

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**  
**Thursday, 13 June, 1985**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

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

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Harapiak, Parasiuk, Plohman  
Messrs. Enns, Harper, Malinowski, Manness,  
Santos, Scott

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

Marc Eliesen, Chairman of the Board  
J.J. Arnason, President and Chief Executive  
Officer  
R. Murray Fraser, Executive Vice-President,  
Corporate Services  
R. O. Lambert, Vice-President, Customer  
Service

**MATTERS UNDER DISCUSSION:**

Annual Reports of Manitoba Energy Authority  
and The Manitoba Hydro-Electric Board.

\* \* \* \*

**MR. CHAIRMAN:** Will the Committee on Public Utilities and Natural Resources please come to order?

We have reserved and withhold judgment on the passing of the Report of the Manitoba Energy Authority in case there are questions. In the meantime, we are considering the Report of the Manitoba Hydro-Electric Board.

The Member for Lakeside.

**MR. H. ENNS:** Mr. Chairman, I suppose it would be reassuring to know that Manitoba Hydro is in a position to continue providing electrical service after this morning despite what happens in some Supreme Court.

**MR. CHAIRMAN:** Anybody care to answer the question?

Mr. Minister.

**HON. W. PARASIUUK:** Certainly. — (Interjection) — That's right. We'll treat this like liquor, you see, there are legal ways and illegal ways of providing necessary services and we'll certainly do our best to ensure that the needs of Manitobans are provided, but hopefully we'd like to do it in a legal way.

**MR. H. ENNS:** There's a small reference to it which seems to be occupying many people's minds this morning.

Mr. Chairman, through you to the chief executive officer, the President of Manitoba Hydro. Since last this Committee met there has been a reasonable amount of statements made in the public domain with respect to the need for the requirement of future rate increases.

I recall in the last Committee, one of the officers of Hydro, Mr. Duncan, I believe, or pardon me, Mr. Fraser provided us with charts that indicated the requirement that Manitoba Hydro would have to do two things. Primarily, to carry out the direction that Mr. Arnason, chief executive officer, referred to it in his report with some pride, that is to make sure that the utility operates on a level where revenue recover costs. It's understandable to cite variations from time to time, but that is, I think, the express direction that I think is supported by all of us that the utility should essentially recover, through its revenue base, appropriate costs of running the utility.

The graph also indicated that in order to maintain a reasonable reserve - I appreciate the word 'reasonable' is open to interpretation, but I acknowledge and accept the interpretation that Hydro experts put on it - as I understand it a reserve fund from Hydro's point of view is adequate if it can offset the severe fluctuations of two bad water years, two drought years, and that the reserve fund then would be of size and substance to withstand any fluctuations in consumer and in general rates in Manitoba Hydro.

It's my clear understanding from what I have listened to in the media reports since the last committee meeting and from my recollection of last meeting, the Hydro spokespersons, principally Mr. Arnason is indicating that a 5 percent annual increase is required to make these stated objectives by Manitoba Hydro.

The Minister and the government have indicated otherwise and again in the public domain. As recently as a few days ago in the House, I had occasion to ask the Minister this very same question. My question really is this, and I direct it in the first instance to Mr. Arnason: The Minister and the government are indicating that it is their hope and their belief that future rate increases will be possible to be constrained to below inflation costs, holds out the possibility that if inflation costs are running lower, then the figure would be that particular one; if inflation costs are higher, it would of course be another one.

The point that I'm getting at, and this is what troubles me - I would like to believe that the 5 percent figure that Manitoba Hydro officials gave us was not just an arbitrary figure reached out of the sky that looked good, but indeed met specific requirements of Manitoba Hydro and were required to meet a specific objective of replenishing a reserve fund to a specific level that Hydro, in their best wisdom, agreed to as being an appropriate one. It has nothing to do - of course it has something to do with inflation rates, but these were revenue recoveries that Hydro felt were necessary at a particular level.

I simply would ask the President of Manitoba Hydro to further elaborate on the method, the choice of the figure that was presented to us by Mr. Fraser that indicated that those specific 5 percent rate increases would be required to meet stated Hydro objectives.

**MR. J. ARNASON:** Mr. Chairman, to refresh our memories a little bit, as the questioner has indicated, Mr. Fraser did provide information relative to reserve of balances at the last meeting and indicated that we did have certain minimum target reserves objectives of \$200 million. The primary purpose of that reserve would be to, first of all, withstand two consecutive years of drought and after that level was reached that it would gradually increase to approximately \$400 million. He emphasized the fact that this would be a minimum level and that the reserves should be increased beyond this point for reasons other than protection against low water conditions.

In our integrated finance plan projection that was submitted to the board in November/December of last year and approved by the board, we did have in our projections, annual rate increases that we expect will be at or below the average long-term rate of inflation. The purpose for those rate increases, of course, besides the purpose stated by Mr. Fraser, which is the primary purpose, and naturally those rate increases have to take care of normal inflationary increases in operating costs and of course the provision of the reserves and, in the wisdom of the board, the reserves can be very useful in order to deal with the impact of new generation. As those costs are transferred from the capital accounts to the operating accounts, there is an impact on new generation, whether generation comes on in '92, '91 or '90, there is an impact and it's a question of how one might deal with that impact.

In management's opinion, and we have recommended this to the board, that prudent financial management would consider annual rate increases at or below the rate of inflation. We have used in our projections 5 percent because the long-term average rate of inflation over the period we're talking about last year was estimated at 7 percent. These are reviewed on an annual basis and, based on the experience after a year's experience, we will be making further recommendations to the board in conjunction with our new budget that we will be preparing this fall and submitting to the board once again in November/December. So it can be a moving target and it's reviewed annually and it's subject to decision by the board.

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

**MR. M. ELIESEN:** Mr. Chairman, if I can provide some further information in this area from the perspective of the Board of Manitoba Hydro - the board has considered the whole question of reserve levels very seriously over the last short while. We've reviewed the history of the reserve levels of Manitoba Hydro.

There was a situation where the reserve levels had reached \$140 million in the 1979-80 fiscal year period, gradually being built up, and because of a financial policy by the government at that time to have no rate increases, the reserve levels were drawn down - and drawn down very substantially - to the tune of about \$70 million to \$80 million.

The purpose of reserve levels in the past as in the future, is to provide that kind of meaningful support to the ratepayers of Manitoba Hydro to avoid the kind of financial difficulties that can take place when Manitoba Hydro can or could experience one or two consecutive years of drought.

The board has decided to accept management recommendations to gradually increase our reserve levels to ensure that that kind of protection is provided in the future to Manitoba ratepayers. We have not, at this point, accepted any specific target figure. Management have made their recommendations of \$200 million and \$400 million respectively, particularly when the new generation station comes into play, but we have adopted management's recommendations to gradually increase the reserves.

Now, to what degree those reserve levels increase really are reviewed each year depending on a number of numerous variables that impact the operations of Manitoba Hydro. They take into account all kinds of factors, such as load growth, such as the rate of inflation, interest rates, drought conditions, any major impact on Manitoba Hydro's operating statements, such as a major storm which took place last year with the utility, which cost us about \$5 million or \$6 million. Those variables are brought to the attention of the board and are reviewed by Manitoba Hydro in determining what kind of rate increases and what kind of reserve increases are required for the future.

We are pleased with our current situation in which Manitoba Hydro management have informed the board that with their current assumptions, and we can go in the assumptions of interest and inflation which are right now, personally in my judgment are a bit high, but those are the ones we have worked with over the last year of the 12 percent interest and the 7 percent inflation, that even with those assumptions we can have rate increases and gradually build up our reserves to a 5 percent level, which is two points below the rate of inflation.

That will give us, not only sufficient reserves to deal with those drought conditions, but it will also ensure that Manitoba Hydro has a rate structure, at least, that is the lowest in North America.

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

**HON. W. PARASIUK:** I believe that much of the same was said last year to the committee, and I was wondering if there's a Hansard - I see a Hansard there - I think that virtually the same type of statements were made to committee last year in terms of the chart that were presented.

Does anyone have a . . .

**MR. M. ELIESEN:** Mr. Chairman, yes, there's no difference in the presentations that were made this year compared to last year by Mr. Arnason and Mr. Fraser.

Both dealt with the question of long-term forecast: both referred to the question of building up the reserve that would "withstand the effects of two consecutive years of below normal river flows"; both dealt with the question that reserves should be increased to provide "for the internal generation of funds prior to the addition

of new generation"; and both presentations dealt with, and this is an important area I want to stress, the question that these forecasts are based on assumptions that are used in the then financial forecast.

I want to quote what Mr. Fraser said last year, and what he said this year before the committee: "These assumptions are important, because a change in any one of them could have a significant impact on the forecast of operating results. In fact, it is virtually certain that actual conditions will differ from some of our assumptions and the financial forecast will have to be adjusted accordingly, because we recognize actual conditions will differ from assumptions. We do a considerable amount of sensitivity analysis as part of our financial forecast process to determine the impact of changes in these assumptions."

That's why the board really has to review these matters on an annual basis, which is our current policy.

**MR. CHAIRMAN:** The Member for Lakeside.

**MR. H. ENNS:** Thank you, Mr. Chairman.

Coming back to the original question, the Executive Officer of Manitoba Hydro indicated to us, which I accept, that the utility has to take into account, in these projections, the normal inflation plus a reasonable provision for the reserve fund, which in the opinion of Hydro and according to the statement just made by the Chairman of Hydro, the board, that a modest recovery of that reserve fund position is desirable. But we're talking about 5 percent increases, which were used by Mr. Fraser yesterday and put on the record to this committee.

I find it difficult to find where in that projected increase of 5 percent is there any allowance, for instance, for what the President of Manitoba Hydro just referred to a few moments ago, which I also concur with, that it's prudent for management to plan in advance for any impact of when new and additional generation comes on to the regular system's rates structure.

I believe the President of Manitoba Hydro described it more directly by - and I give him this opportunity to correct any reporting of him in the media that may or may not be correct. Mr. Chairman, you know that those of us who work in this arena are not always accurately reported in the media. I must confess this has happened to me, too.

The President of Manitoba Hydro talks of a concern, of a shock of impact of Limestone's new generation costs coming on to the system, in the same paragraph or in the same context of defending the necessity of at least a 5 percent annual increase in hydro rates to the year 1994.

