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MANITOBA PUBLIC UTILITIES BOARD

Re: Manitoba Hydro's Application to the
Public Utilities Board for Approval of
New Electricity Rates in Communities
Served by Diesel Generation

Before Board Panel:

- Graham Lane - Board Chairman
- Robert Mayer, Q.C. - Board Member
- Kathi Avery Kinev - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
September 30, 2010
Pages 486 to 739

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Bob Peters) Board Counsel

Odette Fernandes) Manitoba Hydro

Patti Ramage)

Myfanwy Bowman) CAC/MSOS

Glynis Hart) INAC

Mary Ann Thompson)

Michael Anderson) MKO

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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone. We've got a lot to do today, and a lot to
5 prepare also for the future. When we broke off last
6 night, Mr. Anderson was beginning his cross, and noted
7 that he's relocated, which is good.

8 Before we begin, just a couple of odds and
9 ends that will probably help the Board frame this whole
10 discussion in the proper light.

11 Mr. Cox, if -- if you don't mind, is there
12 any members of the panel that have actually visited the
13 four (4) communities?

14 MR. ROB COX: No, there's not.

15 THE CHAIRPERSON: So there's no one that
16 can right now, for example, sort of paint a picture of
17 what the -- the situation is there, and the -- the nature
18 of the community, how they live, and things of that
19 nature?

20 MR. ROB COX: Not -- not on our panel in
21 the front row, but there -- we do have somebody in the
22 back that has been to each site.

23 THE CHAIRPERSON: Well, what we're
24 thinking about is that -- what we don't have for the
25 hearing is a grasp, if you like, of the social economic

1 history, and description of the communities; like
2 population, demographic information, unemployment rates,
3 income levels, education levels, economic development
4 status, prospects, et cetera.

5 We wonder, like, what it's like to live
6 with 60 amp service, et cetera. If we were to consider
7 major changes to the electricity service, should we not
8 be more aware about the communities, including how
9 they're faring, how they live with the current
10 restrictions, and things of that nature?

11 And how would we go about obtaining the
12 information through the this hearing?

13 Do you have any thoughts?

14 MS. PATTI RAMAGE: Mr. Chairman, and this
15 isn't a lawyer's normal way to do things, I have to tell
16 you, but we have one (1) of our back row members who is
17 very familiar with those communities and has been in
18 those communities. Now, I haven't spoken to Mr. Spuzak
19 about his experience in those communities so I'm really
20 out on a limb on this one. If you wanted to bring him up
21 and ask some of those questions, he's quite willing to
22 coming up, but this isn't something we've prepared for.
23 But if you would like that, we can bring him up and I'll
24 go sit in the back.

25 THE CHAIRPERSON: Yeah, we would like

1 that. Thank you.

2 MS. PATTI RAMAGE: It's Steve Spuzak.
3 Spuzak is spelled, for the court reporter, S-P-U-Z-A-K.

4 THE CHAIRPERSON: Thank you. Ms.
5 Shields, if you wouldn't mind swearing in Mr. Spuzak.

6

7 STEVE SPUZAK, Sworn

8

9 QUESTIONS BY BOARD:

10 THE CHAIRPERSON: Thank you very much.
11 Mr. Spuzak, it's a little bit unfair to you to sort of
12 call you into this in the middle without any warning, but
13 we find it helpful to have a general understanding and
14 we're very appreciative of the fact that you have visited
15 the communities and have some experience, and what you
16 can share with us we would like to hear.

17 MR. STEVE SPUZAK: Our department cares
18 for really the maintaining of the plant primarily.
19 There's been some questions on the soil remediation. Not
20 exactly my specialty. Mine's more of a area of expertise
21 with keeping the generators running. The staff that I
22 care for are electricians and mechanics.

23 One (1) of the areas that we have quite a
24 bit of understanding of in the community, as far as a
25 knowledge base, an education background, we do look for

1 local staff, plant operators out of the communities, out
2 of each of the four (4) communities, a main operator for
3 each plant, and also a backup. And it's a challenge, so
4 I think there was some questions in regards to education
5 background, but I think you wanted to focus on more of
6 the -- the 60 amp panels or so -- like I'm not quite sure
7 the direction of the questions you wanted to --

8 THE CHAIRPERSON: Well they will be very,
9 very, very general. It may be very unfair to ask you,
10 and we'll take into mind how we obtain the information,
11 but one (1) was approaching the City of Winnipeg. I
12 mean, they're happy to bury you in a giant book on social
13 demographic history and nature and characteristics of the
14 community.

15 You know, if you go to Revenue Canada,
16 they could tell you the average income. If you go to the
17 Department of Education, they'll say the average
18 education level sustained. You go to the Department of -
19 - I'm not sure what they call it anymore, but they tell
20 you the nature of the businesses that are carried on in
21 the community and things of that particular nature; like,
22 you know, what is the effect of the service that's
23 currently being provided by the utility on the community.
24 What does it allow it to do? What does it prevent it
25 from doing? What would happen if it was different?

1 MR. STEVE SPUZAK: As far as the -- the
2 size of the panel, perhaps I'll start with a 60 amp
3 panel, and -- and electrical service is what I'm
4 referring to, in each of the homes is what we typically
5 are able to offer, from my understanding. That isn't
6 really my area of expertise, but being that my staff are
7 in the community, that's my understanding.

8 I'm und -- I'm under the impression that
9 they are heating primarily with other means. The space
10 heating aspect is something that, you know, anyone can
11 put in our homes whether we live in the North or here,
12 and not encouraged there, of course.

13 I -- I'm not quite sure how much to go
14 into with -- with that portion. We provi -- we provide
15 the essential electrical requirements with -- with what
16 the plant is capable of delivering. The community, I
17 believe, does -- does understand that their expectations
18 are not to take on an excessive electrical load, because
19 it does impact the -- the plant that we maintain, and it
20 would -- would require upgrading to an extent that is --
21 is difficult for my -- my department, and the
22 Corporation, to expand into.

23 So we're comfortable maintaining the plant
24 as required for -- for the generators that are onsite,
25 and we're -- we're able to, at this point, provide a

1 reliable service with what's on site. If -- if we were
2 opening beyond that, it would challenge our reliability,
3 and our able -- ability to consistently keep the power on
4 without -- with minimal interruption.

5 MR. ROBERT MAYER: Sir, I -- I think what
6 the Chair is more interested in is some of the more
7 socioeconomic conditions in the community.

8 You've been onsite, I take it, at all four
9 (4) of them?

10 MR. STEVE SPUZAK: Yes, I have --

11 MR. ROBERT MAYER: And --

12 MR. STEVE SPUZAK: -- several times.

13 MR. ROBERT MAYER: -- and do you have the
14 opportunity to stay over night?

15 MR. STEVE SPUZAK: Yes.

16 MR. ROBERT MAYER: Well, for example,
17 where do you stay when you stay in one of those
18 communities, since I don't think any of them has a hotel.

19 MR. STEVE SPUZAK: Yes. Manitoba Hydro
20 does have, in each of the four (4) communities, an
21 accommodations
22 trailer that my department cares for, and so we have that
23 accommodation ready for us when we arrive.

24 MR. ROBERT MAYER: I -- I take it that
25 then, although there's no regular overnight

1 accommodation, it's my understanding that most visitors
2 will stay at either the nursing station, if they were
3 lucky enough they might find some spot in a band hall --

4 MR. STEVE SPUZAK: Yes.

5 MR. ROBERT MAYER: -- or in the unlikely
6 event that you happen to be a lawyer, with your client,
7 but -- now, the type of accommodation that the rest of
8 the people have, not a modern --

9 MR. STEVE SPUZAK: Okay.

10 MR. ROBERT MAYER: -- not a modern
11 trailer, how far am I wrong from calling a good portion
12 of the accommodations clapboard shacks?

13 MR. STEVE SPUZAK: Well, there'd be some
14 -- some in the community that would be, you know, bar --
15 like without windows. I've seen communities -- I've seen
16 in some of the communities, literally pol -- poly for
17 windows, and people are residing in those residences.
18 That's no -- I don't think that's a -- a far stretch for
19 any of us to -- or -- or have seen that before perhaps on
20 the news, et cetera.

21 MR. ROBERT MAYER: In -- in Shamattawa,
22 for example, a significant number of housing without --
23 without what you and I would refer to as windows, plywood
24 over top?

25 MR. STEVE SPUZAK: Plywood's often used,

1 yes.

2 MR. ROBERT MAYER: And -- and when they
3 actually have windows, it's usually plexiglass --

4 MR. STEVE SPUZAK: Mmm --

5 MR. ROBERT MAYER: -- as opposed to
6 glass?

7 MR. STEVE SPUZAK: Well, I can't really
8 say about plexiglass, but I've seen poly.

9 MR. ROBERT MAYER: Pretty hard to
10 insulate if all you've got between you and the 40 degree
11 weather outside is poly, isn't it?

12 MR. STEVE SPUZAK: Absolutely.

13 MR. ROBERT MAYER: I -- I think this is
14 what the Chair wants to get at, and the com -- now, I've
15 only been to three (3) of them. I -- I have never been
16 to Tadoule Lake. But relatively speaking, the
17 accommodation -- the -- the housing itself is pretty much
18 the same, isn't it?

19 MR. STEVE SPUZAK: Are you -- in all --

20 MR. ROBERT MAYER: In -- in all --

21 MR. STEVE SPUZAK: -- in all four (4)
22 communities --

23 MR. ROBERT MAYER: -- well, I -- I said--

24 MR. STEVE SPUZAK: -- across -

25 MR. ROBERT MAYER: -- I only know

1 Brochet, Lac Brochet, and Shamattawa.

2 MR. STEVE SPUZAK: I -- I would -- I
3 would say definitely some are -- are better homed
4 communities.

5 MR. ROBERT MAYER: Brochet being one (1)
6 of the better ones, I think.

7 MR. STEVE SPUZAK: That seems to have a -
8 - a -- from what I've seen, perhaps better homes.

9 MR. ROBERT MAYER: And picket fences,
10 actually.

11 MR. STEVE SPUZAK: Yeah.

12 MR. MICHAEL ANDERSON: Mr. Chair, Mr. --
13 sorry --

14 MR. ROBERT MAYER: Go ahead.

15 MR. MICHAEL ANDERSON: -- I didn't mean
16 to interrupt. Without intending to speak as a witness
17 immediately, of course, I've been in all four (4)
18 communities many times. Stayed overnight. Spent many,
19 many days and evenings within each of the communities,
20 and clearly could assist in providing some of the general
21 information for the Board's attention.

22 What I might suggest though, and what I
23 would undertake to do, is perhaps with the written
24 submission on the constitutional matters, I could attach
25 demographics, and other information that would be

1 otherwise publically available, so ought not create any
2 issues in respect of late file of evidence, per se. That
3 would certainly be comprehensive. There's a substantial
4 body of it generated by both MKO, the First Nations, and
5 the Federal Government, for example; as well as the
6 province for that matter on its community profiles, which
7 are both, by the way, available online for the province
8 and the Government of Canada; both issues community
9 profiles, in addition to that available from Statistics
10 Canada.

11 Now, I realize those are numbers and they
12 give you a rather different feel than having the
13 information made available directly by persons from the
14 community. What I could also undertake to do, if it's of
15 assistance to the Board, is re-file the series of
16 submissions that were made on the previous Rate
17 Application by former Chief Ila Bussidor, for example,
18 the last former Grand Chief Francis Flett and others,
19 that spoke of the significance of electricity in these
20 communities, and, in particular, the affordability of
21 electrical energy being available in those communities.

