply power to Manitobans or to export or any other practical ramification of a loss of that much power?

Mr. Brennan: I would have to look at that. I think it's a function of when it happened in terms of the time of day, that sort of thing. Also, whether there's any additional energy that would be coming down the west-side line. In other words, at that point, we could have additional generation coming down anyway. So the thousand that would be picked up, could be offset by any new generation. So it might not even be a problem.

One other comment on this particular question that I probably should have made earlier. I used to review all these answers. This particular one, I probably would've had some comments on had I reviewed, but one thing I don't think is included in here that I think should be, is if we have a major outage on the west side, it would definitely be easier to get at. We have roads and that sort of stuff. If we had to get—just even finding, you know, we'd have to get helicopters up and I'm sure they'd be going from both ends and then we'd have to get equipment in, and everything like that. If it happened on the west side, it probably would—well, I'm convinced it'd be easier. If I had've reviewed it, I would have added that.

Mr. Chairperson: Thank you, members of the committee. Mr. McFadyen?

Mr. McFadyen: Mr. Brennan, you just indicated you would come back with a response on the issue of the practical implications of a loss of a thousand megawatts. In some scenarios, it might have no impact. In others, it might. In preparing that

response, would you be good enough just to indicate what the impact of that thousand-megawatt difference would be during a typical day at peak times; if it occurred during non-peak times, overnight, or just what the range of scenarios might be when you consider your response to that?

Mr. Brennan: We certainly will.

Mr. Chairperson: Is the committee ready to proceed with the reports?

An Honourable Member: Yes.

Mr. Chairperson: The annual report of Manitoba Hydro for the year ended March 31, 2004—pass.

Shall the annual report of Manitoba Hydro for the year ended March 31, 2005, pass?

Some Honourable Members: Yes.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. The report is not passed.

Shall the annual report of Manitoba Hydro for the year ended March 31, 2006, pass?

Some Honourable Members: Yes.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. The report is not passed.

Shall the annual report of Manitoba Hydro for the year ended March 31, 2007, pass?

Some Honourable Members: Pass.

Some Honourable Members: No.

Mr. Chairperson: I hear a no. The report is not passed.

Before we rise, it would be appreciated if members of this committee, if they had no need for the reports, if they could leave them behind for subsequent committee meetings, that would be appreciated.

The hour being 8:50 p.m., what's the will of the committee?

An Honourable Member: Committee rise.

Mr. Chairperson: We thank members of Manitoba Hydro for their appearance before the committee here this evening, and we wish everyone a Merry Christmas and Happy New Year.

Committee rise.

COMMITTEE ROSE AT: 8:50 p.m.

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