From what has just been said by both Mr. Eliesen and Mr. Arnason, I have difficulty when we're talking about a 5 percent rate increase and acknowledging that a 5 percent figure for inflation costs has been used in the projections when the figure is 7, but in the long term, okay, that only complicates my question, or makes it more difficult for me to find an answer or for me to understand the answers that I'm getting.

If we're talking about a 7 percent inflation factor, and if we accept the desirability of improving our reserve position, which has been indicated has been allowed to reach levels that are not acceptable to Hydro and

to the board, and does not give us the protection service that a reserve fund is meant to; in other words, to give the insurance of carrying us through two drought year periods at least.

I fail to see any additional allowance when the President of Manitoba Hydro says that, at minimal, 5 percent rate increases will be required until the year 1994. I can't see any allowance that Hydro has made for that impact on rates that new generation will cause.

Can somebody indicate to me where allowances have been made in the suggested - and I appreciate we'll deal with that later - the utility has suggested that 5 percent rate increases till 1994 will be required. I'm right now dealing with that figure because in that figure, with the information that's just been put on the table today, that still doesn't indicate to me and to the members of the committee any monies that are being set aside to cushion a future rate shock as a result of new generation coming onstream.

**HON. W. PARASIUK:** If you have inflation of 7 percent

. . .

**MR. H. ENNS:** Mr. Chairman, on a point of order, I have no objection. I usually find it . . .

**MR. CHAIRMAN:** A point of order? Will the member state the point of order?

**MR. H. ENNS:** . . . quite pleasant to discuss these matters directly with the Minister, but I was asking the question directly to the President of Manitoba Hydro. I would hope that the President of Manitoba Hydro would have an opportunity of answering it.

**HON. W. PARASIUK:** Oh, no doubt about it. Since the question was also asked in the House, I think I'd like to just say what was said in the House, namely, that if you assume a 7 percent inflation, which is the assumption over a long-term projection, you've got to try and pick a number for a longer-term projection on one's best estimates and these were done last November.

They're done on a yearly basis but there will be another estimate as to what the long-term inflation rate will be when Hydro goes through its whole process again this November, but it was that 5 percent, given a 7 percent long-term inflation rate. Five percent rate increases would not only build up the reserve but allow a cushion to deal with any type of bringing onstream of any generating stations, so it's built within the 5 percent, assuming a 7 percent inflation rate. If, in fact, it ends up being a 6 percent inflation rate, then I would expect that the rate increases would be less than 5 percent.

**MR. H. ENNS:** Mr. Minister, maybe it's too early in the morning for me but I'm having trouble with the simple arithmetic. If the utility is dealing with its current costs of operations and projecting - and currently dealing with a 7 percent rate of inflation or cost, and I'll accept the projection of an averaging out of 5 percent - and we go back to the original intent of the utility is to operate at cost, then I would think that if it's going to cost the utility 5 percent more on an annual basis to

run their operation, then they have to increase their rates by 5 percent. That seems to be fairly straightforward. That 5 percent, in my judgment, still doesn't even replenish the reserve fund, much less set aside monies to cushion any future shock of putting new generation on plan, or is the formula that is calculated into what constitutes Hydro's operating costs inclusive of these matters?

**HON. W. PARASIUK:** If you have a general rate of inflation in the province or in the country of 7 percent, Hydro, with export sales, with an attempt I think to improve efficiency over the last few years, which it has done, with respect to projections of demand and what it'll be selling here, what it'll be selling elsewhere, through its analysis, comes to the conclusion that if you have a long-term 7 percent inflation rate in the country, a 5 percent increase will be enough to meet its costs as a utility, replenish reserves and, over the long run, build up a bit of a cushion as well, with respect to new generation. I think that being able to do it with, in this projection, two points less than the assumed rate of inflation, is pretty good management on the part of Hydro, but Mr. Arnason may want to just deal with it.

**MR. J. ARNASON:** Mr. Chairman, I have reformed the projections that we did make and with the 5 percent rate increase we do show a stream of net revenues that exceed expenses each year over the total period of the projection to 1995 and those net revenues accumulate and eventually reach a reserve balance due to the annual accumulation of about \$246 million in the year 1990. That's based on annual projection on the scenario we just described with the revenues exceeding all expenses by a considerable margin each year and when those are accumulated, we can see very clearly what the reserve balance will be at any point in time. That's based on the criteria we talked about.

There is a clear indication of revenues exceeding expenses, based on a 5 percent annual rate increase in . . .

**MR. M. ELIESEN:** Just to add, Mr. Chairman, and to reconfirm that we are dealing here with a forecast over a 10-year period which has assumed a 12 percent interest rate which has assumed a 7 percent inflation and what we are pointing out to the committee that, with a 5 percent rate increase, which is 2 percentage points below the rate of inflation, that Manitoba Hydro will cover its expenses in the operations of its business during that period and, furthermore, have adequate reserve funds to mitigate any potential disaster that may occur as a result of a major drought in our system.

In addition, we would have sufficient reserves to cushion any major rate increase. When I say "major" here, I'm talking about anywhere from 8 percent to 10 percent, which in our context, is major, given the fact that we are projecting a 5 percent; so let's say "major" is defined as double the 5 percent rate, assuming a 7 percent inflation, we would have sufficient reserves at that time for the one or two years when new generation comes on stream and for us in Manitoba Hydro, that's a very desirable position to be in. In fact, we don't know of any other utility in North America that can

forecast a declining real price in electricity and at the same time build up your reserves to an adequate level to mitigate the kind of drought conditions.

Of course, if inflation or interest changes, let's assume it decreases. Well, we won't need 5 percent rate increases; we will need rate increases at less than that if inflation goes down. We've worked out one scenario which has been presented to the committee and I guess there are a number of others which we could have presented, in terms of the sensitivity analysis that Mr. Fraser indicated in his opening remarks, but that was the current forecast that we went with, as part of our integrated financial forecast, and we are reviewing, obviously, in the context of right today of declining inflation and declining interest rates what kind of more meaningful figure should be utilized with regard to the future. But the bottom line is that we are able to project for the future adequate reserves based on rates that will be at or below the rate of inflation.

**MR. CHAIRMAN:** The Member for Inkster.

**MR. D. SCOTT:** Mr. Chairman, I'd like to address a question to Mr. Arnason. I'm referring to the reserve forecast that he has with the 5 percent rate increase which is 2 percent less than the forecasted rate of inflation over the five years between now and 1990.

I am wondering if that reserve includes or excludes any monies or subsidies from the province by way of the Hydro Rate Stabilization Fund. From what I can get out of the Annual Report, it only goes back two years. In 1984, that was \$21.9 million, the year before \$6.5 million, the previous year substantially higher. . . . one year it was \$45 million, if my memory serves me correctly.

**MR. J. ARNASON:** To answer that question, Mr. Chairman, in a general way, from information we've received from the Finance Department the advantage to Manitoba Hydro of The Energy Rate Stabilization Act totals \$122 million since that act went into effect

**MR. D. SCOTT:** So, in effect, during the years that we had this so-called hydro rate freeze on for the people of Manitoba, the people of Manitoba were subsidizing Hydro, since 1979, to the tune of \$122 million which in effect, is the province whose taxation regime I probably, I would suspect, given the bulk of the population and the average incomes of the province this \$122 million probably would have, in effect, been a higher tax, enforced higher taxes in the Province of Manitoba towards a subsidization of the highest consumers of electricity in the province. I'm doing some I guess, mental arithmetic without figures here, but in a taxation system which, by necessity, charges, through sales taxes and income taxes and all the rest of it, the bulk of the tax load is of course paid by those with family incomes probably less than \$25,000, whereas your hydro rates, at least a person can have some control over how much they're going to pay for their hydro according to how much they consume.

We have, in effect, by having a hydro rate freeze been subsidizing people who both conserve and even subsidizing to a greater extent those individuals in those industries who have not been attempting to reduce their consumption of electricity.

Thursday, 13 June, 1985

**MR. M. ELIESEN:** Mr. Chairman, I think it would simply be useful to indicate what is reported by Manitoba Hydro in its Annual Report, where we indicate that The Energy Rate Stabilization Act which came into force April 1st, 1979, provides for the Province of Manitoba to relieve the corporation of the costs associated with the foreign debt of Manitoba Hydro by replacing them with a Canadian equivalent cost based on Canadian rates for similar terms as at the date the debt was incurred.

The Province of Manitoba has confirmed to the corporation that, had the Province of Manitoba not assumed the cost of foreign debt at April 1st, 1979, the valuation of the long-term debt of the corporation, as at March 31, 1984, would have been increased by approximately \$358 million when translated at the year end rates of exchanges."

Now that quote comes directly from the Annual Report. As Mr. Arnason has indicated, there would have been a cost of approximately \$122 million so far that the province has assumed as a result of assuming the burden of foreign exchange costs.

**MR. CHAIRMAN:** The Member for Minnedosa.

**MR. D. BLAKE:** Thank you, Mr. Chairman.

This may have been answered before, seeing as I haven't been sitting in the Committee meetings, but I wonder if briefly the general manager of Hydro could run over the different rate structures in the province and how it differs, say, in Northern Manitoba from other areas.

**MR. CHAIRMAN:** That's a new question.  
Mr. Arnason.

**MR. J. ARNASON:** Mr. Chairman, I think we'd asked Mr. Fraser to cover the details of the rate structure. There was some indication at the last meeting in chart form, a comparison of rates, but this question is specific relative to the rate structure itself and it might be useful if Mr. Fraser went into that detail.

**MR. CHAIRMAN:** Mr. Fraser.

**MR. R. FRASER:** Thank you, Mr. Chairman.

I did have an overhead slide prepared, but we don't have a projector set up here this morning to display that. I would like to make the first point that there is no difference in rate structures between Northern Manitoba and Southern Manitoba.

The rates we have, as I believe I had mentioned last time, are divided fundamentally into residential and non-residential categories. The non-residential is further subdivided into the smaller ones, which we call general service and the larger ones that we refer to as power customers.

In the residential area, there are three different rate zones which depend upon meter density. The City of Winnipeg is clearly the most densely populated area in the province and there is one rate referred to as R-1 that provides for residential service in Winnipeg.

The second category R-2 provides for what's referred to as medium density; that is 100 metered services or more within a line density of at least 15 customers per kilometre of distribution line.

The third is referred to low density which is less than 100 meters in a group and of density less than 15 customers per kilometre.