22 So there is some material in that regard
23 that the Board has before it that I could undertake also
24 as part of our written submission to re-file for the
25 Board's consideration. Although I'm not a witness, I --

1 I will also say, however, that I would be prepared to be
2 available to answer Board's questions regarding housing
3 stock, details of the band functions, general comments on
4 the lives in each of the communities, if that's of any
5 general assistance, from, of course, my own personal
6 observation as the natural resources director of MKO,
7 which is a position that I've held for twenty-two (22)
8 years. So I have some direct experience in respect of
9 these four (4) communities.

10 I'm also, of course, the designated
11 mediator on the diesel mediation on behalf of the four
12 (4) First Nations, so I have considerable direct
13 experience with the matters that the Board has raised
14 some interest in. So in addition to filing the materials
15 suggested, I'm -- I'm available at the Board's pleasure.

16 THE CHAIRPERSON: Well, we'll take you up
17 on your undertakings, Mr. Anderson, and we may very well
18 want to swear you in as a witness, because the Hearing is
19 likely to be extended, at least, a day or two (2), so
20 we'll take those under consideration for now.

21

22 --- UNDERTAKING NO. 15: Mr. Anderson to provide
23 information and details on
24 life in the four (4) diesel
25 communities

1 communities would appreciate very much the opportunity to
2 appear before the Board to provide answers to all of your
3 questions about life in the communities, demographics,
4 the value of electricity, affordable power, and so forth.
5 And I'd be -- I will undertake to make every effort to
6 assist that in happening.

7 MR. ROBERT MAYER: Mr. Anderson, I think,
8 of course, we'll try -- we'll attempt to schedule those
9 dates before we leave today, and I hope you'll be around
10 when we do that. One (1) item that brings this sort of
11 to a head for me is I picked up this morning's Winnipeg
12 Free Press and the headline reads "Illness That's Hit --
13 Illness That Hits Poor hard." Quoting directly from it:

14 "Manitoba communities, including North
15 Lands First Nation at Lac Brochet, have
16 recorded some of the highest TB rates
17 in the world, more than six hundred
18 (600) cases of TB per one hundred
19 thousand (100,000) people. By
20 comparison, Bangladesh is slightly
21 below four hundred (400) cases per one
22 hundred thousand (100,000)."

23 This -- the issue of TB and diabetes has
24 been all over the news. I think it's generally
25 understood that TB especially -- diabetes is being, I

1 think, largely di -- diet related, but TB especially is
2 environment related. And I think the Chair wants a
3 little bit more information on -- there -- there are more
4 problems out there than just electricity, but electricity
5 may well be an important part of a solution.

6

7 (WITNESS STANDS DOWN)

8

9 THE CHAIRPERSON: Okay, Mr. Anderson,
10 we'll take you up on your undertakings. We'll think hard
11 in our break and at lunch about how we proceed with this.
12 And we've got some timetable issues to address as well.

13 But, for now, if you could continue with
14 your cross of Manitoba Hydro.

15 MS. GLYNIS HART: Just before proceeding,
16 if I could maybe make one (1) other point for the Board's
17 consideration.

18 Well, if Mr. Anderson is going to be
19 assembling that information for the Board, if it might
20 also be worthwhile if Manitoba Hydro could undertake to
21 assemble statistics on the demographics about the
22 commercial and industrial com -- customers in the
23 communities also, to give a -- a better picture also.

24 THE CHAIRPERSON: If Manitoba --

25 MS. GLYNIS HART: The diesel First Nation

1 --

2 THE CHAIRPERSON: -- if Manitoba Hydro
3 can help in that matter, we would appreciate it.

4 MS. PATTI RAMAGE: It's not clear what
5 you would be looking for.

6 MS. GLYNIS HART: We would be looking for
7 the numbers in the different areas of the accounts. The
8 number of commercial and industrial customers that there
9 are.

10 MS. PATTI RAMAGE: Yeah, if -- if we're
11 just talking about the numbers without the customer
12 identities, that's not a problem.

13 MS. GLYNIS HART: Maybe a description of
14 the nature of the type of industrial or commercial
15 activity.

16 MS. PATTI RAMAGE: To the extent that our
17 billing data allows that, I guess we can. I'm not sure
18 why this is coming at this stage in the game.

19 MR. ROBERT MAYER: I'm amazed that INAC
20 is asking for that information from the supplier of
21 electricity. I would have thought that that -- I would
22 have gone to you to ask most of the questions you just
23 asked of Hydro. I -- I'm a little surprised at this.

24 MS. GLYNIS HART: INAC -- INAC would not
25 receive that information. INAC is not the customer. It

1 would not receive any billings for any cust -- or for any
2 commercial or industrial --

3 MR. ROBERT MAYER: I understand that --

4 MS. GLYNIS HART: -- accounts.

5 MR. ROBERT MAYER: -- but are you not
6 aware if, in fact, there is any industrial development in
7 any of those four (4) communities?

8 MS. GLYNIS HART: Not necessarily.

9 MR. ROBERT MAYER: I --

10 MS. GLYNIS HART: Commercial --

11 MR. ROBERT MAYER: -- as I --

12 MS. GLYNIS HART: -- no, INAC --

13 MR. ROBERT MAYER: As I read through Mr.
14 Mills' evidence, and all these ways you put these funding
15 together, you -- you purport to know what we're dealing
16 with.

17 I -- I mean, that whole book that was
18 filed with Mr. Mills' evidence, and all those formulas,
19 surely require you to know something about the community.

20 MS. GLYNIS HART: The activities of band
21 members, any commercial activities, would -- would not be
22 a part of INAC's knowledge. The relationship would be
23 with Manitoba Hydro, and the customers, the consumers of
24 electricity, not INAC.

25 THE CHAIRPERSON: We've got Mr. Mills

1 coming up as a -- as a witness, so we'll leave it for
2 that.

3 Mr. Anderson, do you want to start your
4 cross?

5 MR. MICHAEL ANDERSON: Thank you, Mr.
6 Chair, and adding to my list of undertakings, what I
7 could do is provide some information, certainly, about
8 the First Nation accounts.

9 THE CHAIRPERSON: Please.

10

11 --- UNDERTAKING NO. 16: Manitoba Hydro to provide a
12 list of the number of
13 commercial and industrial
14 customers in the four (4)
15 diesel communities and the
16 nature of each customer

17

18 MR. MICHAEL ANDERSON: We would not be
19 uncomfortable in illuminating the Board on those accounts
20 that are -- First Nation education and also First Nation
21 general service, to give the Board an understanding.

22 THE CHAIRPERSON: Yes. It's important
23 for the Board because the -- the Board may be an economic
24 regulator, but in determining the public interest we've
25 always been interested in social and environmental

1 matters as well.

2 MR. MICHAEL ANDERSON: And without
3 providing evidence for Manitoba Hydro, I can indicate
4 that, to my knowledge, there are no industrial, or
5 certainly no large user accounts, that we would define.
6 Typically, is my understanding, is we would define an
7 industrial customer as transmission level, and of course
8 there are no transmissions lines, or adequate service to
9 that extent, in either of the com -- any four (4) of the
10 communities.

11 Mr. Chair, I have one (1) housekeeping
12 matter. I had discussed with Mr. Peters before the
13 beginning of the day -- and I apologize, I hadn't given a
14 copy of this yet to Ms. Ramage. It's a brief extract
15 from a decision of the British Columbia Public Utilities
16 Commission, and I -- it -- realizing it's out of context;
17 it's just a single concept in the decision that I wanted
18 to put to Manitoba Hydro, and certainly could file the
19 entire decision. But it's a concept unrelated to the
20 details of the decision, and so --

21 THE CHAIRPERSON: If --

22 MR. MICHAEL ANDERSON: -- and I would
23 propose it be -- providing there are no objections, and
24 I'm just at the mic trying to providing it -- MKO-4.
25 Thank you.

1 THE CHAIRPERSON: We'll give it a --

2 MS. PATTI RAMAGE: We're -- we're not
3 sure what it is, so --

4 THE CHAIRPERSON: Yes. We'll give Ms.
5 Ramage an opportunity, and Ms. Fernandes an opportunity
6 to look at it, and if it's acceptable, it'll be INAC-4, I
7 believe. Or sorry, MKO-4.

8

9 (BRIEF PAUSE)

10

11 MS. PATTI RAMAGE: Mr. Chairman, it's --
12 it's not clear to us why this is required, but Mr.
13 Anderson can impose the question to us, and if there is a
14 concern, certainly we'll raise it then, but, at this
15 point, it appears simply to be a decision of another
16 regulatory body. I'm frankly --

17 MR. ROBERT MAYER: I'm --

18 MS. PATTI RAMAGE: -- not sure why it has
19 to be an exhibit, but we don't want to delay things --

20 THE CHAIRPERSON: Okay.

21 MR. ROBERT MAYER: Presumably it's
22 something that is on the public record somewhere.

23 MS. PATTI RAMAGE: Yeah. Yeah.

24 THE CHAIRPERSON: Yeah, it's clearly on
25 public record. Okay, Mr. Anderson, it'll be INAC-4.

1 MR. MICHAEL ANDERSON: MKO-4.

2 THE CHAIRPERSON: MKO-4.

3 MR. MICHAEL ANDERSON: Thank you very
4 much, Mr. Chair.

5

6 --- EXHIBIT NO. MKO-4: Brief extract from a decision
7 of the British Columbia
8 Public Utilities Commission

9

10 MANITOBA HYDRO PANEL:

11 VINCE WARDEN, Resumed

12 ROBIN WIENS, Resumed

13 ROB COX, Resumed

14 SHANNON JOHNSON, Resumed

15

16 CONTINUED CROSS-EXAMINATION BY MR. MICHAEL ANDERSON:

17 MR. MICHAEL ANDERSON: Mr. Chair, I had a
18 couple of housekeeping. I wanted just to continue the
19 questions I had been asking about the proposal to
20 transfer provincial accounts to general service. And
21 when we were discussing yesterday the -- the table
22 indicating that approximately 12 percent of the
23 electricity, sir, provided in Brochet was government, and
24 we were discussing the possible contribution of that to -
25 - by Frontier School's consumption.

1 In looking at the -- the filings, do I
2 understand that Manitoba Hydro's is not a -- was not
3 approached by the Province of Manitoba to make this
4 change of provincial accounts to general service; that
5 Manitoba Hydro has done this on its own volition?

6 MR. VINCE WARDEN: That's correct.

7 MR. MICHAEL ANDERSON: Just as a
8 housekeeping question, was Manitoba Hydro approached by
9 the Frontier School Division reg -- expressing any
10 concerns about the level of rates or seeking, in fact,
11 rate relief?

12 MR. VINCE WARDEN: Not related to this
13 Application, no. You know, Mr. Anderson, I can't attest
14 to the fact whether or not customers complain about their
15 bills, you know. Sometimes when customers get high bills
16 they complain, so that may very well have taken place,
17 but there was -- there was no representation made by the
18 Frontier School Division that resulted in this change.

19 MR. MICHAEL ANDERSON: And I just wanted
20 to follow on -- did, to your knowledge, Frontier School
21 Division file such a complaint about rates with Manitoba
22 Hydro?