Now, the energy rates are the same at the so-called runoff or the balance rate. The differentials are all found in the initial charges, the basic charge plus the first block charge. The difference, and here I'm between R-1 and R-2, I believe, from memory the difference is in the neighbourhood of \$2 and that difference then is constant throughout regardless of usage, because, as I've already said, the energy run-off rate is identical and the difference between the R-1, Winnipeg, and the R-3 zone is around \$10.00. The justification for the difference in price based on density is a difference in distribution cost required to serve customers on a widespread basis.

The general service customers are divided into the same three rate zones, but the power class customers are uniform throughout the province. The difference is that the power class customers are primarily fed from the transmission system and they do not incur the added distribution costs that the smaller customers incur on the system.

**MR. D. BLAKE:** Mr. Chairman, the last rate increase on April 1st, it was what, 5 percent?

**MR. R. FRASER:** Yes, it was designed to increase the utility's revenue by 5 percent.

**MR. D. BLAKE:** What prompts my question, Mr. Chairman, is that on a recent visit up North there were two or three people figuring their Hydro bills and they felt their Hydro bill had increased about 22 percent. They were trying to justify the increase in rate. I didn't have the benefit of their meter readings or what happened there. There was an awful lot of them there convinced that they're paying a higher rate for their Hydro than they are in Southern Manitoba. That may be a common thought in the North that they're paying more for most of their services than they do in the South, which prompted my question, would there be a variation in rates say in Flin Flon compared with the increases that someone in Southern Manitoba might have experienced during that same period?

**MR. R. FRASER:** No.

**MR. D. BLAKE:** So it would have to be an increased user amount of electricity or some other factor within the individual's metered residence?

**MR. R. FRASER:** There would have to be some other explanation, yes.

**MR. D. BLAKE:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** The Member for Arthur.

**MR. J. DOWNEY:** Thank you, Mr. Chairman.

Along the same lines of questioning on rate structure, I notice Mr. Fraser passed out the graphs the other day and I would like to go specifically to the area in which Manitoba is not in the best category with comparisons of Winnipeg. I think Winnipeg comes in

at about fourth lowest next to Regina, Vancouver and Montreal in cost per month.

What type of users would use a 750 kilowatt hour? What kind? Would that be small business - people with small welding shops, service shops - what type of business would that be?

**MR. R. FRASER:** That's correct, yes. Any very small non-residential customer. It could be a corner store or it could be the type of enterprises you've described.

**MR. J. DOWNEY:** Why would it be that with the resource that we have that we're not as competitive in that area, because it would seem to me that would be the area in which we would be most competitive and want to make sure that people have the best price on the Hydro compared to the rest of Canada. I leave that either to you Mr. Fraser or to the Minister. I ask as to why we're in that higher cost for those people?

**MR. R. FRASER:** Yes, we have to a large extent inherited the situation. I would refer you to the next chart. If you notice that as consumption increases then our position very rapidly becomes very favourable. We have very, very few customers in this category at this consumption, because as you've already pointed out, it is very small. It is, in fact, equivalent to a residential customer not using electric heat. The reason that this is shown is because it is the level of consumption that is used in comparison across Canada. It is a number that we can get comparisons readily from the other provinces. There are very, very few customers in the classification.

You might also wish to compare, because you can if you compare slide 3 with slide 1, the bill for the general service customer compared to residential customer using the same quantity. To a large extent, it is historic. We do hope to move that particular category into a more favourable position. In fact, I believe the comparison that's given this year against Regina is very much closer than the one I gave you a year ago. So that is our intent is to improve because I think of the slides I gave you, this is the only one in which we do not show as being in the most favourable position.

**MR. J. DOWNEY:** Mr. Chairman, I appreciate the response, however, I still have a concern for those people who are what I would say caught in probably the most difficult times, as far as carrying the loads are concerned.

I'll make reference to the comment I made to the Minister a few days ago in regard to a small business and he can respond, if he likes, as to the back charges, as I understand it, when an individual - and again I think the business was in this category - but each month when a person pays their Hydro, as I understand it and as a user of Hydro, when I pay that bill I get a receipt which says I'm "Paid in Full."

Then several years later to have Hydro come along and say that there's now a bill owing, I don't know they're legally - I'm not a lawyer and it would probably have to be challenged in the courts before a decision was made - but I really don't think Hydro has a claim against those individuals. Again I say that it's happened

in most cases in my constituency to individuals who are in this category again, that they're being reassessed and billed.

So I would ask Hydro and ask the Minister if they wouldn't take a serious look at their policy of going back and back billing, because as I said, why would one put them through the cost of going to court, when in fact, I don't think they'd have a very good chance of collecting it, particularly at the end of each month when the customer gets a bill stamped "Paid in Full" or marked that all their responsibilities to Hydro are paid. I would ask for the response of the Minister in that regard.

**HON. W. PARASIUK:** I've already asked the Chairman of Manitoba Hydro to do a review, have Hydro do a review of this whole matter of back billing. I asked them to undertake that in a very detailed, substantive way because it is important to look at the various categories I wouldn't want to, for example, have Hydro not back bill for large users of power who are major industrial users, for example; because I certainly wouldn't want to be putting Hydro in a spot of not being able to back bill for those types of large accounts.

At the same time, I think that there should be a special look, especially at smaller businesses, who operate in a different way. You might have rooming houses, you might have small general stores. Some of these places in some communities are almost grandfather-type of operations, they may be around, they may not be around.

I've asked that that review be undertaken; I've asked also that there be, in a sense, no precipitous action taken while that review is being undertaken, because it's not an instant review. It might take a month or two to do, because this would have to be done by the management, then taken up to the board, because boards set that type of policy. I expect that that certainly will be done.

**MR. J. DOWNEY:** I appreciate that, Mr. Chairman, because one has to appreciate that when you're dealing with Manitoba Hydro you don't have many alternative sources to go to. If they want to play hard ball with the small operators and say it's either pay your back Hydro Bill or else you won't be getting any hydro next month, you're pretty much left out to dry.

I do not want that kind of heavy-handed approach used because when I look at what we've seen, as far as the cost, it would appear that a lot of these businesses that are being reassessed are - compared to the rest of the country and the other cities - actually paying a little bit more than the rest of hydro users in Manitoba, compared to their counterparts throughout Canada, and I think this is the same category.

So I do appreciate the fact that special consideration will be given to those smaller users; and yes, when it comes to dealing with major users, I think that if there is a proper explanation and can be justified, fine, that it is a negotiable thing that Hydro has.

But I come back to the point I made, once a Hydro Bill is marked "Paid," and they've accepted payment for that amount of hydro used, I don't know any clause or any contract that's between the user of Hydro - in the smaller sense, the smaller users - and Hydro, that

they have the ability or authority to come back and back bill.

I consider, when I pay a bill to Hydro and I get a receipt marked "Paid," that my responsibilities are over to that point till the next month bill comes. If I'm incorrect, maybe the Minister could - if the receipt were to say, "This bill is paid, subject to further review of Hydro and back billing," then I could understand it, but most bills I get, I expect are paid in full.

**HON. W. PARASIUK:** I can't answer that specific point on the legal validity. I believe Hydro's legal counsel says they have the legal ability to collect.

But I do sympathize with the member when he says that you don't have an option. I have a business in Quebec and I have to deal with Hydro Quebec and I have to deal with Bell Telephone. Let me tell you that I found that Bell Telephone is completely and totally inflexible. I find some flexibility and some consideration of special circumstances when it comes to Hydro Quebec, because sometimes these bills that come down do have an appearance of being arbitrary, and it is important that this dialogue and discussion take place.

Certainly the point that was raised by the member, points that have been raised by some other people with respect to the back billing have, in fact, led me to ask that this review be undertaken.

**MR. M. ELIESEN:** Mr. Chairman, I just would like to point out that this policy is not new in Manitoba Hydro. It's a long-standing policy with regard to back billing. Two, it's consistent with the utility practices in other provincial jurisdictions; and three, we have believed, and legal opinion supports, that we do have the necessary authority to seek such a back billing.

However, notwithstanding the fact that it has been long-standing practice and policy and consistent with other utilities, the Minister has requested, and we've agreed to undertake a review of our policies in this area.

Just to summarize our current policy, we've got a six-month back billing period for residential and farm accounts; but it's six years dealing with multiple residential and general service and power. In other words, it doesn't simply apply to the category that has been mentioned by the member from the committee.

Our current policy with regard to that six-years is that it's supplied with the understanding that there is discretion in negotiations to be used in settling these accounts; and that the size of the customer, whether it's a small or large user, is taken into consideration when applying the policy.

So we are presently, upon the request from the Minister, reviewing this particular area and we will evaluate it at the board to determine what kinds of changes are desirable in the context of the future.

**MR. J. DOWNEY:** Mr. Chairman, let me use another comparison. Supposing that the users of natural gas or gas from Inter-City Gas in Winnipeg or anywhere else in the province were to use their commodity to heat their house or use as an energy source for many years, and at the end of a period a decision was made to review the charges given for the gas or an individual who bought bulk fuel from a fuel dealer in the country

and had it delivered, that the company decided to send a bill, back billing him for a mistake that a meter had made on the distribution of gas or something. I think it would be very difficult to convince that consumer that they had to pay \$1,000 or \$2,000 or whatever it was, for that mistake that the company made. I would think it would be the responsibility of the company to assume it; in fact I have never heard of any other energy distributor that had, in fact, gone back, without a justifiable case but just going in and saying that because of their error. If the Minister knows of one, then I'd appreciate to hear it.

**HON. W. PARASIUK:** Just right now, I'm going to ask Hydro, when they're doing this review to check on natural gas and check on water meters, because I've heard complaints about water meters; people saying that they've had to pay extra on water bills. I'm not trying to debate with the member, I'm just saying I think it's important to get all those facts out.

**MR. J. ARNASON:** Mr. Chairman, we can check on the other utilities.

I wanted to make a comment relative to the general discussion, that we not only attempt to collect the back billing, according to the description just given by Mr. Eliesen, but there are probably more situations where we have over-billed and where we over-bill we, of course, remit the over-billing plus interest.

The principle behind the reason for wanting to collect underbillings due to errors is the fact that if we don't collect that money, for which service was received, that those dollars would have to be picked up by the rest of the consumers in Manitoba. So we think it's fair because of that reason. You can get into a situation where with large customers, there can be a fairly substantial underbilling over a period of years and we are dealing with that kind of situation right at the moment. That's just a little background on why we're doing it, Mr. Chairman.

**MR. CHAIRMAN:** The Member for Rupertsland. He has been raising his hand for the last hour.

The Member for Arthur.