23 MR. VINCE WARDEN: Mr. Anderson, I -- I
24 can't answer any better than I just did.

25 MR. MICHAEL ANDERSON: All right, Mr.

1 Warden. Thank you.

2

3

(BRIEF PAUSE)

4

5 MR. MICHAEL ANDERSON: Back to the three
6 (3) matters of interest: depreciation, consultation, and
7 Tadoule diesel. These questions relate to all of them.
8 Mr. Warden -- or Mr. Wiens, has any of the delay in
9 receiving the capital contribution from INAC been
10 attributed to a difference of opinion regarding the cost
11 of the proposed Tad -- Tadoule diesel project, that is as
12 to the reasonableness of the cost as presented to INAC?

13 MR. ROBIN WIENS: Mr. Anderson, for the
14 record, I believe the discussions related to Tadoule
15 started in about November of 2004 and continued
16 sporadically on and off until finally payment was
17 received in March or April of 2007. I did participate in
18 at least one (1) of those meetings, and although my
19 recollection is pretty dim, I think that the meetings
20 that I participated in occurred in late 2004 and I think
21 perhaps one (1) more in early 2006 -- between those.

22 And, subsequently, there was some
23 considerable exchange of correspondence, which I followed
24 to some extent, but not entirely.

25 So I -- I cannot speak in any detail to

1 what disagreements there might have been over the cost of
2 the facility. I do recall that we had considerable
3 discussion at one (1) of the sessions over the need for
4 the -- for the facility. And I do recall that myself, to
5 some extent, but to a greater extent our customer service
6 manager who was involved, facilitated the exchange of
7 questions between INAC, MKO, INAC's engineering
8 consultant, and the technical people within Manitoba
9 Hydro who were responsible for carrying out that
10 particular piece of capital work.

11 And that discussion and exchange of
12 information by email, and/or letter, was ongoing. And up
13 until my recol -- to my recollection, some time in ear --
14 early to mid-2006, and then there was very little on the
15 file that -- at least that -- that I saw, until the
16 activity that occurred in March leading up to the
17 payment. There may very well have been some questions
18 about the concern about the cost of -- that I just am not
19 able to recall in sufficient detail to be responsive. I
20 do recall we had at one (1) meeting a lot of discussion
21 about the need for the project, and about whether
22 different aspects of demand side management could defer
23 it.

24 That's my recollection on the matter.

25 MR. MICHAEL ANDERSON: Thank you, Mr.

1 Wiens. And without going back over Ms. Hart's discussion
2 with you about the minutes of settlement -- I'm looking
3 at Item 5, the first bullet of INAC-6 -- is it your
4 understanding that the -- the intent was that the First
5 Nation would be making the capital contribution, whether
6 the funds were sourced from Indian Northern Affairs or
7 not, but that the per -- the party making the capital
8 contribution would be the First Nation, or someone on
9 their behalf?

10 MR. ROBIN WIENS: Yes, that's my
11 understanding.

12 MR. MICHAEL ANDERSON: And so in terms of
13 the dialogue in the filings that I led -- we discussed
14 briefly yesterday, those are my emails to Hydro and their
15 responses, and the one (1) sheet from Mr. Mills that an
16 undertaking is still outstanding on, would you accept
17 that another purpose of the discussions was to be
18 satisfied as to the reasonableness of the cost, in order
19 for the internal approval processes of both the First
20 Nation and INAC to be satisfied?

21

22 (BRIEF PAUSE)

23

24 MR. ROBIN WIENS: Well, I -- yes, I think
25 that that could be covered by the broad intent in the

1 minutes of settlement, where -- with the objective of
2 reaching a mutual understanding of the requirement for
3 the expenditures.

4 MR. MICHAEL ANDERSON: Thank you, Mr.
5 Wiens. And again, it's several times now entered in
6 evidence that the delay in -- in arriving at the receipt
7 of contributions has resulted in the inclusion of
8 interest and depreciation in rates?

9 MR. ROBIN WIENS: Not in respect of
10 Tadoule.

11 MR. MICHAEL ANDERSON: Because it's been
12 deducted?

13 MR. ROBIN WIENS: That's correct. Not in
14 respect of Tadoule. In respect of the capital facilities
15 that have been included in the application, correct.

16 MR. MICHAEL ANDERSON: But -- but a
17 consequence of that -- of a dialogue could be the
18 addition of interest and depreciation if Manitoba Hydro
19 hasn't received the contribution that its seeking in a
20 timely manner?

21 MR. ROBIN WIENS: I -- I suppose that
22 could be a consequence, and it would depend, I guess, on
23 the circumstances.

24 If -- in the case where we're looking
25 where the -- there has been no contribution received,

1 inclusive of in -- interest and depreciation has been
2 included. In the case of Tadoule Lake that was not the
3 case, although, you know, as the record shows, that
4 facility was put in place out of necessity and much of
5 the work conducted well before the contribution was
6 received, but the discussions were ongoing.

7 MR. MICHAEL ANDERSON: Has Manitoba Hydro
8 considered or proposed any process that might facilitate
9 being able to arrive at an earlier determination of the
10 necessity of the project, and to provide the opportunity
11 for the contributor to have arrived that -- at the
12 reasonableness of the cost being sought to speed it up?

13 MR. ROBIN WIENS: Well, I -- I think we
14 did try to begin a process of exactly that nature with
15 the dissemination, by Manitoba Hydro's customer service
16 manager back in February and March, of a number of
17 documents which are included in Attachment 2 to our
18 response to PUB-17, I believe it is; wherein documents
19 were circulated which indicated, you know, this is the
20 type of information we will be providing initially and it
21 largely constituted the five (5) year plan, which
22 included a description of the facilities that we expected
23 would be necessary within the five (5) year time period,
24 I believe a brief, general description of why they were
25 expected and what the anticipated cost was.

1 And I haven't got the document right in
2 front of me, but I believe the customer service manager
3 at the time circulated a -- a process diagram that
4 suggested how we would proceed to carry out these
5 consultations.

6 So the answer to your question, Mr.
7 Anderson, is: Yes, a process was proposed, and I believe
8 there was one (1) meeting carried out to discuss it. And
9 my recollection, again we're back in March of 2006, my
10 recollection is that there seemed to be a general
11 agreement that this was a reasonable process to proceed
12 along. Unfortunately for whatever various reasons, and
13 I'm -- I can't speak to them, that process did not
14 proceed as expeditiously as we, and I suppose, the other
15 parties, had hoped.

16 MR. VINCE WARDEN: Mr. Anderson, if I can
17 just add -- and I think this points to the importance of
18 having the tentative settlement agreement signed, so that
19 these processes can be put in place.

20 I -- I guess I've been of the opinion, up
21 until now, up until these proceedings, that because the
22 major provisions of the agreement have, in fact, all been
23 met, that it wasn't -- it was almost irrelevant, the
24 signing would -- would not be that important. We seem to
25 be hung up, though, on this one (1) item of consultation;

1 it's a relatively small part of the agreement, but
2 nevertheless it's something we've had a lot of -- of
3 discussion on at -- at these proceedings.

4 So, we talk about Manitoba Hydro
5 consulting with the First Nations, but there's no real
6 protocol in place for that. Are we to call a town hall
7 meeting to consult with the town -- the First Nations?
8 Have there been representatives designated from the
9 First Nations to talk to Manitoba Hydro?

10 I did talk about how we -- we've
11 recognized that we have to coordinate better within
12 Manitoba Hydro and we've taken steps to do that. But now
13 that we've taken steps to do that within Manitoba Hydro
14 what about the -- the parties to the Agreement? Have
15 they taken the same steps? I don't know that, but maybe
16 if the Agreement was signed all those steps would be put
17 in place and we would have -- we wouldn't be talking
18 about this today.

19 So the importance of getting that
20 Agreement signed, I think, has become paramount.

21 MR. MICHAEL ANDERSON: Thank you for
22 that, Mr. Warden. Just as a general broad understanding
23 of the intent of the minutes of settlement, would you
24 agree that it was to do everything possible to keep
25 capital costs out of the rates, to keep it off the cost

1 of service that would end up in rates?

2 MR. VINCE WARDEN: Well, I think it -- it
3 was put -- put in the agreement so that -- yes,
4 absolutely we want to keep the rates as low as possible.
5 And if we can avoid increasing the rates because of
6 capital -- capital additions that's -- that's a good
7 thing. And if we can agree to have contributions
8 provided in -- in advance, that will accomplish that
9 objective. So, certainly, the objective is to keep rates
10 as low as possible in these communities.

11 MR. MICHAEL ANDERSON: Would Manitoba
12 Hydro be prepared to submit its proposals for major
13 capital projects, with the agreement of the other
14 parties, to an independent engineering expert with
15 expertise in remote systems, to assess the reasonableness
16 of the proposed costs?

17 MR. VINCE WARDEN: Mr. Anderson, let's
18 get the agreement signed and then we can put those
19 processes in place.

20 MR. ROBERT MAYER: Negotiation is going
21 to have to take place somewhere other than at this table.

22

23 (BRIEF PAUSE)

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: I'd like to, if we
2 could, briefly look at the minutes of settlement and Item
3 4, Ongoing Operating Costs, and the first two (2)
4 bullets, the first of which reads:

5 "Manitoba Hydro agrees to prepare and
6 file a rate application to the Manitoba
7 Public Utilities Board containing a
8 rate structure that reflects the impact
9 of this agreement on a timely basis."

10 And, Mr. Wiens, just for the record, what
11 was the date that that application was filed?

12 MR. ROBIN WIENS: Oh, you're -- you're
13 going to test my memory on dates now. If I say October
14 27th, 2004, I don't think I'm going to be too far out.

15 MS. PATTI RAMAGE: He's one (1) day out.

16 MR. MICHAEL ANDERSON: The date is, Ms.
17 Ramage?

18 MS. PATTI RAMAGE: October 28th, 2004

19 MR. MICHAEL ANDERSON: Thank you.

20

21 CONTINUED BY MR. MICHAEL ANDERSON:

22 MR. MICHAEL ANDERSON: And if we look to
23 the -- the third bullet, it says:

24 "Manitoba Hydro agrees to seek the
25 input of MKO into the details of the

1 proposed rate structure, and recognizes
2 MKO's interest in revising the rate
3 structure, such that First Nation
4 facilities' customers are treated on a
5 basis similar to general service
6 customers."

7 As a consequence of that, do you recall
8 that the draft rate proposal was provided to MKO and, in
9 fact, to INAC, prior to its filing on the 28th of
10 October?

11 MR. ROBIN WIENS: Yes, I recall that.

12

13 (BRIEF PAUSE)

14

15 MR. MICHAEL ANDERSON: And do -- do you
16 recall that in the -- in respect of the proposed rates,
17 though, that -- that Manitoba Hydro was proposing a -- at
18 that time, a non -- in the draft, the non-participant
19 rate that was -- represented the provincial customers?

20 MR. ROBIN WIENS: I do recall that we
21 proposed a non-participant rate. My recollection is that
22 it was to apply to any customer who preferred to meet
23 their capital contribution obligation through an ongoing
24 payment of the higher rate that had been approved earlier
25 in -- I think it was Board Order 17/04, or maybe it was

1 46/04, that -- that option was provided to either -- any
2 customer, whether they were Federal or provincial, to
3 meet their obligation that way.

4 MR. MICHAEL ANDERSON: So for -- just for
5 clarity then, the term "non-participant" meant a customer
6 who would not make a capital contribution toward the co -
7 - the - - the capital costs of the diesel service, in
8 order to basically write down the capital cost to zero?

9 MR. ROBIN WIENS: That's certainly my
10 recollection.

11 MR. MICHAEL ANDERSON: And do you recall
12 that MKO and INAC had expressed concerns about that
13 proposal and that as a result of those concerns Manitoba
14 Hydro re-submitted a proposal without the non-participant
15 rate included, and which proposal without the non-
16 participant rate included was, in fact, approved by the
17 Board in Order 159/04?

18 MR. ROBIN WIENS: I think that's correct.

19

20 (BRIEF PAUSE)

21

22 MR. ROBERT MAYER: Now -- now I'm
23 confused because I thought we talked -- in fact, I raised
24 that issue earlier in these hearings, because -- and I
25 was told that in fact there used to be a nonparticipant

1 rate, but everybody paid it, so there are no
2 nonparticipants. I thought that was the answer I got
3 earlier in this proceeding. I -- and I can't remember if
4 it was yesterday or the day before at this point.

5 MR. ROBIN WIENS: I'm -- I'm having
6 trouble recalling it all, Mr. Mayer. I -- I -- my
7 recollection though in terms of the application, after --
8 after the -- that agreement -- or after that application
9 had been approved on an interim basis was there were
10 definitely customers that we gave the option to continue
11 to pay the old rate.

12 Now, you could describe that as an
13 informal arrangement that we had with those customers
14 rather than an approved rate, but the capital
15 contribution was made via that particular mechanism.
16 And, in fact, while most my -- again, this is my
17 recollection -- while most of the affected customers got
18 through the -- and they'd completed their capital
19 contribution via that mechanism, within about a year or
20 so, that there was at least one (1) and possibly two (2)
21 that continued on for probably another year or something
22 like that.

23 MR. MICHAEL ANDERSON: But, Mr. Wiens,
24 again, the rate, as approved in 159/04, did not include a
25 par -- a nonparticipant rate, and that was the rate

1 structure that reflects the impact of the agreement.

2 Is that correct?

3 MR. ROBIN WIENS: I believe we made that
4 change in order to accommodate a concern of MKO. I don't
5 recall exactly what that concern was about the
6 nonparticipant rate, but my recollection is that we made
7 that change and it was not part of the -- of the
8 application which was ultimately given interim approval
9 by the Board.

10 MR. MICHAEL ANDERSON: Thank you. And so
11 the est -- the addition of a -- what amounts to a
12 nonparticipant rate occurred in the subsequent interim ex
13 parte filings.

14 Is that correct?

15 MR. ROBIN WIENS: I think that's correct.

16 MR. MICHAEL ANDERSON: And during which
17 proceedings MKO did not appear before the Board to comment
18 on those applications?

19 MR. ROBIN WIENS: Well, yes, I believe
20 those hearings were held on an ex parte basis. You're
21 talking about the hearings in -- I believe it was
22 December 2006.

23 MR. MICHAEL ANDERSON: Yes, Mr. Wiens.
24 Thank you.

25

1 (BRIEF PAUSE)

2

3 MR. MICHAEL ANDERSON: On a similar note,
4 and just -- just as a brief going bac -- going back in
5 time a bit, if I could borrow from the Board counsel's
6 book of documents, I'll just point you to a reference.

7

8 (BRIEF PAUSE)

9

10 MR. MICHAEL ANDERSON: And I realize that
11 I'm late in thanking Board counsel, as always, in these
12 proceedings, for his book of documents.

13 The reference I'd like to bring your
14 attention to is PUB/MH-9, which is Tab 5 in Board
15 counsel's book of documents. And I'm using this for the
16 -- the next series of questions, essentially, because it
17 provides a snapshot of the history of rates in the diesel
18 system.

19 Do you have that, Mr. Wiens?

20 MR. ROBIN WIENS: I do.

21

22 (BRIEF PAUSE)

23

24 MR. MICHAEL ANDERSON: In the rates prior
25 to the -- the approvals of Order 17/04 and 46/04 were the

1 costs associated with providing grid rates to general
2 service and diesel customers passed on to the government
3 accounts?

4 MR. ROBIN WIENS: Yes, they were.

5 MR. MICHAEL ANDERSON: And what form was
6 that done in?

7 MR. ROBIN WIENS: It was done in the form
8 of a surcharge.

9 MR. MICHAEL ANDERSON: Were provincial
10 and Federal customers treated any differently in the
11 calculation and assessment of the surcharge?

12 MR. ROBIN WIENS: No.

13 MR. MICHAEL ANDERSON: Thank you.

14

15 (BRIEF PAUSE)

16

17 MR. MICHAEL ANDERSON: Now, I'd like to
18 move onto the matter of transmission interconnections to
19 the communities, and I'll be going to Volume II, and if
20 you'll bear with me, I'll get my reference. Thank you.

21

22 (BRIEF PAUSE)

23

24 MR. MICHAEL ANDERSON: And -- and
25 specifically it's Appendix 1 at Volume II, which is

1 Manitoba Hydro's report on recommendation for reducing or
2 eliminating the use of diesel fuel to supply power in
3 off-grid communities.

4

5 (BRIEF PAUSE)

6

7 MR. MICHAEL ANDERSON: Specifically, Mr.
8 Wiens, if you could please turn to page 8, which provides
9 the technical summary on the transmission analysis.
10 Yeah, on page 8 and 9. Thank you.

11

12 (BRIEF PAUSE)

13

14 MR. MICHAEL ANDERSON: Do you have that?

15 MR. ROBIN WIENS: We have that.

16 MR. MICHAEL ANDERSON: And Mr. Cox,
17 you're joining in on this as well?

18 MR. ROB COX: Yes.

19 MR. MICHAEL ANDERSON: Thank you very
20 much. Yeah, in terms of the analysis to -- of the
21 transmission options to serve Lac Brochet and Brochet,
22 did Manitoba Hydro consider making the service connection
23 to the transmission grid in Saskatchewan at Wollaston
24 Lake?

25 MR. ROB COX: Yes. I believe -- I

1 believe that's the -- certainly there was a review of
2 connection to the Saskatchewan system, yes.

3 MR. MICHAEL ANDERSON: And just --

4 DR. KATHI AVERY KINEW: Sorry, Mr.
5 Anderson, I can't find it exactly. What page --

6 MR. MICHAEL ANDERSON: It's on page 8 at
7 the bottom of the page; it's transmission lines. I'm at
8 Volume II, Appendix 1, page 8.

9 DR. KATHI AVERY KINEW: This report? I'm
10 sorry.

11 MR. MICHAEL ANDERSON: Yes.

12 DR. KATHI AVERY KINEW: Okay.

13 MR. MICHAEL ANDERSON: Excellent.

14

15 CONTINUED BY MR. MICHAEL ANDERSON:

16 MR. MICHAEL ANDERSON: And just for the
17 Board's and my assistance, what is the distance from
18 Wollaston Lake to Lac Brochet, and Tadoule -- Brochet,
19 approximately?

20 MR. ROB COX: I -- I don't have a copy of
21 the study that was completed to answer that. Sorry.

22 MR. MICHAEL ANDERSON: For discussion
23 purpose, could you undertake, please, to provide us that
24 information?

25 MR. ROB COX: Yes.

1

2 --- UNDERTAKING NO. 17: Manitoba Hydro to provide the
3 distance between Wollaston
4 Lake and Brochet and Lac
5 Brochet

6

7 MR. ROBERT MAYER: Mr. Anderson, if you
8 could give us the approx -- give me the approximate
9 location of Wollaston Lake. Where are we in relation to
10 Reindeer Lake?

11 MR. MICHAEL ANDERSON: I was about to --
12 thank you, Mr. -- Mr. Vice-Chair.

13

14 CONTINUED BY MR. MICHAEL ANDERSON:

15 MR. MICHAEL ANDERSON: For the purpose of
16 the discussion, could you describe for myself and the
17 Board the relation -- the location of Wollaston Lake
18 relative to the two (2) communities. It's to the west,
19 of course, in Saskatchewan.

20 Do -- would you accept that it's
21 approximately the same latitude as the two (2)
22 communities?

23 MR. ROB COX: I'd have to check to
24 confirm, but I would think it'd be more west of our
25 Laurie River generating station, versus the communities.

1 MR. MICHAEL ANDERSON: Yeah, I could
2 easily produce a map from Goggle Earth in a spare moment,
3 with all the distances and with the Board's -- when I
4 have a moment, I'll leave that -- I'd be happy to prepare
5 and file that with the Board, the distances.

6 I can make a JPEG. Would you accept
7 though that it is to the west of both communities,
8 approximately due west of both communities, approximately
9 85 kilometres to the west, subject to check?

10 MR. ROB COX: Okay, subject to check,
11 yes.

12 MR. MICHAEL ANDERSON: Thank you. And
13 could you please describe the transmission system that
14 serves Wollaston Lake in general terms, for example, that
15 it serves uranium mining operation at Wollaston Lake and
16 it has been constructed to provide -- could you please
17 confirm that the transmission system at Wollaston Lake
18 has been contru - constructed to serve an industrial
19 load, as well as the local load?

20 MR. ROB COX: From my memory, yes, there
21 is a mining load in that vicinity, yes.

22 MR. MICHAEL ANDERSON: And that the
23 transmission system is part of a network that extends
24 farther to the northwest, along the Lake Athabasca
25 system, also serving other mining related loads?

1 MR. ROB COX: Again, to the best of my
2 knowledge, that's correct, yes.

3 MR. MICHAEL ANDERSON: And then are you -
4 - can you also confirm that there is some small hydro
5 providing supply to the system at -- along the Athabasca
6 Lake?

7 MR. ROB COX: I can't confirm that, no.

8 MR. MICHAEL ANDERSON: Can you confirm
9 that the southern end of the system connects at the
10 Island Falls generating station?

11 MR. ROB COX: Yes, that -- I do recall
12 the Island Falls connection, yes.

13 MR. MICHAEL ANDERSON: And the Island
14 Falls generating station has a rated capacity of
15 approximately a hundred megawatts.

16 Can you accept that, subject to check?

17 MR. ROB COX: Yes, sub -- subject to
18 check, yes.

19 MR. MICHAEL ANDERSON: Is it also -- can
20 you also confirm that Manitoba Hydro has two (2) 230 kV
21 transmission lines connecting the Manitoba Hydro grid to
22 Island Falls, Saskatchewan?

23 MR. ROB COX: Subject to check. I'm not
24 familiar with that.

25 MR. MICHAEL ANDERSON: Thank you. If I

1 recall the discussion, why was a transmission connection
2 from Lac Brochet and Brochet to the Saskatchewan
3 interconnections at Wollaston Lake set aside as an option
4 by Manitoba Hydro?

5 MR. ROB COX: Sorry, what -- I -- I'm not
6 sure I understand --

7 MR. MICHAEL ANDERSON: Why did Manitoba
8 not proceed with considering a connection to Wollaston
9 Lake as an option for providing transmission service to
10 Lac Brochet and Brochet?

11 MR. ROB COX: It was considered, and then
12 I believe it was a cost factor that put that aside.

13 MR. MICHAEL ANDERSON: And have the
14 technical studies and cost studies regarding these
15 transmission options been tabled with this Board?

16 MR. ROB COX: No, they have not.

17 MR. MICHAEL ANDERSON: Would you please
18 undertake to do so?

19 MS. PATTI RAMAGE: Mr. Chair --

20 THE CHAIRPERSON: Yes?

21 MS. PATTI RAMAGE: -- an interesting
22 topic to Mr. Anderson, I -- I am sure, and one (1) that
23 Manitoba Hydro doesn't object to engaging to offline, but
24 I'm not -- in fact, would probably encourage offline, but
25 I'm not sure it belongs in this hearing. And providing

1 undertakings is just going to slow the process at this
2 point.