**MR. J. DOWNEY:** On a point of order. Mr. Chairman, I didn't know it was a rule of your committee that you had to keep raising your hand every time you wanted to speak - when you're on a series of questions. Can we leave it up permanently? Is that what you're . . .

**MR. CHAIRMAN:** To the same order. I like to give a chance to everyone, especially those who have not spoken yet.

The Member for Rupertsland.

**MR. E. HARPER:** Yes, my question is in regard to the rates that are being paid especially in remote communities, the services being provided by the diesel plant. I'm just wondering what the rate is compared to the rates being provided in the rural and the city area.

**MR. R. FRASER:** The rates being charged in the remote areas served by diesel are those identified as R-3, that is the same as in the rural parts of Southern Manitoba.

**MR. E. HARPER:** Would that be substantially higher than, let's say, in R-1?

**MR. R. FRASER:** I believe it's a maximum of about \$10 a month difference.

**MR. E. HARPER:** Yes, and most of those diesel plants provide to the community and the residents, I believe, 15 amp service and it is not adequate to provide those services to the residents, because it causes a lot of problems, in a sense, that some electrical appliances because of the services they're getting, they wreck the machine or something goes wrong with it and a lot of times you can't really depend on them.

One instance, I can give you an example - I'm from Red Sucker Lake, we had a total investment of putting a water line in of almost \$1 million. The plant went out and it was never put back into service until the following day, and this was in the middle of January and the entire system froze, I believe. I'm just making a point here that the services that are being provided are not adequate.

My question is maybe to the Minister - are there any plans to provide service to the areas like, for instance, the Island Lake area in the near future?

**MR. J. ARNASON:** Mr. Chairman, we have been discussing this problem that has been raised with the federal authorities and that has been under discussion for some period of time. We were hoping that we would get a decision from the federal people this year in terms of providing a capital contribution to extend service to seven communities in the area you were just mentioning. We're talking about a very substantial capital program - something in the neighbourhood of \$38 million in 1988 dollars, and we're talking about a line that would go from Kelsey and would serve communities such as Red Sucker, Gods Lake Narrows, Gods River, Oxford House, St. Theresa, Wasakamak and Garden Hill.

If we get the approval for the contribution, we will start building that complex. With that approval, we consider time frames of about 1988 to about 1991, '92 would be reasonable in terms of completing that project, but we require the federal contribution first.

**MR. CHAIRMAN:** Last question.

**MR. E. HARPER:** If that information is available to the general public, I was just wondering if I could have some of that information. I know we're busy talking to the Federal Government, what information that you have that you could provide me with, I would appreciate.

**MR. CHAIRMAN:** The Member for Swan River.

**MR. D. GOURLAY:** Mr. Chairman, I'm not sure who wants to deal with this question, but with respect to new rural installations and the policy covering those installations. Each year I get a number of calls from people that are setting up new homes either on farms or small acreages and they are faced with certain costs and requirements by Hydro. I'm wondering what the current policy is with respect to those types of installations.

**MR. J. ARNASON:** The policy with respect to service extensions, to a rural residence or a small farm, for

example, under 200 amps - we provide a maximum construction allowance of three-quarters of a mile. To the degree that the length of the line exceeds three-quarters of a mile, the resident would have to pay the difference as a capital contribution.

**MR. D. GOURLAY:** What is the requirement with respect to, for instance, where there's a mobile home being used as a residence or in the case of building a new home? There are certain deposits that the individual has to make and when those certain requirements are made, they get a refund on this money?

**MR. J. ARNASON:** In terms of mobile homes, as I recall, we specify a permanent foundation, or a foundation that would give some permanency to the building itself. I might have to refer that to our vice president of customer services, Mr. Lambert, to elaborate on that a bit.

But there's always a concern when you're talking about mobile homes, is that they're here today and they're gone tomorrow. To the degree that we're going to make a major capital installation, it would take some considerable time to recover the costs of that installation. There are certain requirements relative to that specific type of installation and maybe Mr. Lambert could elaborate on that for us.

**MR. R. LAMBERT:** Generally, Mr. Arnason is correct in situations where there isn't a degree of permanency and because Manitoba Hydro has an investment in the facilities by way of the construction allowances, then we ask for a contribution which is refundable over a period of time once we have a return on our investment. It's really just insurance that we get an opportunity to get a return on the investment that we've made in extending the service facility.

**MR. D. GOURLAY:** I can appreciate in the case of a mobile home where the situation could change and the Hydro could be left with a fairly hefty bill . . . In the case where a new home is being established and the power is necessary to enable the construction of a new facility, at least it facilitates building a new home, is there a deposit required in the case of a permanent structure, which is then refundable after the residence is completed?

**MR. R. LAMBERT:** If the home is being put on a permanent foundation and there is permanency to the installation, there is no deposit required, according to our policy.

**MR. D. GOURLAY:** Thank you for those answers.

Again, with respect to a mobile home, is it mandatory that the owner put up a yard pole to service the mobile home or can the meter be placed right on the mobile home itself? What is the situation?

**MR. R. LAMBERT:** As long as the mobile home facilitates the connection of our conductors in the meter, etc., then it could be put on the mobile home. The difficulty with the mobile home quite frequently is that it's not a solid enough structure to withstand the tension of our service conductors and so on. I think that we



usually do is encourage them to put a pole adjacent to the mobile home on which they can put the meter and then we can extend the service without putting too much strain on the mobile home itself.

**MR. D. GOURLAY:** What is the situation with respect to changing the yard service pole where there has been a change of construction and change of circumstances in a farm residence? Is the onus on the landowner to contact Hydro and have Hydro make necessary change and installation, or is it the responsibility of the landowner to hire an electrician to make these changes?

**MR. R. LAMBERT:** I'm presuming what you're speaking of is the situation of extending service within the farmyard beyond the so-called farmyard pole or the Hydro pole. Extension of service beyond that pole which is the point of connection for Manitoba Hydro is the responsibility of the customer. Hydro's responsibility ends at the yard pole.

**MR. D. GOURLAY:** One further question. Where it would be advisable to relocate the service pole, then that would be an arrangement with the landowner and Hydro to make that switch?

**MR. R. LAMBERT:** If the customer has a requirement or a desire to relocate the yard pole, Manitoba Hydro will relocate the yard pole but it will be at some cost to the customer.

**MR. D. GOURLAY:** Thank you.

**MR. CHAIRMAN:** The Member for Arthur.

**MR. J. DOWNEY:** Thank you, Mr. Chairman.

A further comment and I have another few questions dealing with the billing policies, but a further comment dealing with the back billing before I move on, and that is that there are some concerns dealing with these small users of Hydro. I say small users because they pretty much trust that what they are getting is proper, that they're not being under or over billed. It's different than when you get your car filled with gasoline, now you know it costs you \$40 and you can kind of keep your own eye on it. You don't know what it's costing you when you turn your washer or your dryer or your stove on, you have no idea of whether the right amount of fuel is going to it from Hydro, so it is pretty difficult for a person to, on the instant spot the use of Hydro and the consumption of it.

I'll just make the case that a mistake made on that individual can sometimes create severe hardship when, in fact, there is whole trust and confidence in the utility company that things are running properly. I think it's easier for the utility to pick up their mistake than it is that individual who is struggling.

I want to go on further to another area. The Minister responded to a letter from one of constituency groups. This goes into the whole area of demand billing and there's a statement made and a comment made and a justification made by Manitoba Hydro as to the necessity to switch some operations over to demand billing. I'll make reference to it because I'll ask him specific questions in that area. This letter goes back

to the R.M. of Oakland who continue to be concerned about the demand billing on recreational centres. I know that there was, through the lotteries system, a program introduced by our administration to ease some of the costs of the pressures but it's, again, dealing with the recreational centres and the small businesses that find themselves getting into a usage that puts them into the demand billing.

This statement I'll read and then comment on it. "The electrical plant is built to meet both the annual energy requirements and the peak load requirements of the system. The corporation incurs annual cost to pay for operating the electrical system and, therefore, revenues to offset these costs must be collected from Manitoba Hydro customers on an annual basis."

That's the end of the part that I think is essential to read in. My concern is that never have I seen at the user end of Hydro an increase in plant capacity. I've never seen a changeover. There may be a different transformer put in. I'm not sure, I've ever seen one changed or not. It appears as if it's more of a book change rather than an equipment change. If it, in fact, were an equipment change, the only increased cost would, in fact, not be service charges because I've never seen a lot of work other than after an electrical storm or ice. But that plant is in place. It's bought initially by the business or by the recreational centre. I think that's a charge not to Hydro but to the people who build the facility; that, in fact, the equipment that is putting Hydro to that if it's increased size, then it would be an increased interest on the investment and carrying charge, not a service charge.

I have some disagreement with their response when they say pay for the operating electrical system and therefore revenues to offset must be collected. I ask, where are the additional operating costs on some of these small businesses that have been changed to demand Hydro or to recreational centres. Because to me, there is no visible equipment change. As I say, it may take place back up the line someplace at your distribution point, but I don't think to the point of which it's put some of the costs up.

Possibly there are some areas that it has reduced the annual cost of Hydro, but not too many. Most cases that I know of, once you're hooked on to a demand billing, you're paying what seems to be an excessive rate in the off season and is still a pretty rate in the heavy use season. I can't find out where there's justification by Manitoba Hydro when they say that they have increased operating costs on those operations.

I'd ask for a response because, in some cases, particularly the recreational centres but, again, in some of these smaller businesses, these smaller corner stores or small manufacturing plants that get put on to demand billing it does, in fact, create a tremendous amount of hardship. What is the additional operating costs that Hydro have to face other than increased interest charges on the equipment that they have to buy?

**MR. J. ARNASON:** Mr. Chairman, I'll deal with that in a general way. We're talking about loads that require demand billing which is loads of 50 kVa or higher. As a result of loads of this size in the power classification, Manitoba Hydro requires to build generation and build transmission to serve these types of loads. Because

these loads place a demand on our system for a relatively short period of time and we have to respond to the total demand and bill generation, once it's built, there are costs incurred that cannot be turned off. Within our rate structure, therefore, we have to have a system whereby those people who put that demand on our system have to pay their fair share of costs and we have in our rate structure a minimum demand billing which one component is that during the summer months, for example, when the customer's demand is low, he still has to pay 80 percent of the maximum demand that he established on our system during the winter months.

It's simply a matter of paying for the costs that are involved in building generation of transmission to serve these three phase loads. These are the heavy demand customers and the 80 percent of our costs are related to servicing the charges on generation and building new transmission. It's as a fair a way as we can determine of having people pick up the costs and it's uniform throughout Canada.

In fact, at one time at a public utility board meeting, there was a suggestion that demand billing be reduced to a lower level than the 50 kVa number that is presently used in our rate structure.

**MR. J. DOWNEY:** Mr. Chairman, what would that do lowering from that 50 kVa number in general costs? It would add an increased cost to the people now on demand billing. — (Interjection) — Really what the answer is that there is — (Interjection) —

**MR. CHAIRMAN:** Order please.

**HON. W. PARASIUUK:** I think I'm . . .

**MR. CHAIRMAN:** Order please. Does the member want an answer or not?

**MR. J. DOWNEY:** Yes, I do.

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

**HON. W. PARASIUUK:** I think you would have more people who would then have to be on demand billing. It wouldn't increase the demand bills for the people already on demand billing but, say, if you took it down . . .

**MR. J. DOWNEY:** Mr. Chairman, I guess, again the answer is that it's not the plant costs or the carrying costs of an individual or, it's the full system that has to be built, right from the water generating station back to the user that they're picking up and if I understood him correctly, 80 percent of the charge comes from the system buildup. Is that correct? That's where the 80 percent charge comes from?

**MR. J. ARNASON:** The distribution costs themselves are a relatively small component. It's the generation and the transmission of bringing that power in from the generating plants to the distribution system that are the major costs.

**MR. J. DOWNEY:** In other words, when Hydro take on a major project like they are planning and it appears

that any shortfall or major difficulties of increased costs, it will be in fact carried by the general ratepayer of the Province of Manitoba. It will have an impact all the way across the board with the increased plant capacity for the development of Hydro.

**HON. W. PARASIUUK:** Right now, I think Hydro was projecting internal load growth demand or Manitoba load growth demand to 2.8 percent. I think that's probably a low number because of the demand over the last two years and that demand is of two types. One type is a type that uses the power through the whole year and there's another type that comes along and basically adds to peak demand, and Hydro, in a responsible way, has to meet peak demand of Manitobans. That is one of the dilemmas with a hydro generating station. You build it to meet your peak demand. That's why people do look to things like seasonal diversities and diversity exchanges to try, in a sense, to provide for that peak demand without necessarily building generation.

**MR. J. DOWNEY:** The point is that when a plant capacity is increased, it reflects directly back on all individuals who are users of Manitoba Hydro. That's the point. All the costs of everything Hydro does is a direct reflection and the demand billing is because of the increased plant capacity. I guess I still agree with the statement that's in the letter that the people got, that it's not really an operating cost as much as it is a carrying charge on the investment to generate the power.

I guess if you want to put it in operating costs, fine, but it's a little bit of a misconception as far as I'm concerned and I'm sure as far as many of the users are concerned and it still doesn't say that they agree with it.

I know that there are still many recreational centres which are having a pretty tough time in operating because of the demand billing process, and I still would like to see another look taken at the recreational centres as to technology or some other cost-saving measure that might be put in place on building of these plants. I know that the Energy Department have been doing some work using the heat from the cooling motors to heat their waiting rooms, to carry out that kind of activity.

I'm not so sure whether there's been as much active work done recently to encourage units that are already in place, recreation centres that are already in place, to change over to that kind of a heating and cooling system work. I know that if a new plant were being built, I'm sure that the recommendations would go forward to look at that alternative use, but I say there must be some way in which some of the load could be taken off some of the current places that are now operating to assist them. Maybe the Minister or the Hydro have a policy in which they are promoting that kind of activity, to take some of the costs off.

**HON. W. PARASIUUK:** Through the Energy Conservation Programs of the Department of Energy we've been working with, I think it's 10 recreation districts in the province where we've done demonstration projects with the recreation facility in those areas, and tried to bring the other people who are involved - and most of these

people are volunteers who sit on the boards of the various skating rinks or curling rinks or what have you - and have them see, by demonstration, what can be done in the way of energy conservation to use less power and get a bigger bang for your energy buck.

That process is under way. I don't think it's been completed yet to get all the results. We've tried a number of things. I think the Member for Lakeside is aware of what was done, in terms of a competition, between Stonewall and Pinawa where you try and get people involved in looking at ways of getting a better bang for their energy buck.

Certainly what we're finding is that it's often the type of public institutions, churches, for example. Churches were built in an era of cheap energy and they're massive. They're not necessarily used full-time and that probably is your biggest single operating expense. Your energy costs are the biggest single operating expense of a church, possibly outweighing even the cost of the Minister.

**MR. J. DOWNEY:** Maybe you could promote increased use of it.

**HON. W. PARASIUK:** I try to, yes.

**MR. CHAIRMAN:** Or increase collection plate.

**HON. W. PARASIUK:** Increase collection plate. Unfortunately, what's happened is probably the increased collection plate has driven away some of the usage.

We've been working with hospitals, schools and recreational facilities and we don't have a federal-provincial program anymore. We're trying to evaluate - and maybe we'll get into this in my Estimates - the results of the various pilot projects we've undertaken to determine whether in fact there shouldn't be long-term programs in place to ensure that you do get a bigger bang for your energy buck and we may not get federal-provincial agreements on it.

We're talking to the Federal Government about seeing what we might do in the long run, but I'm certainly of the belief that as we evaluate the particular pilots that we've undertaken over the last few years and I think a few of them extended more than three years back, that we should then determine whether there are not some things that should be undertaken by the Provincial Government; some things that might be undertaken by Manitoba Hydro; some things that might be undertaken on a federal-provincial basis, because I can appreciate the difficulties that recreational facilities, schools, churches and places of that nature, community halls, have run into.

**MR. CHAIRMAN:** Are we ready to approve?  
The Member for Roblin-Russell.

**MR. W. MCKENZIE:** Thank you, Mr. Chairman.

I'd like to ask a few questions of Hydro regarding the installation of power in the Blue Lakes area of the Duck Mountain Provincial Park which is a longstanding problem. The Minister's had petitions; I've had petitions of a hundred or more people that are long awaiting the installation of hydro services in there. At this time,

Manitoba has surplus power and the recreational demands on our society are escalating and for the life of me, I can't figure out why we can't move the installation of hydro services in there.

A lot of the people in the area would live there the year round if the installation was forthcoming. I'd just like to ask, what plans has Hydro got or is it in this decade or, if at all, are they ever going to be able to make use of the utility in that area?

**MR. J. ARNASON:** Mr. Chairman, we're prepared to build into that area as soon as we get a capital contribution of some \$234,000.00.

**MR. W. MCKENZIE:** Can I ask Mr. Arnason, what are the priorities? Is it because the Blue Lakes area is seasonal? Are there not sufficient customers? Is it the cottage owners in there who are going to have to raise the \$234,000 or is it Mr. Collier who is operating the tourist camp, has he got to come up with the \$234,000.00? I don't think there's that kind of income in there. Yet, there are many other tourists camps and lakes around the province that enjoy hydro facilities.

**MR. J. ARNASON:** The correct number is 243, just to keep the record straight; I had a couple of digits swung around there. But it's a matter of the contribution that is required because of the extensive construction in that area and according to our service extension policy, the revenues simply do not warrant the extension, unless a major contribution is made. That contribution is based on our standard policy of contribution relative to the numbers of customers and the distances involved.

**MR. W. MCKENZIE:** I was wondering if Mr. Arnason could give me a breakdown. What's the \$234,000 or \$243,000, what does that cover, the installation of the line or transformers. It's strictly equipment and labour?

**MR. J. ARNASON:** I would have to refer that to Mr. Lambert to see if he's got a breakdown on that figure. It would generally cover the cost of building the line. I assume that there would be a fair amount of clearing as well. As I recall that's a pretty heavily-wooded area. I can't remember the distances involved, but maybe Mr. Lambert can elaborate on that a bit.

**MR. R. LAMBERT:** Yes, the last estimate that we did on this was back in 1981 and what Mr. Arnason gave you was just an escalation of the 1981 price to the 1985. The money that Mr. Arnason has referred to really only covers the cost of the extension of the line into the area. It does not include the distribution around through the subdivisions, etc., that would be required in addition to that.

**MR. W. MCKENZIE:** Will Hydro go in there and knock on doors and see if they can raise the \$234,000, or what triggers that installation? Because there's all kinds of summer resorts in the province that are enjoying hydro services. How do they do it?

**MR. R. LAMBERT:** In situations similar to this, we have tried to get the people together in order to come to grips with how we would get the total contribution. Our

experience has been that it's fairly difficult to get all of the interested parties together and to get them to agree amongst themselves to pay a proportionate share of the total contribution, based on how much they expect to use, etc. But we have done those kinds of things in other areas, yes.

**MR. W. McKENZIE:** I wonder then, am I the MLA, am I the one that's supposed to go in there and organize it, or is Hydro prepared to go in and take a trial run and see or instruct Collier to, or can we assess a levy on the cottage owners in there to raise the money, because they all want the service. It's just a matter of somebody or some group taking the initiative and see if we can't provide the service.

**MR. R. LAMBERT:** Manitoba Hydro will assist in that process, however someone has to take the lead in trying to pull it altogether so that everyone can divide up the amount of contribution and everyone make a fair portion of the contribution to get the total. We have no authority to levy anything. I think what we need is an agreement amongst the group that they will all pay their fair share, so that we can get the total contribution that's required to extend the service.

**HON. W. PARASIUK:** I'd just like to comment, on what sometimes ends up being a small "p" political matters that come up in this respect. People contact me saying that they'd like to be hooked up to hydro.

When I look into it, I find that in some instances there's a cottage development that didn't really start off as a cottage development. A few people wanted to "get away from it all" and not have power, not have these things, and they build some cottages out somewhere where it's rustic, where they're using coal oil lamps and they like that; and then they sell the cottage to someone else or they get a bit older or circumstances change, and these people come along then, wanting to have the power, but they're some distance away from a power line. They wanted to do that in the first place. They might have got the lot very cheaply to do that in the first place, and then you run into that type of difficulty.

I've always said to them that it's important for them to make up their mind. Hydro will determine what their costs are, will indicate what they are. These are fair costs, because they're attributed to everyone across the province in the same way, it's the same formula, but that Hydro can't be the proponent; otherwise you get one or two local people saying, look, Hydro's trying to drive this down my throat. I'm going to have to do another \$4,000 or \$5,000.00. I think that's up to the group together to make up their mind whether they, as a group, want to do it.