3 DR. KATHI AVERY KINEW: I think it speaks
4 to the comprehensiveness of this report and the
5 discussion of consultation with the First Nations. And
6 if it wasn't considered, I'd like to know why.

7 MR. ROBERT MAYER: Ms. Ramage, I too
8 think that it's relevant. We -- we're finding ourselves
9 as a Board in a situation that we're not in an untenable
10 position, but we're finding that since we haven't been
11 able to resolve this issue since 2006, that we feel we
12 have to resolve it now. We know we have no jurisdiction
13 over capital projects, but we know we have jurisdiction
14 over rates, and we're not quite sure how we're going to
15 deal with that.

16 But every new suggestion that comes across
17 the table at these hearings, and there have been some, is
18 of interest to the Board at this point in time. If we --
19 if -- if in fact Wollaston Lake is only 85 kilometres
20 away and you don't have to cross Reindeer Lake, and if
21 all those facts are correct, I, for one, would like to
22 understand why a good connection wasn't made there.

23 There's been no problem interconnecting
24 our telephone systems. Creighton is part of the Manitoba
25 Telephone system. I don't understand -- and I understand

1 that we have interconnections with Island Falls and I
2 understand that we use that. In fact, I've seen a number
3 of discussions between the Mathias Colomb Band and Hydro
4 respecting the outflow from -- from Island Falls.

5 So I -- I would be interested in that
6 particular study.

7 MR. VINCE WARDEN: Mr. Mayer, this
8 question has come up frequently in the past and my
9 understanding, and it's a limited understanding of this
10 issue, but there is -- there are some capacity issues in
11 providing it from Saskatchewan. But, we do have
12 technical studies on this and we will undertake to
13 provide those studies to this Board.

14 MR. ROBERT MAYER: Thank you.

15 THE CHAIRPERSON: Mr. Anderson...?
16

17 CONTINUED BY MR. MICHAEL ANDERSON:

18 MR. MICHAEL ANDERSON: Yeah. Yes. Thank
19 you, Mr. Chair. And for certainty, the technical studies
20 regarding the options that are present -- I'm -- I was
21 seeking an undertaking for the -- in addition to the
22 information on Wollaston Lake, for the transmission
23 options that are referred to at pages 8 and 9 of the
24 report.

25

1 (BRIEF PAUSE)

2

3 MR. VINCE WARDEN: Could -- could you be
4 more specific on that?

5 MR. MICHAEL ANDERSON: I just wanted to
6 ensure that I didn't unnecessarily exclude the technical
7 studies dealing with the -- your technical analysis of
8 the line from the option that you did select from Brochet
9 to Lac Brochet and to Tadoule Lake, as well as to
10 Shamattawa, to see all of the transmission technical
11 studies related to serving these four (4) communities
12 that are summarized in this report.

13

14 (BRIEF PAUSE)

15

16 MR. ROBIN WIENS: Yes, Mr. Anderson, we -
17 - we have your undertaking. Thank you.

18 MR. MICHAEL ANDERSON: Thank you, Mr.
19 Warden

20

21 --- UNDERTAKING NO. 18: Manitoba Hydro to provide the
22 transmission technical
23 studies in relation to
24 potential lines from
25 Wollaston Lake to the four

1 diesel communities

2

3 CONTINUED BY MR. MICHAEL ANDERSON:

4 MR. MICHAEL ANDERSON: Now, I noted the
5 second paragraph of -- at the top of page 9, that there's
6 a reference to a more recent review of the transmission
7 line option carried out by Manitoba Hydro, indicated
8 that:

9 "The communities could be served from a
10 66 kV supply."

11 Does that -- do I understand that
12 correctly to mean that it's now Manitoba Hydro's view
13 that each of the four (4) communities could be served by
14 a 66 kilovolt supply?

15 I -- I'm asking the question to clarify.
16 because it says, "the transmission line option."

17 I'm reading that as a generic, as distinct
18 from "specific options."

19 And "the communities" means all four (4).
20 Would you please confirm that?

21

22 (BRIEF PAUSE)

23

24 MR. ROBIN WIENS: Mr. Anderson, it
25 appears that the transmission line option review -- this

1 is the first -- the second-last paragraph on page 8:

2 "The option reviewed as part of the
3 screening studies for Brochet, Lac
4 Brochet, and Tadoule Lake consisted of
5 138 kV line originating at Lynn Lake
6 and extending to Brochet, and then a 66
7 kV line from Brochet to Lac Brochet and
8 then terminating in Tadoule Lake."

9 That's the option. The economics of that
10 option what -- I'm reading that to say that when this
11 document is reporting on the various options that that
12 was the option that it costed out. That was the economic
13 option that it costed out.

14 The paragraph that you're referencing
15 here:

16 "A more recent review of the
17 transmission line option indicated that
18 the communities could be served from 66
19 kV supply, which would result in
20 shorter construction and regulatory
21 time frame and potentially lower
22 capital costs."

23 I'm reading -- I would have -- in order to
24 be able to -- to give you a hundred percent sure answer,
25 I would have to go back and review the document. But to

1 me, this looks like it said that may be a potential
2 option, and it may be lower costs, but it's not the
3 option this study reviewed.

4 MR. MICHAEL ANDERSON: I -- I thank you,
5 Mr. Wiens, you've answered a series of my questions in --
6 in your explanation.

7 So the costs that we see appearing in the
8 paragraph on page 9 identified as "Cost Summary" were not
9 for this more recent assessment of a 66 kV possibility?

10 MR. ROBIN WIENS: Again, I couldn't be a
11 hundred percent certain without going through and re-
12 reading the document, but that's what I would think.

13 MR. MICHAEL ANDERSON: Can you provide
14 any advice as to where Manitoba Hydro is with the status
15 of doing costing of those options at 66 kV, and when we
16 might be -- when the communities might expect to be
17 engaged in that process or have the results?

18 MR. ROBIN WIENS: I am not -- I'm not
19 aware of -- of any follow-up on this related to the lower
20 voltage line.

21 MR. MICHAEL ANDERSON: Can Manitoba Hydro
22 please undertake to provide what information it can on
23 the potential costs that it is aware of that would
24 support its second statement about potentially lower
25 capital costs for those options?

1 (BRIEF PAUSE)

2

3 MR. ROBERT MAYER: Mr. Anderson --

4 MR. VINCE WARDEN: Mr. Anderson -- oh,

5 sorry.

6 MR. ROBERT MAYER: I was going to say, if
7 it's helpful, the map that came -- is part of these
8 proceedings showing the major electric and gas facilities
9 would appear to indicate Pikwitonei, South Indian Lake,
10 Pauingassi, Little Grand, Bloodvein, God's River, God's
11 Lake Narrows, and Red Sucker are all apparently served by
12 66 kilovolt transmission.

13 MR. VINCE WARDEN: Mr. Anderson, I was --
14 I was just going to say, we're -- we're not entirely
15 certain of the status of any more recent studies, but we
16 will undertake to get back to you and provide any update
17 that there might be to this report.

18 MR. MICHAEL ANDERSON: Thank you, Mr.
19 Warden, I appreciate that. And particularly it's just
20 whatever information that could be provided to help us
21 understand what Manitoba Hydro relied on for its comment
22 "potentially lower capital cost." Thank you.

23

24 --- UNDERTAKING NO. 19: Manitoba Hydro to advise how
25 the potential costs go to

1 lower the capital costs as
2 discussed in Volume II,
3 Appendix 1, page 9
4

5 CONTINUED BY MR. MICHAEL ANDERSON:

6 MR. MICHAEL ANDERSON: And following Mr.
7 -- the Vice Chair's comment in -- in respect of the map,
8 I'm wondering if it's readily possible to provide a map
9 of the transmission system that also includes the grid
10 connections between Manitoba Hydro and the Saskatchewan
11 grid in north -- northeast Saskatchewan.

12 And as I ask that question, one (1) --
13 just another prefatory (phonetic) comment, can you
14 please confirm that Island Falls generation is only
15 available to the southern Saskatchewan grid by being
16 wheeled through Manitoba on the two (2) arise -- arising
17 from the 230 kV connections.

18 MR. ROBIN WIENS: I'm not familiar with
19 the current status of that. I know many years ago that
20 that was the case, I'm not certain if it still is or not.

21 MR. ROBERT MAYER: Mr. Anderson, the same
22 map which was provided as part of these proceedings, only
23 shows interconnections in the northern part of the
24 province out of Flin Flon and The Pas.

25 The map that I have which purports to show

1 interconnections, it shows another one down south of
2 Brandon and another one west of Dauphin. But those are
3 the only interconnects I see on the map that's been
4 provided by Manitoba Hydro in these proceedings.

5 THE CHAIRPERSON: Mr. Anderson's asked
6 for a map that will definitively indicate where the
7 interconnections are.

8 MR. VINCE WARDEN: And we'll provide
9 that, yes.

10 MR. MICHAEL ANDERSON: And if possible,
11 could the map also indicate the transmission system in
12 Saskatchewan in the north -- northeast Saskatchewan,
13 Northern Hydro, as -- as SaskPower describes it.

14 MR. VINCE WARDEN: To the extent we have
15 that information, we'll certainly provide it.

16 MR. MICHAEL ANDERSON: Thank you, Mr.
17 Warden.

18

19 --- UNDERTAKING NO. 20: Manitoba Hydro to provide a
20 map that definitively
21 indicates where the
22 interconnections are and also
23 indicate the transmission
24 system in Northern Hydro, as
25 SaskPower describes it

1

2 CONTINUED BY MR. MICHAEL ANDERSON:

3 MR. MICHAEL ANDERSON: Now, using the
4 information at pages 8 and 9 in the cost summary, which
5 information -- do I understand that these options, as
6 costed and summarized at the cost summary on page 9,
7 would have been the information Manitoba Hydro relied
8 upon in its proposals to Canada under the green
9 infrastructure fund?

10 MR. ROBIN WIENS: Yes.

11 MR. MICHAEL ANDERSON: And for my
12 benefit, please, could you please summarize the outcome
13 of those proposals? The status of their -- of their
14 consideration by Canada to date?

15 MR. VINCE WARDEN: Mr. Anderson, I
16 believe I put that on the record earlier, that the
17 Federal Government has declined to provide any funding
18 for these projects.

19 MR. MICHAEL ANDERSON: Can you please
20 indicate any information Manitoba Hydro may be aware of
21 as to the reasons that Canada has declined funding?

22 MR. VINCE WARDEN: I think I also
23 provided that on the record earlier.

24 MR. MICHAEL ANDERSON: I -- I may have --
25 I don't recall it, and I -- as you -- I was out of the

1 room for a period of time, and if you could assist me in
2 just briefly summarizing that, I'd be grateful. So it's
3 also contained within the record of this discussion.

4

5 (BRIEF PAUSE)

6

7 MR. VINCE WARDEN: I don't recall the
8 exact wording I used, but it was to the effect that the
9 projects were not as sufficient. The pop -- populations
10 densities being served versus the capital cost involved
11 in -- in serving those populations was -- was not
12 sufficient to warrant a payback.

13 So something to that effect, Mr. Anderson,
14 and without -- I -- I'd -- I don't have an exact
15 transcript of the communication that came back to -- to
16 Manitoba Hydro through the province of Manitoba.

17 DR. KATHI AVERY KINEW: Excuse me, Mr.
18 Anderson. Mr. Warden, was that proposal for all four
19 (4), or just for one (1)?

20 MR. VINCE WARDEN: We were talking at
21 that point specifically Shamattawa.

22 DR. KATHI AVERY KINEW: That's what I
23 thought. Thank you.

24 Did you happen to have a letter of support
25 form the Chief and council of Shamattawa that went

1 through with -- did you discuss it with them, and have a
2 --

3 MR. VINCE WARDEN: Oh, the -- the Chief
4 and council of Shamattawa were absolutely aware of this.
5 A letter of support, I -- I can't say for certain.

6 DR. KATHI AVERY KINEW: Okay. Thank you.

7

8 (BRIEF PAUSE)

9

10 CONTINUED BY MR. MICHAEL ANDERSON:

11 MR. MICHAEL ANDERSON: Would Manitoba
12 Hydro also, similar to the other analyses, undertake to
13 provide a copy of its green infrastructure fund proposal
14 for the Shamattawa transmission line?

15 MR. VINCE WARDEN: I believe that that
16 proposal was made not by Manitoba Hydro but by the
17 province of Manitoba, and I -- I don't believe we have a
18 copy of that, or at least I'm not aware of a copy of that
19 at Manitoba Hydro.

20 MR. MICHAEL ANDERSON: Presumably, Mr.
21 Warden, could you please confirm that Manitoba Hydro
22 provided the province of Manitoba with the necessary
23 information to submit the proposal under the green
24 infrastructure fund?

25 MR. VINCE WARDEN: Well, there was

1 certainly information provided by Manitoba Hydro; whether
2 it was the necessary information to support -- all the
3 information necessary to support their proposal, I can't
4 attest to. It was their proposal.

5 MR. MICHAEL ANDERSON: Could Manitoba
6 Hydro please undertake to file the information that
7 identified Manitoba Hydro's best guess of cost, project
8 time lines, the essence of the proposal, as it was
9 provided to Manitoba, or otherwise, so that the Board and
10 myself can understand what the essence of the proposal
11 was in terms of cost, transmission line --

12 MR. VINCE WARDEN: Mr. Anderson, I'm very
13 uncomfortable agreeing to that because I -- I don't know
14 in what form that was provided. There may have been a
15 lot of discussions, meetings. How that information was
16 exchanged, I just don't know, so I can't undertake to
17 provide that information.

18 MR. MICHAEL ANDERSON: And it would be
19 otherwise identical, you would believe though, to the
20 material you've already undertaken to provide about the
21 cost of the Shamattawa transmission line option?

22 MR. VINCE WARDEN: It would certainly be
23 compatible with that information, yes.

24 MR. MICHAEL ANDERSON: All Right. Well,
25 we'll proceed with that information.

1 Is Manitoba Hydro -- has Manitoba Hydro
2 advised the province that it is now of the view that a 66
3 and lower cost op -- kV and lower cost option to
4 Shamattawa may be technically feasible?

5 MR. VINCE WARDEN: Mr. Anderson, I think
6 we have an undertaking, an earlier undertaking to look at
7 that 66 kV option and what that might entail and the
8 costs of that, so we better put -- pull that together
9 before we -- before we comment on what we may or may not
10 have provided to the province.

11 MR. MICHAEL ANDERSON: In terms of
12 providing service to Shamattawa, is Manitoba Hydro
13 presently considering re -- revising the numbers such
14 that a proposal to the Green Infrastructure Fund might be
15 made in the near future?

16 MR. VINCE WARDEN: No.

17 THE CHAIRPERSON: Mr. Warden, is it fair
18 to assume that the proposals for funding from the Federal
19 Government would have been based on issues such as cost
20 and -- primarily rather than other factors?

21 MR. VINCE WARDEN: The -- the co -- yes.
22 Yes, absolutely. The cost was the major stumbling block
23 for sure.

24 THE CHAIRPERSON: Well, what I was
25 getting at is that the Application, the Federal

1 Government wouldn't have hinged on social and
2 environmental factors.

3 MR. VINCE WARDEN: Well, Mr. -- Mr.
4 Chairman, I'm not sure to the -- the extent to which
5 those factors were emph -- emphasized in the proposal
6 being presented to the Federal Government.

7 THE CHAIRPERSON: Thank you.

8

9 (BRIEF PAUSE)

10

11 CONTINUED BY MR. MICHAEL ANDERSON:

12 MR. MICHAEL ANDERSON: Mr. Warden and Mr.
13 Wiens, if you could please turn to -- well, we've
14 described it as MKO-4, the second page. You'll note that
15 I've highlighted a passage. This is a brief extract of
16 the British Columbia Utilities Commission's Order E-1-05,
17 March 9th, 2005, regarding a call for tenders for
18 capacity on Vancouver Island and review of electricity
19 purchase agreement.

20 MR. ROBERT MAYER: Mr. Anderson, it would
21 be helpful if somebody had of told us -- if you could
22 tell us what all those initials are, VIGP, CFT, EPA.

23 What do they mean?

24 MR. MICHAEL ANDERSON: Well, the first --
25 the EPA is electricity purchase agreement. I have the

1 decision fully on screen. I could undertake to pri --
2 supply with the acronym page, if you wish.

3 MR. ROBERT MAYER: It just doesn't make
4 any sense to me if I don't know what we're talking about.

5 THE CHAIRPERSON: Mr. Anderson, maybe if
6 you just pursue your line of questions, it'll become
7 apparent to all of us what use you may intend to make of
8 this.

9

10 CONTINUED BY MR. MICHAEL ANDERSON:

11 MR. MICHAEL ANDERSON: Thank you. I will
12 print the acronym page, but the general concept, how --
13 however, is the statement noted by the Commission panel.
14 It's the second sentence in the paragraph.

15 "However, the Commissioner panel notes
16 that once a competitive market-base
17 process has been undertaken and firm
18 commitments from bidders have been
19 obtained, a competitive process should,
20 in most circumstances, be accepted as
21 persuasive evidence of the cost
22 effectiveness of the resultant
23 successful bid."

24 In general terms, Mr. Warden, would you
25 agree with that statement?

1 MR. VINCE WARDEN: In general terms, yes.

2 MR. MICHAEL ANDERSON: Would Man -- in
3 order to assist in determining a cost effective proposal
4 for transmission interconnections to the four (4) diesel
5 First Nations, would Manitoba Hydro entertain issuing a
6 proposal call on a market-based basis to identify other
7 proposals for the cost and design of the line?

8 MR. VINCE WARDEN: Well, Mr. Anderson,
9 before we issue a request for proposal on any project or
10 any undertaking by Manitoba Hydro there has to be some
11 reasonable assurance that we will be -- be proceeding
12 with that project. Typically, when we issue a request
13 for a proposal an awful lot of effort goes into
14 responding to those requests for proposal by the bidders,
15 and it would be irresponsible on our part to issue an RFP
16 if we weren't serious about proceeding.

17 So we typically do a high-level screening
18 within our own organization before we took the step of
19 issuing something for a competitive bid.

20 MR. MICHAEL ANDERSON: And so as I
21 understand the status of the review of the transmission
22 system, that might now entertain completion of Manitoba
23 Hydro's work on the lower cost 66 kV option, certainly
24 prior to even entertaining issuing a proposal call?

25 MR. VINCE WARDEN: Oh, I think we have

1 to, as we undertook earlier, get some more information on
2 what was intended by that reference to the 66 kV option.

3 MR. MICHAEL ANDERSON: Thank you, Mr.
4 Warden.

5

6 (BRIEF PAUSE)

7

8 MR. MICHAEL ANDERSON: I -- I wanted to
9 move to the matter of demand side management and conser -
10 - conservation initiatives in the communities. And,
11 again, as a broad stroke, if we look at the -- the
12 minutes of settlement we -- you have agreed that one (1)
13 objective was to keep capital costs out of the system --
14 out of the cost of rates, to the extent that's
15 practicable.

16 Would you also agree that another cost was
17 to minimize the expenditures that would give rise to
18 variable costs, i.e., to manage and minimize consumption
19 in the communities, as a general objective of the parties
20 in the minutes of settlement?

21 MR. VINCE WARDEN: No different how --
22 than how we approach management of costs throughout
23 Manitoba Hydro system.

24 MR. MICHAEL ANDERSON: And if we move
25 briefly back to Board counsel's Tab 5, page 2 of 2, the -

1 - the record of rates being charged in the diesel zone.

2 Mr. Warden, would you confirm that where
3 we see the column between Order 17/04 and Order 46/04 and
4 the column for Order 159/04, that the line identifying
5 remaining kilowatt hours, the cost, represents the -- the
6 average cost per kilowatt hour of service in those two
7 (2) relative time periods?

8 MR. VINCE WARDEN: Yes, that's what's
9 intended with -- for those two (2) time periods, yes.

10 MR. MICHAEL ANDERSON: And that the --
11 the difference between the seventy-nine point one (79.10)
12 cents under Order 17/04 and 46/04 and the thirty-six
13 point one three (63.13) cents shows the removal of
14 capital costs from the cost of service in the diesel
15 zone.

16 That's the effect of it?

17 MR. VINCE WARDEN: It -- it reflects the
18 minutes of settlement which includes more than capital
19 costs, but that was the primary impact, yes.

20 MR. MICHAEL ANDERSON: And so the thirty-
21 six point one three (63.13) cents being primar --
22 primarily capital costs, there are other costs as you
23 say, reflects the average cost based on variable costs
24 and fixed costs such as maintenance and so forth.

25 Is that correct?

1 MR. VINCE WARDEN: Yes.

2 MR. MICHAEL ANDERSON: And although the
3 proposed September 1st, 2001 -- 2010 column identifies
4 Manitoba Hydro's proposal at forty-five (45) cents, the
5 actual average cost, could you please confirm, is fifty-
6 nine (59) cents per kilowatt hour?

7 MR. VINCE WARDEN: Yes. As we indicated
8 earlier, very much of that variable cost is influenced by
9 the price of diesel fuel over which we have limited
10 control, so yes, that -- that is the full cost, fifty-
11 nine (59) cents.

12 MR. MICHAEL ANDERSON: So if one was
13 looking at this table as snapshot, we can see the change
14 in variable average cost from the -- from the effective
15 date of 159/04 through to the current date, an increase
16 of the average cost from thirty-six point one three
17 (36.13) cents to fifty-nine (59) cents.

18 Is that correct?

19 MR. VINCE WARDEN: Yes. And if I -- if
20 we were to track that versus the price of diesel fue --
21 fuel over that period of time, I would expect there'd be
22 a fairly close correlation.

23 MR. MICHAEL ANDERSON: So in order then
24 for the costs of the system -- diesel system then to be
25 managed, what contributions will demand side management

1 and conservation be able to make in keeping, or maintain
2 -- reducing or maintaining the average cost of service,
3 in Manitoba Hydro's view?

4 MR. VINCE WARDEN: Well, Ms. Johnson may
5 want to speak to this further, but, you know, when we
6 talk -- I was struck by some of your comments earlier, or
7 some of the comments earlier about the -- some of the
8 windows being covered with plywood, and -- and poly
9 cover, then, you know, I guess that -- we're talking
10 beyond dem -- demand side management in those instances,
11 really. And those are the -- I -- it seems to me those
12 are the areas that we should be addressing, or the
13 communities should be addressing first, and then we can
14 get down to talking about caulking around the windows.