It's just like trying to put a waterline in somewhere. You'll get a few people who want the waterline, a few people who don't want the waterline; or if you're trying to put a sewer line in some place, some people have septic fields. They say I want to stay with my septic fields, and yet you'll get some people with septic fields who don't want the uncertainty of it, don't want to put bales on in the wintertime and they'd like to be hooked up and are willing to pay for that. Usually what happens is that you have some local process of trying to sort

that out. I think Hydro can be a facilitator, provide the information, but not in fact become the proponent.

**MR. W. McKENZIE:** I thank the Minister for the comments. I'm quite familiar with the people that he's talking about who like to rough it. There's lots of roughing in the Duck Mountain Provincial Park for them to rough it and a lot of them do; but these people are concentrated in an area like a village. There's quite a large concentration of people in there who have indicated, by petition, that they are interested and I suspect that if we pursue it, when they put their signatures on a petition, they likely could contribute or would contribute to the funds necessary to. So it's just a matter of them finding a vehicle to pursue it and see if they will react the same way as they did in the petition.

The same rule then applies to Lake of the Prairies. I have had two requests this week for hydro installation. There's a cottage development area that's going there and they're prepared to go in and build cottages but there's no hydro services.

**HON. W. PARASIUK:** I'll ask Mr. Lambert to deal with the Lake of the Prairies, however I just wanted to add one final point with respect to the cottagers. I would think that if they're living in that type of proximity to one another, they must have something approaching a cottage association.

**MR. W. McKENZIE:** I suspect they have that.

**HON. W. PARASIUK:** And if they do, I think the cottage association would be the best vehicle. That's the one that I've usually come in contact with in the past, where there's been other groups that have been approached.

Mr. Lambert do you have a point on Lake of the Prairies?

**MR. R. LAMBERT:** No, we don't.

**MR. W. McKENZIE:** I have one more question, Mr. Chairman. This regards a farm north of Rosburn that beside a municipal road and there's another farm off about half a mile to the east, and the hydro line that serves this other farmer that's about half a mile east of this particular road, the hydro line goes right across his farmyard property.

I have been trying, for the last three or four years to see if there isn't some way to solve this problem because this farmer has this line going to his neighbour. When he moves his grain loaders, he moves his combines, everything that he does around his farm, it has to be extremely careful because of this feeder line that's running across his property.

Is there any way possible that that could be moved up one or two pole lengths, and it would then be clear of this gentleman's farmyard, or is that totally at his cost and expense?

**MR. R. LAMBERT:** We will move the line, but it will be at the customer's expense.

**MR. W. McKENZIE:** How could you justify that when Hydro put the line there in the first place?

**MR. R. LAMBERT:** Presumably, when we put the line there we had the right to put the line there. I might just add that we get many many requests, hundreds of requests every year to relocate our facilities, under circumstances similar to the one that you described.

Our difficulty is the cost to respond to all of those requests, if we don't have some kind of a mechanism to deter frivolous requests. So our policy is that we will accommodate the customer, but we feel that it's reasonable and equitable to charge for that service.

**MR. W. MCKENZIE:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** The Member for Lakeside.

**MR. H. ENNS:** Thank you, Mr. Chairman.

**MR. D. GOURLAY:** Mr. Chairman, if I might intervene.

**MR. CHAIRMAN:** The Member for Swan River.

**MR. D. GOURLAY:** I had a question related to the Blue Lake situation. I'd like to thank my colleague, the Member for Roblin-Russell, who has been looking after that area for many years. I think after the redistribution last time, that area comes under my constituency, but I appreciate the effort that Mr. McKenzie has done in that area.

My question is with respect to getting power into that area. Has the Parks Branch contacted Hydro in other areas to maybe participate in the cost, or Natural Resources who have offices and have direct concerns in the area?

I'm wondering if Hydro can recall having had participation from those other departments, or perhaps even through Destination Manitoba with respect to getting in the Hydro service to various resort areas. Perhaps we could approach those departments for some help as well to try and get the Hydro service into say the Blue Lakes area.

**HON. W. PARASIUK:** I think that depends on the particular policies of the departments and what they do. I don't think Hydro is the one that again — (Interjection) —

**MR. D. GOURLAY:** I'm just wondering if Hydro had been approached in the past under similar situations in other parts of the province.

**MR. R. LAMBERT:** We have reasonably regular contact with Natural Resources for development such as this and generally they have assisted in the past in facilitating organizing the groups so that we can deal with this question of capital contribution. I am not sure, but I am not aware, that those people have ever helped by way of contribution or by way of financing, I'm not absolutely sure about that but I'm not aware that they have in the past.

**MR. D. GOURLAY:** Mr. Chairman, I'm wondering about the Wellman-Glad Lake area where the Hydro was put in there at considerable cost, I would expect, a few years ago and although they're more cottage owners in that area perhaps the cost was distributed over a

larger base. I'm not sure. I'm just wondering if Mr. Lambert can recall the situation in that area.

**MR. R. LAMBERT:** I'm familiar with the area but I am not familiar with the details pertaining to the extension of service into that area.

**MR. H. ENNS:** Mr. Chairman, I just want to indicate to the Minister and to Manitoba Hydro staff that I've been under some pressure as Opposition House Leader to provide upon occasion just what's going on right now. I appreciate that in the last number of sittings of this Committee going back even a year or two, the predominant issue of new development, surplus sales has monopolized the time of this Committee. I want to take this occasion to put on the record that particularly those of us that represent and ourselves that are living in rural areas of Manitoba, Manitoba Hydro and the service it provides happens to be one of extreme importance and, indeed, is an essential one.

While we have registered our concerns in very strong manner in terms of policy directions that we see are ill-founded that should not cloud the issue that most rural Manitobans do acknowledge, do appreciate the service that is being provided. I'd say rural Manitoba's is perhaps not in exclusion of urban people but in rural Manitoba, the service that Manitoba Hydro provides is just that much more critical; any storm, any disruption of service brings home that point very quickly to us, those of us that are involved in the kind of operation that modern agriculture now call upon, the intensive livestock operations, even a short disruption and it becomes a critical matter of great concern and cost to the user.

The opportunity for my members, particularly, to express perhaps more mundane concerns that we are, I want to assure Manitoba Hydro there are nonetheless as real and perhaps to some extent had been neglected or pushed aside. I'm taking advantage of this particular sitting to allow different members of my group, at least, and of course, the members opposite to put these concerns that they have heard from their constituents directly to the officials of Manitoba Hydro.

I must say that over my 18-19 years as a rural MLA that if my representation to me of dissatisfaction with Manitoba Hydro were measured to the normal complaints that I get from different sources whether it's the conditions of the roads this government is letting deteriorate or the other services that are being provided by government, my life would be very easy. What I'm trying to say is I don't get many complaints about Manitoba Hydro.

The complaint that I have received surprisingly in the last few years, and I would ask whether or not there has been a policy change - I understand there may have been - is from new connections. Was there a significant change in Manitoba Hydro policy dating back perhaps a year ago or even two years ago? What I'm finding out is that individuals who plan to go through the process of getting the necessary, in some cases, planning approval in rural Manitoba for a new home and then find themselves with what they consider to be extraordinary costs of the connection. I hadn't experienced this in prior years.

There was a kind of a rule that most rural persons understood that called for a particular charge for the

installation of the number of poles that were required to bring that service in and that seemed to work very well. It's in the last few years that I have had a number of complaints. I cite a particular situation where in the small community of my hometown of Woodlands within the subdivision, a person built the home - this is within the unincorporated Village of Woodlands. We don't have a large centre there but what I'm trying to say it's not in the middle of a section somewhere, but the person was called upon to put up front several thousands of dollars and was then told that if over the next five years some additional connections were made that a refund would be coming to him.

I would like some explanation of what is the current practice in this regard? I say this fully cognizant of the fact that Manitoba Hydro has to have some conditions attached to particularly new service connections. I understand some of their service connections are pretty clear with respect to mobile homes calling for some permanency of the respective foundation. I would like to ask as well what has Manitoba Hydro's experience been? The need for what I would have to describe for lack of information as approaching punitive for the up-front charge perhaps can be justified to me if officials tell me that Manitoba Hydro loses X number of dollars on being called upon, responding to an applicant, going to the cost, putting in a service and then not being able to recover the installation costs because by the time it comes to sending the bill, the applicant has moved on or that there's nobody to take responsibility for that.

Maybe that would be the first place to start the answer to the question. Does Manitoba Hydro experience a kind of an ongoing difficulty in that specific area of responding to a new applicant and then not being in a position to recover their costs? Has that happened to any significant degree that is of concern to Hydro?

**MR. J. ARNASON:** We appreciate very much, Mr. Chairman, the general comments that led into the specific question about the service in rural Manitoba. Just a comment on that before I try to answer your question. Just to assure the members of this Committee that despite the fact that we are moving into a heavy capital construction program, I am stressing and I have stressed for a long time that the service to our customer is our No. 1 priority and that will not be . . . (inaudible) . . . have made that change and it was a fairly substantial change because prior to that we had, for example, a construction allowance to a new rural residence or small farm of one mile, and that construction allowance has been dropped to three-quarters of a mile. Then there's revenue-based allowances where the new policy deals with a capital allowance that's equivalent to three years estimated revenue and to the degree that the cost of the service exceeds our three years of revenue, the customer would be required to pay that differential.

So in our opinion, it's a matter of costs going up and a policy that had to be changed to more fully reflect the current day situation. So generally, Mr. Chairman, that was the situation which changed in 1983.

**MR. H. ENNS:** I thank Mr. Arnason for those answers. I wonder if the president can, perhaps with the

availability of his staff, answer specifically what the net result of these changes would be. I appreciate they vary, but if there is such a thing as an average connection - or can we cite a hypothetical case of just what that means in dollars and cents to an average applicant? Is that at all possible to arrive at? What was the case for the applicant in April 1, 1982 as compared to what the same applicant would have to pay subsequent to April 1, 1983 with these changes in place?

**MR. J. ARNASON:** I'll deal with one aspect of it and then turn it over to Mr. Lambert for a fuller response.

In terms of one category, seasonal customers, prior to the new policy being implemented, we had an \$800 allowance for a seasonal customer and that is now at \$600 and maybe Mr. Lambert can elaborate on other components of this change in policy.

**MR. R. LAMBERT:** In the context of the rural residential where we're talking about extending a single-phase line and we reduced the extension allowance or construction allowance from one mile to three-quarters of a mile, right today, a mile of single-phase line to serve that kind of a customer is approximately \$10,000.00. So that reduction in the policy, which is a quarter of a mile, would equate to about \$2,500.00.