15 But -- but there's probably a higher lever
16 that needs to be addressed before we get -- we talk the
17 impacts of dem -- demand side management.

18 MS. SHANNON JOHNSON: If I might add,
19 from a demand side management standpoint, what you're
20 looking at from the diesel side is basically some of the
21 things that we're already doing, which is putting
22 caulking around the windows where there's -- where
23 there's energy efficiency opportunity, not a repair
24 opportunity, putting low flow shower heads in, looking at
25 faucet aerators, as well as putting gasket covers around

1 the electrical outlets to reduce the draft.

2 So that's -- that's what we're doing in
3 the communities right now. Opportunities beyond that are
4 -- are very, very limited, so I would believe that what
5 we're doing right now really captures the opportunities
6 that are in existence.

7 THE CHAIRPERSON: Mr. Anderson, I don't
8 mean to interrupt, how much longer do you think you have
9 on your cross?

10 MR. MICHAEL ANDERSON: I only have a few
11 more questions in this line.

12 THE CHAIRPERSON: Okay. Then we'll --
13 we'll wait until you're -- do you think you'll be done in
14 -- within fifteen (15) minutes?

15 MR. MICHAEL ANDERSON: I hope to.

16 THE CHAIRPERSON: Okay. Well, we'll go
17 no later than 10:45, and then we'll take our break.
18 We've had a lot of evidence so far.

19 MR. MICHAEL ANDERSON: All right, Mr.
20 Chair.

21

22 CONTINUED BY MR. MICHAEL ANDERSON:

23 MR. MICHAEL ANDERSON: I wanted to turn
24 now, please, to MKO-1, which is a one (1) page excerpt of
25 Order 62/94, dated April 8th, 1994, and in particular

1 paragraph 5 as it appears on the page, the second
2 sentence, the sentence beginning, "In particular." And
3 it reads:

4 "In particular, because of the extrem
5 ely
6 high
7 cost
8 of
9 genera
10 ting
11 such
12 electr
13 icity,
14 Hydro
15 could
16 conduc
17 t
18 specia
19 l DSM
20 projec
21 ts for
22 all
23 custom
24 ers
25 within

1 the
2 DSM --
3 the
4 diesel
5 commun
6 ities.
7 "

8 Perhaps the question is more fairly
9 presented to Mr. Warden and Mr. Wiens, but what is
10 Manitoba Hydro's understanding of that request of the
11 Board?

12

13 (BRIEF PAUSE)

14

15 MS. SHANNON JOHNSON: I can address that
16 one. I think to maybe give you a better idea, when --
17 when looking at energy efficiency opportunities, we did
18 develop the First Nation Program back in 2008, and I
19 think what you'll find is that the energy efficiency
20 opportunities in diesel and non-diesel communities are
21 very similar.

22 What you'll see is -- is, probably your
23 best option, is improving the insulation of the homes.
24 And whether it's diesel or non-diesel, we look at
25 improving the attic insulation and the crawlspace

1 cost of generation in the remote
2 communities would increase the
3 opportunities for existing and special
4 programs to create savings to
5 customers."

6 What's Manitoba Hydro's understanding of
7 that res -- suggestion of the Board?

8 MR. ROBIN WIENS: Mr. Anderson, you've
9 quoted or provided us with excerpts from decisions that
10 came out of one (1) case approximately sixteen (16) years
11 ago, and then another case approximately six (6) years
12 ago. And I would say the Board is making an assumption
13 and is making a directive based on that assumption, that
14 because of the high cost of energy in these communities,
15 that conservation would have larger benefits, and -- and
16 the Board is suggesting that Hydro will have -- take --
17 accept that assumption or take that assumption and act on
18 it.

19 Now, I think that what Ms. Johnson has
20 just told you is that one (1) of those assumptions may
21 not be completely correct. It -- it is saying that the
22 higher cost would increase the opportunities for existing
23 and special programs, and Mr. Johnson has just advised
24 you in response to your question that the opportunities
25 are really not that different in -- from one (1) to the

1 other. What is different is the costs.

2 MR. ROBERT MAYER: Mr. Wiens, I think
3 we're rapidly becoming disabused of the concept that just
4 because it -- it costs a lot to put electricity in
5 doesn't mean we can -- that your conservation savings can
6 be any more. We recognize that per unit of savings is --
7 is a fair bit, but recognizing also, as I think the
8 evidence has shown fairly clearly up to now, that there's
9 really not a lot of sense putting insulation in walls
10 that don't have any windows. I -- it really doesn't make
11 a lot of sense.

12 So -- and I understand that roof -- sorry,
13 attic insulation, primary. That's what I was told when I
14 talked about upgrading. Basement -- I don't have a
15 crawlspace, I have a basement. But I was also told, You
16 know that piece just below ground level before you get
17 down far enough, that you -- you're insulated by the
18 ground. So I understand.

19 And I think -- I think what we -- we're
20 all having our eyes opened by the testimony that's coming
21 out in these hearings, and I thank you.

22

23 (BRIEF PAUSE)

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: Would it also be
2 Manitoba Hydro's understanding that the reference to
3 higher cost in the two (2) orders referred to, it also
4 refer to the cost -- the bills that are being paid by
5 customers?

6 Remember the second reference, Mr. Wiens,
7 is Order 17/04, which was the first order to incorporate
8 a tail block rate and a significant increase in the
9 government rate.

10 MR. ROBIN WIENS: I'm sorry, Mr.
11 Anderson, you're moving on from...

12 MR. MICHAEL ANDERSON: The same idea. My
13 -- my question was: Would Manitoba Hydro reads the
14 Board's ref -- understand the Board's reference to
15 higher cost of generation and the interest in
16 conservation is also being directed at recognizing the
17 higher bills being paid by customers in these
18 communities, as a result of, for example, Board Order
19 17/04?

20 MR. ROBIN WIENS: I'm still not sure what
21 your question is, Mr. Anderson.

22 MR. MICHAEL ANDERSON: That the -- with
23 the inception of the tail block rate, would you agree
24 that the bills for customers in the diesel community have
25 the potential of being higher than for customers on grid?

1 MR. ROBIN WIENS: Yes, absolutely.

2 MR. MICHAEL ANDERSON: And that the --

3 MR. VINCE WARDEN: But -- but -- sorry,
4 to interrupt. But, should -- only if they're using space
5 heating, because the first two thousand (2,000) kilowatt
6 hours is the same, of course, as -- as it is for grid
7 customers.

8 MR. MICHAEL ANDERSON: And then an
9 objective of these special programs might be, for
10 example, to ensure that all residential customers are
11 under the 2,000-K step?

12 MR. VINCE WARDEN: I'm not quite sure how
13 we do that. We do have a disincentive through the rate
14 structure to ensure they -- or at least encourage
15 customers to stay within the two thousand (2,000) hour --
16 kilowatt hours. Beyond that, we can take energy savings
17 measures, but as was discussed earlier, how effective
18 that will be in -- in encouraging customers to stay below
19 the two thousand (2,000), we're not sure.

20 Although, having said that, I think there
21 -- the numbers of customers that do exceed that threshold
22 are -- are still relatively small overall.

23 MR. ROB COX: If I could just add
24 something to that, Mr. Anderson. There was community
25 workshops held in each community, and working with the

1 chief and counsel. And we've also offered recently,
2 during our times going up there to do the audits, to
3 again do workshops to help educate the consumers as to
4 how they can stay under that two thousand (2,000)
5 kilowatt hours.

6 MR. ROBERT MAYER: I'm assuming from the
7 evidence we are heard -- we've heard, that short -- short
8 of instituting plugin police to roam through the homes
9 and unplug the -- the baseboard heaters, you've done just
10 about everything you can to let everybody know that you
11 should not be doing that?

12 MR. ROB COX: That's correct.

13 MR. ROBIN WIENS: Yes, Mr. Vice-Chair.
14 Following -- following the issuance of this order and
15 prior to filing its application on October the 28th of
16 2004, Manitoba Hydro did, as Mr. Cox mentioned, conduct
17 workshops in the communities that dealt with the use of
18 electricity and the issues related to the rate structure.
19 Manitoba Hydro provided extensive documentation of those
20 activities in an appendix that accompanied the -- the
21 rate application that was filed in October of 2004 and
22 that -- that's on the record.

23 MR. ROBERT MAYER: I have specific
24 recollection of that, because if I remember correctly you
25 also had door prizes for people who attended.

1 CONTINUED BY MR. MICHAEL ANDERSON:

2 MR. MICHAEL ANDERSON: And then to --
3 when Manitoba Hydro evaluates the effectiveness of its
4 DSM programs for grid customers, does it use a value of -
5 - to determine and calculate the savings, a value per
6 kilowatt hour?

7 MS. SHANNON JOHNSON: The evaluation
8 process is something that I'm absolutely no expert in,
9 but I do believe that there are calculations that are
10 made to help determine the effectiveness of the programs.

11 MR. MICHAEL ANDERSON: And for the grid
12 service, would you agree that the cost would, in any
13 case, be essentially equivalent to the grid rate paid by
14 the customer?

15 MR. ROBIN WIENS: The cost of which, Mr.
16 Anderson?

17 MR. MICHAEL ANDERSON: Being used to
18 evaluate the cost benefit of a DSM measure for either the
19 Utility's investment or the customer's?

20 MR. ROBIN WIENS: The process of
21 evaluating the DSM programs involves actually looking at
22 the -- and I -- I'm not -- I'm not the expert either, but
23 it does involve looking at the incremental cost to
24 provide the load, in fact, which is the amount that is --
25 is saved by carrying out the demand-side management

1 program, and that would be based on the marginal cost of
2 generation, transmission and distribution, and that is
3 compared with the cost of the DSM program.

4 The grid rate is relevant only insofar as
5 it mediates the distribution of benefits between the
6 participant in the program and Manitoba Hydro's rate
7 base.

8 MR. MICHAEL ANDERSON: What is the
9 marginal cost applied by Hydro to these analyses?

10 MR. ROBIN WIENS: I don't have that
11 information.

12

13 (BRIEF PAUSE)

14

15 MR. MICHAEL ANDERSON: Could you please
16 undertake to provide the marginal costs used for DSM
17 analysis on grid? And the purpose of my question is
18 really to provide a -- a comparison.

19 Mr. Wiens, would you agree that the
20 average costs that are shown on the table that we were
21 just discussing in Board's counsel's book of documents,
22 Tab 5, would be the marginal cost used, the -- we would
23 equate the average cost to supply in the diesel
24 communities and use that value to evaluate DSM measures?

25 MR. ROBIN WIENS: I'm not certain that

1 that would be correct. I mean, it -- it -- it -- it
2 might be representative. It might be a proxy, but I --
3 without looking at it closer, I couldn't confirm that
4 it's the marginal cost, no.

5

6

(BRIEF PAUSE)

7

8 MR. MICHAEL ANDERSON: I make the
9 observation, Mr. Wiens, that the cost elements that you
10 described that go into determining the system grid
11 marginal cost for the small system that we have in the
12 diesel community incorporates all of those same cost
13 items.

14 MR. ROBIN WIENS: Can you repeat that,
15 please?

16 MR. MICHAEL ANDERSON: I just made the ob
17 -- I was -- the -- so the marginal costs used for
18 determining the cost benefit of DSM measures in the
19 diesel First Nations would be what value, Mr. Wiens?
20 What is the marginal cost that we would use?

21 MR. ROBIN WIENS: The margin cost would -
22 - for generation anyway, would be fuel and variable
23 operating and maintenance.