**MR. H. ENNS:** The other component of the change is the recovery, the net differential of your three year estimated service costs. That, I would imagine would be . . .

**MR. R. LAMBERT:** The reference to the three year revenue recovery, that is for a different application. That wouldn't apply to a rural residential, where we give the allowance by virtue of three-quarters of a mile of line. That allowance that you reference to a three year revenue return would apply to, say, a general service customer or something where it's based on revenue return.

**MR. H. ENNS:** Without quarrelling with the need for these changes, what effort is being made by Manitoba Hydro to communicate rather substantive changes to the new applicants? I'll tell you the difficulty - the reliance and reputation of Manitoba Hydro is so high, by and large, in Manitoba, that that is very often the last concern that a builder of a new home or a new premise has. He gets his permit if one's required from his municipality. He gets the subdivision, if he requires it, from the planning districts that we now have in many parts of the province. He builds his home and he has the home up and this has actually happened - and in these kinds of major decisions, often with the concrete basement in place, he makes his first approach to Hydro and then he finds out that, gee, he's got an extra \$4,000 or \$5,000 up on capital to contend with which seems unreasonable to him. How can we overcome this particular problem?

I was looking around for your Public Relations Officer who probably should be going on an exercise throughout rural Manitoba.

**HON. W. PARASIUUK:** Since the person building would have to get a building permit, maybe that

Thursday, 13 June, 1985

ommunication should be made to the people who issue the building permits so that people are made aware of that. I think that people should be made aware before they make their final decision, but that might be one way.

**MR. R. LAMBERT:** I'll attempt to comment this way. Because of the complexity of the service extension policies, we do not publish them, if you like. What we do though is we try to encourage the customer that if they're considering building of any sort that they should come to Hydro at an early date so that we can explain the policy that would pertain to his particular application, not because of the complexity, we do not publish the policies in a broad context.

**MR. H. ENNS:** I appreciate the difficulty in how Hydro can appropriately make this loan to the applicant. I also accept the responsibility that the applicant himself/herself should accept, just as they must in many other cases, they have to enquire as to whether a certain type of sewage system is permissible or what standards have to be met in the construction of a new home. That responsibility, I agree, rests with the applicant.

I think Manitoba Hydro officials will agree with me though that the changes are substantive or can be substantive, depending on the person's situation. If that person is totally unaware of it, he tends to view Manitoba Hydro with a somewhat jaundiced eye, and particularly so when he is building his home beside his brother or his neighbour who had the same service installed 18 months ago at substantially less cost to them.

I simply put that on the record, Mr. Chairman, to the Minister, to Hydro officials, to indicate that in my judgment that is a problem area. I think it's a public relations problem area. I think most people acknowledge the higher costs of regular construction, etc., and that these costs have to be recovered. People don't like to be surprised and somehow we ought to find some way, whether it's through the issuance of a building permit or whether some greater effort needs to be made to those who plan it.

We have, and I suppose some of us have more of this than in other areas where our constituencies lend themselves to urban people moving out to small acreages. They have not experienced any of these hookup charges in an urban setting, in the city, other than the normal connection costs, then find themselves having to pay even \$1,000 or \$1,300 or having to put up front money is totally foreign to them.

**MR. J. ARNASON:** Yes, Mr. Chairman, we certainly appreciate the comments that the member has made and we agree with them. We'll simply have to try to do a better job through our business departments to communicate these kinds of policies to our customers or potential customers and, certainly, we don't want to give them any financial surprises when the building is half way up. We take that constructive criticism under advisement and we'll try to do better in the future.

**MR. CHAIRMAN:** Are we ready to approve the report?  
The Member for Gladstone.

**MRS. C. OLESON:** Thank you, Mr. Chairman.

I have a concern regarding the demand billing for the recreation centres. Earlier this spring, I . . .

**MR. CHAIRMAN:** Order please. This has been done to a series of questions before. I don't want to refer to the member not being here, but it has been dealt with. — (Interjection) — Shall we repeat the questions over and over again?

**MR. H. ENNS:** On a point of order, Mr. Chairman. I appreciate that the subject matter has been raised specifically by my colleague, the Member for Arthur, but this just goes back to what I said a little while ago, that doesn't preclude a particular MLA who has been written by a constituent to try to ask a specific question whether it deals with the same subject or not.

**MR. CHAIRMAN:** If it is a specific client or a specific constituent, a specific case, other than a general broad question that we have already discussed, the member may proceed.

**MRS. C. OLESON:** Thank you, Mr. Chairman.

I had a letter from the Municipality of South Cypress who were in support of a resolution by another council, namely the one of course, if the Member for Arthur referred to it then it may be a slight duplication but my concern is also for the people in my constituency.

The Municipality of South Cypress wrote a letter to the Premier on the 26th of April suggesting that their support for the position taken by the Municipality of Oakland with regard to recreation centres and pointing out some of the problems with demand billing. Now, I'm sure that it's not peculiar to those two municipalities, this problem. I'm sure the Minister is aware that these recreation centres are built at a great deal of expense to the local people and also through government grants. There is encouragement to build recreation centres and to make use of them. There's a great deal of volunteer work and time and energy put into them and they are a valuable asset to the communities in which they're located.

It doesn't seem to me to make a great deal of sense to charge them for Hydro, for instance, in an ice hockey rink in July. This is what's happening. They're being charged as demand billing all year round. When they're not using the Hydro, they really don't feel that they should be paying for it. They would be quite happy to pay for what they actually use but it is causing great financial burden to many of the recreation centres in the province and I'm wondering if the Minister has any thoughts of changing the policy on this.

**HON. W. PARASIUK:** I ask the member to look at the Hansard of today's discussion because I think the Member for Arthur raised the specific case of the Municipality of Oakland and it is not the intent to change the policy with respect to demand billing and what you are talking about is, I think, probably named peak demand billing because what you're doing is adding to the peak demand. The ice hockey rink is a big, big user over a period of time and what we have to do is build a whole system to meet those peak demands and our peak demand occurs usually on a cold day and long night some time in December or January and Hydro

has to be able to guarantee power to all Manitobans in that time. That's a cost.

What we have said is that we're trying to look at ways through energy conservation of people getting a better bang for their energy buck and I think that's the best way to try and deal with these types of things. We can't change the policy of demand billing which I think is a fair policy and is universal across the country.

**MRS. C. OLESON:** In reference to the Minister's remark about the energy conservation, I think many of these recreation districts have spent a great deal of money and time in that very thing and they are trying to be as efficient as possible. It is causing a financial strain.

Another thing I wanted to ask about. It's been brought to my attention at least twice and I think oftener by constituents. They phone complaining about an extremely high Hydro bill and when the problem is traced back it is found that the previous renter or owner or occupant at least of that house or farm has left a bill unpaid through some reason or other and it is being charged to the new person. What is the policy on the changeover? Is there a slow changeover of name on those for the billing or what is the problem?

**MR. R. LAMBERT:** I'll attempt to answer the question.

**MR. CHAIRMAN:** Will the member allow Mr. Lambert to answer the question?

Mr. Lambert.

**MR. R. LAMBERT:** I'm not sure whether the question was pertaining to whether or not we billed the new customer for consumption of the old customer. If that was the nature of the question, then the answer is . . .

**MR. CHAIRMAN:** Mr. Lambert wants to answer the question. He must be hungry.

**MR. R. LAMBERT:** If the question was related to whether or not we billed a new customer for consumption from the old customer, I think the answer is no, we don't do that. I believe we do have some difficulty though with people moving out of a premises and not advising Hydro that they have moved out and also new people moving in and not telling us that they're a new resident until they get the first bill and then they start making inquiries and then we have difficulty establishing when the old person moved out and when the new moved in and what the relative consumption of the two tenants were.

**MRS. C. OLESON:** Thank you, Mr. Chairman.

Well is there is not an overlap that could be caught with the person when they register for Hydro? There must be a location name or number that it could be picked up. The one case in particular was a social assistance case and they're faced with a bill for \$600 for a grain dryer and they don't even farm. It got to the point of ridiculous.

**MR. R. LAMBERT:** If they register as you refer to it or if they inform Hydro that they're a new tenant, then there is no difficulty. The difficulty is that, in some instances - nor does the old tenant advise Hydro that

there's been a change of tenancy. That's where the difficulty arises.

**MRS. C. OLESON:** Thank you.

**MR. D. ORCHARD:** Mr. Chairman, following up on some of the answers about the new policy on residential and commercial installations. Does that policy apply in the City of Winnipeg as well?

**MR. J. ARNASON:** The same policy applies in the City of Winnipeg as well as rural Manitoba.

**MR. D. ORCHARD:** So that in installations I guess previous - I'm making an assumption here - previous to 1983, any new subdivision in the City of Winnipeg would be served as a matter of course by Manitoba Hydro at no cost to the developer, and hence no cost to the end consumer, that was built into the lot price.

I ran into the same circumstance in an unincorporated village in my constituency where it was within the village limits that a house was going in and there was a fair sizable capital contribution required. I think the particular one was around - if I'm not mistaken in my memory serves me correctly - \$7,000 and it was not that many poles. It wasn't the three-quarters of a mile we were talking about for a new farm site, it was a matter of maybe a block and one-half or two block within Roland.

Now we resolved that. We got the capital contribution billed down quite substantially from the initial one. But I want to echo the comments made by my colleague - and I appreciate where Hydro's coming from. They're in a tight capital position and tight financial position but these contributions do represent a fairly sizable cost to any new consumer, and often end up, as they have, in the laps of the politicians to see whether something can be done. Part of it is again because there's no general awareness of the change in policy because people automatically made the assumption before.

I know we put another house in our yard back about five years and there was no cost. It was simply a request from a new customer, and part of the service that Hydro provided.

I'd like to follow-up on two other areas if we have time this morning. First of all, I come from a part of the country that's fast becoming notorious for their ice storms. We've had about three or four in the last couple of years. This one last fall was unique, in that it was below the escarpment rather than above the escarpment, and it wiped out a whole new area that formerly had been relatively immune from those kind of ice storms.

Now I think it would be reasonable for anyone to assume that probably underground installation would resolve some of that problem, but Hydro is faced with an immediate problem, particularly if it's in the fall with a fall ice storm, of having to restore service and that's much easier to do with above ground rather than underground if you're in the middle of winter. But yet I know that some of those lines southwest of where we live have been, I think they're on their third replacement some of them, since I've been an MLA, which is only seven-and-one-half years. It's been an unusual, maybe quite unusual series of weather patterns.



But is there a method of establishing, for at least several miles, a temporary hookup to get you over from the fall, or maybe more conveniently, through a late spring storm, with a temporary hookup, of say above-ground laid cable, to provide temporary service, so that you can plow underground instead of going to the capital costs. Your problem, once you establish service, you've got a brand new line in place. It doesn't make good economics to come along beside it that summer and plow in underground cable and tear down the line that you've just put in that's brand new and theoretically serviceable for 15 or 20 years.

Is there a method - and it would not resolve the problem but over a number of years it would probably help to resolve the problem - of putting temporary in and then going to underground installation?

**MR. J. ARNASON:** Mr. Chairman, I'll try to respond to that in a general way. You're absolutely right when you mention that ice storms seem to be more prevalent recently than they have in the past. Certainly, we had two major ice storms in a period of 13 months, which cost this utility \$8 million. The last one, in April of 1984, was just over \$5 million.

We have internally established a task force that was to review the total problem of how do we deal with these major ice storms and improve the reliability of our system in the areas affected? We have come up with a number of recommendations which we are implementing over a period of five years.

There doesn't seem to be any one answer to the problem. It seems to me it's a combination of many factors. We have attempted to do that in our program, which will cost the utility in five years, some \$25 million. In other words, we're prepared to spend \$5 million a year in these affected areas to reduce the duration of the outage experienced last time around and also to reduce the amount of repairs that are required from that kind of a storm, and the things that we are going to do is, we're going to beef up the main supply to the area.

One of the problems we found in the last ice storm was that it was not only the distribution system, the rural lines, but our main system supply into the area was down; therefore that becomes a priority. We are also planning on increasing the amount of underground on our system.

We are reviewing the design standards. As you members from rural parts realize that we have overbuilds, where we might have a 66 kV line with a secondary circuit underneath and maybe a sky wire, and there are times when the sky wire might break and come down into the secondary circuits. So we are reviewing designs of the existing lines as well.

Other factors that we are looking at is early detection systems. We have information coming to us, weather reports through computers that will give us early information on weather patterns. It's extremely important that we get our crews out as early as possible to attempt to get the work in progress before the ice builds up too quickly.

An example of that is, last time around, we had people just outside of Morden, at 2 o'clock in the morning last April - that's a year ago April - when the storm hit us, and by 5 o'clock in the morning our lines were

down. There was really no major problem at 2 o'clock, but three hours later our lines were down.

The other thing we're doing, Mr. Chairman, is we are improving our facilities and our ability to melt ice on transmission lines. We're putting some dollars in the substations so we can isolate the system and the line, so that we can put shorts on and melt the ice off.

So those are some of the things that we are undertaking and we believe that that will greatly improve the reliability, reduce the outage time, and reduce the repair costs after the storm strikes.

**MR. D. ORCHARD:** Mr. Chairman, like I've been talking to the local hydro fellows at home and I know that you've been dead shorting a number of lines along there to prevent that, so that you can melt ice and that sort of thing.

I have to tell you that the Manitoba Hydro crews, they just put in gargantuan effort when those ice storms hit. I mean no one could fault any of the system employees for the kind of effort they put in to restore service. The public image of Manitoba Hydro and its employees in rural Manitoba, you're well served by the vast majority of your employees out there. They carry a good image for the corporation. They work under really tough conditions and do their very best and their utmost to restore that service. But that one was so massive and so rapid that there was virtually nothing you could have done to resolve that particular problem.

Undergrounding does appear to be - at least on some of it - the answer, but I realize the quandary that the system is in, because on mile after mile of that rural distribution - I'm not talking mainline - you've got brand-new lines in place now, that were put in place after the ice storm, and to then embark on what would be a fairly substantial capital program to plough underground and tear those lines down would be viewed as probably not a wise investment, but with the frequency of these storms, it may well be over the long run something the System has to consider. I'm pleased to hear that they've got a number of areas of study under way.

Mr. Chairman, another topic, if we have time to discuss it today. In a number of areas in North America now, individuals are generating their own electricity. I had the opportunity of seeing some of the wind farms down in Southern California in the recent past. It's my understanding that through various policy changes and even some court tests, that a number of utilities in the United States have been required to, I guess it's called dual meter. You've got an in and out meter, I don't understand the mechanics of it, but basically if I'm an individual who's set up a wind generator, I can generate electricity for my own use and anything that's surplus can go into the system and at times when there's no wind, and run the meter backwards basically to build me up a credit on my farm or my business, and then if there's no wind any energy that I purchase from the system is ran off against that which I contributed on the windy days.

There is what appears to be a very substantial move in certain parts of United States to that kind of electric generation. We're not there yet, because we enjoy relatively low hydro rates in the province, but with the rate increases that are projected prior to the

commissioning of Limestone and no doubt the rate increases that are going to be required after Limestone, people who are thinking ahead are already talking about the possibility of generating their own source of electricity.

Has the Hydro System given any consideration as to how they would handle such an approach by an individual, who would have equipment that would deliver to the System the right type of power so that it is compatible with the System and in surplus times, are they considering a reverse meter - I'm sure you understand what I'm getting at? Has there been any consideration to the establishment of a policy to allow those options to individual customers?

**MR. R. LAMBERT:** We recently developed a policy in-house to deal with that kind of a situation.

The policy at the moment pertains primarily to small users. We have three customers who have very small windmills, and we have a policy that caters to their using that windmill in parallel or connected directly to our Hydro System.

The way it works, because it's very small, is that we don't have a dual metering system, but rather what happens is that any power they generate with the wind, it just reduces the amount that they take from the utility, because their windmill is very small.

Our policy also covers the situation for a larger installation in that it says that if there was a customer that wanted to make that kind of an installation, we would look at it on an individual basis to see what we could do, because it becomes considerably more complex in terms of the metering and so on and so forth, and the type of rate that we might want to consider, you know, for purchase of that power.

**MR. M. ELIESEN:** Mr. Chairman, I can further comment in an overview. We don't envisage any kind of rapid development of that taking place in Manitoba. In fact, we see just the opposite taking place. With a renewable resource in which we are projecting a real declining price for that resource compared to the systems in other parts of Canada, and even more so in the United States, we don't see that kind of development taking place. We see escalating increases, substantially escalating increases taking place in thermal generation, and of course nuclear, where there are no moratoriums, the regulatory and fuel increases prohibit significantly generation coming on stream, and when it does the costs are triple or quadruple those of the original estimates.

Given the fact that we are basically a Hydro System, the kind of prices that we see for the future in real terms will be a decrease from the present structure today, and of course at the present structure today, we do have the lowest rate structure in North America.

So we can see a continuation of that trend with less opportunity or development for alternative generation, because of its prohibitive expense.

**MR. D. ORCHARD:** Mr. Chairman, following on, not the last answer, but the previous answer, the System then has an agreement for a very small windmill system, but nothing of the capacity where you don't have any agreement with any owner of a generating system, a

wind generating system for instance, of sufficient capacity that it would be supplying surplus electricity to the System then, at this time?

**MR. M. ELIESEN:** No.

**MR. D. ORCHARD:** Now, I'm going by memory here but it seems to me, I'm not sure whether this was in Southern Alberta, and maybe some of the officials of Manitoba Hydro - I thought it was in the last Farm Light and Power, but I believe someone in the Pincher Creek area, where the winds are pretty steady, pretty reliable, have a system with, I guess, that would be Calgary Power whereby they do have this two-way metering system, where they develop a negative credit and are only billed when the meter becomes positive and then I don't know whether they settle monthly or quarterly or annually for any money owing by the utility to the farm customer or vice-versa. That's my understanding and I believe it's the system in Pincher Creek, that they are using the System's rates, nothing different, so that if a customer decided that he can, over a period of time, justify whatever the capital expenditure is, at 2.4 cents a kilowatt hour runoff rate, I guess, or 2.5, that that's the customer's decision and the utility is not paying him less for electricity than what they charge him for it.

Is that the envisioned application of the policy should you be approached by a somewhat larger generating capacity windmill or similar installation?

**MR. R. LAMBERT:** We haven't crossed that bridge yet but what we would have to do if we had a large installation, we would have to look at the metering requirements to accommodate it, and we would also have to look at what kind of a rate would be reasonable to accommodate the situation. We have not crossed that bridge yet.

**MR. D. ORCHARD:** I appreciate you haven't crossed that bridge yet, but does the policy as structured want to pay, or is the Hydro system's philosophy on this type of generation to pay the customer less than what the runoff rate is, or to pay him an equivalent amount?

**MR. R. LAMBERT:** I'm not sure what we would come up by way of a rate, but I think our philosophy would be that if a customer wanted to do that, we wouldn't take steps to discourage him from using his own windmill or whatever source of power he wants to use.

**MR. D. ORCHARD:** Pardon me?

**MR. R. LAMBERT:** We would not want to try to discourage him.

**MR. D. ORCHARD:** I know that the rates are somewhat higher in the Southern California area than they are here, but to go down there and take a look at some of the desert flats and the sides of their so-called mountains down there, they're glorified hills, to see them covered with windmills is just an unbelievable thing to see. Now I did not take the time to find someone who could provide answers to tell me whether those are owned by Edison or whomever as a corporate

Thursday, 13 June, 1985

---

experience, or whether someone has put them in on a commercial basis.

There's no question that those windmill farms probably got a fairly substantial generating capacity down there — (Interjection) — yes, you'd have to have a governor on them on Saturday.

I foresee there will be circumstances where part of a farmer's future capital investment is going to be a windmill despite the talk about, in real terms, the rates going down. Farmers are kind of unique people, they've been used to declining values in real terms for the last ten years, only it hasn't been on what they buy, it's been on what they sell. You could have hydro rates stay absolutely even over the next number of years and there would be some who would want to cut costs, because their product prices have been declining in real values to them and they're looking at any kind of an installation.

Besides that, I believe that in terms of taxation system that there's tax considerations for those kinds of installations that can be very attractive to some farms.

I'm glad that there's a policy in place and I'll look forward to further discussions on that, because it is something that I believe we're going to see more requests of the system made.

**MR. CHAIRMAN:** Are we ready to approve the report?

**MR. H. ENNS:** No, committee rise.

**HON. W. PARASIUK:** The House Leader will be informing the House as to when the committee will next sit.

**MR. CHAIRMAN:** Committee rise.

**COMMITTEE ROSE AT:** 12:32 p.m.