24 MR. MICHAEL ANDERSON: Which is the
25 average cost set out on that table?

1 MR. ROBIN WIENS: No. I believe fixed
2 cost of operating and maintenance is also included in
3 there.

4 MR. MICHAEL ANDERSON: Would it be
5 substantially less than the average cost by excluding the
6 value you just described?

7 MR. ROBIN WIENS: Probably not.

8 MR. MICHAEL ANDERSON: It's a reasonable
9 proxy for someone to use as a quick assessment of the
10 value of a DSM measure?

11 MR. ROBIN WIENS: Probably the best quick
12 assessment would be the cost of fuel.

13 MR. MICHAEL ANDERSON: And you -- you
14 would clearly accept -- you were having a discussion,
15 there is another factor?

16 MR. ROBIN WIENS: Well, again, it -- it's
17 just follow-up and -- and really a repeat of the comment
18 that I made earlier, which is that, yes, the -- the
19 marginal cost of energy in these communities, or the
20 marginal value of a kilowatt hour saved, is quite a bit
21 higher than it is on the grid.

22 But it doesn't mean that there's a lot
23 more opportunities in these communities for demand-side
24 management. It just means that if you can find a
25 kilowatt hour, it's going to be worth more to you than it

1 is on the grid, but it doesn't necessarily mean you're
2 going to find a lot more kilowatt hours.

3 THE CHAIRPERSON: I think, Mr. Anderson,
4 we'll take the break now. Thank you.

5 MR. MICHAEL ANDERSON: Thank you, Mr.
6 Chair.

7

8 --- Upon recessing at 10:44 a.m.

9 --- Upon resuming at 11:17 a.m.

10

11 THE CHAIRPERSON: Okay, Mr. Anderson.

12

13 CONTINUED BY MR. MICHAEL ANDERSON:

14 MR. MICHAEL ANDERSON: Thank you, Mr.
15 Chair. I had just wanted to, I suppose, conclude that
16 last set of questions with just one (1) confirming
17 question to an IR.

18 It appears to have been asked and
19 answered, but I just wanted to do that. It's in Volume
20 I, Appendix 3, which is CAC/MSOS-MH-1-84 on Power Smart,
21 and by saying asked and answered, the -- Volume II --
22 Volume II, Appendix 3, and then it's CAC/MSOS-MH-1-84.

23 And it's a short response. I just wanted
24 to confirm what we've been discussing. This is correct
25 in Manitoba Hydro's evidence that there are no Power

1 Smart programs specifically targeted to diesel generated
2 power, and by that I -- you mean diesel customers in
3 diesel com -- served communities.

4 Is that correct?

5 MS. SHANNON JOHNSON: I -- I think -- all
6 -- all Power Smart programs are available to everybody in
7 Manitoba.

8 We've developed a First Nation Power Smart
9 program on top of those that are already available to
10 target the First Nation communities, which I think we've
11 explained.

12 So there are no specific programs for
13 diesel in that there's no specific programs for any one
14 individual First Nation community. It would fall under
15 the First Nation program, along with all the other Power
16 Smart programs.

17 MR. MICHAEL ANDERSON: And -- and just to
18 con -- to confirm on that one (1) point, from our earlier
19 discussion, and there's no particular emphasis within the
20 First Nation Power Smart program in respect of the higher
21 cost to both serve and potentially have bills in the
22 diesel First Nations in -- in terms of any of the program
23 requirements, terms and conditions, eligibility, et
24 cetera?

25 MS. SHANNON JOHNSON: What we look at in

1 the program are energy-efficiency opportunities. So
2 regardless of fuel source, we look at what the
3 opportunities are.

4 And I think we've talked a little about
5 the opportunities on the diesel side for the -- for the
6 four (4) diesel communities, and that we believe we've --
7 we've really addressed any of those energy-efficiency
8 opportunities that are available. And that, I guess,
9 opportunities beyond that are very limited.

10

11 (BRIEF PAUSE)

12

13 MR. MICHAEL ANDERSON: All right. I just
14 wanted to turn to Board counsel's book of documents for
15 convenience. It's Tab 18, and included in the documents
16 in Tab 18 is -- is a three (3) page response to PUB-MH-
17 28. So you can use either source, if you wish.

18 And I wanted to go to page 3 of that for
19 the moment, and again if this has been responded to, and
20 -- and I wasn't available, I am -- apologize, and it
21 would be grateful for a response.

22 The second to last question of the
23 explanatory paragraph says:

24 "Manitoba Hydro is working with all
25 four (4) communities to improve the

1 energy efficiency of their housing
2 stock, but at this time no homes have
3 been retrofitted."

4 And that, of course, was as the -- as of
5 the time of the filing of this document. I understand
6 that the status of that has changed.

7 Can you identify how many homes, if any,
8 have been retrofitted?

9 MS. SHANNON JOHNSON: We've retrofitted
10 ten (10) homes in Lac Brochet.

11 MR. MICHAEL ANDERSON: Are these complete
12 turnkey or are they still in the process of being
13 retrofitted?

14 MS. SHANNON JOHNSON: They've been
15 retrofitted and we've had our specialist go out, have a
16 look at the work, and, at the same time, we looked to see
17 what other housing opportunities were available in the
18 community.

19 MR. MICHAEL ANDERSON: And then, if I
20 look up above then at the -- the table that identifies
21 the numbers of homes retrofitted for fiscal year
22 2010/2011, and I guess that's a forecast of 2011/2012,
23 those numbers would need to be corrected then based on
24 the information you've just provided.

25 What -- what should the numbers say?

1 MS. SHANNON JOHNSON: Well, it's -- it's
2 still a forecast. The -- the year's not out. I think
3 we're hoping on doing forty (40) houses this year.

4 MR. MICHAEL ANDERSON: All right. So
5 that for someone viewing the table, it's important to
6 understand that if we were going to mark -- do a markup,
7 that for 2010/2011 we have ten (10) homes actually
8 retrofitted and you have a forecast for thirty (30) more?

9 MS. SHANNON JOHNSON: Yes.

10 MR. MICHAEL ANDERSON: And -- and that
11 for 2011/2012 you have a forecast of forty (40)?

12 MS. SHANNON JOHNSON: Correct. And I'd
13 like to point out that these are forecasted. There's
14 certainly an -- an appetite to -- to do more if they're
15 available.

16 MR. MICHAEL ANDERSON: I just wanted to
17 make the distinction that they actually had not been
18 completed turnkey because past tense was being used
19 without the reference to forecast. So thank you for that
20 clarification.

21

22 (BRIEF PAUSE)

23

24 MR. MICHAEL ANDERSON: Now, if we go to
25 MKO-2, if you would, please, page 8, and this is the

1 excerpt from Order 176/06, dated December 21st, 2006.
2 And the third paragraph in the -- on this particular
3 page, the second sentence says that:

4 "A further update will be expected in
5 Manitoba Hydro's nets -- next
6 application affecting diesel zone
7 rates, including an indication how the
8 provisions of the Winter Heating Cost
9 Control Act will be quantified and made
10 available to electricity customers in
11 the diesel zone."

12 Could you please provide an update on how
13 the provisions of the Winter Heat -- Heating Cost Control
14 Act are -- will be available for the upcoming heating
15 season to the diesel First Nations?

16

17 (BRIEF PAUSE)

18

19 MR. MICHAEL ANDERSON: Again, that's MKO-
20 2, page 8, third physical paragraph, last sentence in the
21 paragraph.

22 MS. SHANNON JOHNSON: I hope I'm
23 answering your question, but the -- the Lower Income
24 Program and the First Nation Power Smart Program
25 leveraged the Affordable Energy Fund in order to provide

1 some of the incentives and services that we do. So in
2 the diesel communities, absolutely we're -- we're
3 accessing funding from that.

4 MR. MICHAEL ANDERSON: So the funding is
5 -- if I understand, is being used to provide regular
6 Power Smart programming through either Power Smart or the
7 First Nation Power Smart Program and not a specifically
8 targeted initiative under the Winter Heating Cost Control
9 Act?

10 MS. SHANNON JOHNSON: The First Nation --
11 there's -- the Power Smart programs or the Power Smart
12 Program stand alone. The Affordable Energy Fund is used
13 to provide funding for both the Lower Income Program and
14 the First Nation Power Smart Program.

15 So I'm not too sure if I understand your
16 question, but there are absolutely funds used out of the
17 Affordable Energy Fund in the First Nation Program which
18 is being used in the diesel communities.

19 MR. MICHAEL ANDERSON: Is there any
20 measure within these programs that's directed at the more
21 efficient use of the oil-fired heating systems in these
22 four (4) communities?

23 MS. SHANNON JOHNSON: In regards to the -
24 - the heating side of it in the homes we are looking at
25 the insulation, as well as the crawl spaces, to bring

1 down consumption on that side.

2 MR. MICHAEL ANDERSON: But are you -- is
3 there any measure that's dir -- directed to more
4 efficient use of -- of the furnace itself to control cost
5 of winter heating?

6 MS. SHANNON JOHNSON: Currently we're not
7 doing anything in regards to the upgrade of the -- of the
8 fuel heating systems. Having said that, we are looking
9 to see if there are -- are opportunities that are cost
10 effective.

11 MR. MICHAEL ANDERSON: Would you accept,
12 as a general concept, that an inefficient forced-air oil-
13 fired furnace in these four (4) communities may
14 contribute to the use of baseboard electric heat,
15 particularly in outlying rooms in the home?

16 MS. SHANNON JOHNSON: I don't have
17 expertise in that area to either agree or disagree with
18 that.

19

20 (BRIEF PAUSE)

21

22 MR. MICHAEL ANDERSON: Perhaps you've
23 already answered this question, but if we look at page 11
24 of MKO-2, and it's -- what appears on the page as the
25 third physical paragraph, and it's the reference to the

1 low income bill assistance program. I was wondering if
2 you could provide, please, an update on any measure of
3 Manitoba Hydro's programs on low income bill assistance
4 that would apply to the diesel communities.

5 MS. SHANNON JOHNSON: In looking at the
6 Bill Assistance Program, there were basically three (3)
7 anchors that we looked at, the first being DSM, which I
8 think we've already addressed; the second being bill
9 management; and then the third being emergency financial
10 service.

11 What came out of the -- the Bill
12 Assistance Report was obviously the First Nation Program,
13 which actually -- pardon me, didn't come out of that --
14 was the DSM programming, which I think we've addressed.
15 In addition we looked at the bill management side of it
16 and how to ensure that we make it as easy as possible to
17 pay for their -- to pay for their -- to pay for their
18 energy usage.

19 One (1) of the things -- and whether or
20 not it came out of the Bill Assistance Report or it was
21 already in place, I'm not too sure when it happened, but
22 I know, through our credit and recovery area, that we do
23 have a group that recognizes the unique -- the uniqueness
24 of the North. And, therefore, when customers call in
25 they deal with people that are more experienced and can -

1 - can help them manage their bills better. So I know
2 from that standpoint we are doing something in the
3 northern communities.

4 On the emergency financial services -- or,
5 emergency -- emergency funding we have our Neighbours
6 Helping Neighbours program. Prior to -- to the report we
7 were offering three hundred dollars (\$300); we increased
8 that to four fifty (450).

9 And just to give people an overview of the
10 Neighbours Helping Neighbours program, if they're unaware
11 of it; basically what this program does is it provides
12 customers with an opportunity or a grant to avoid
13 disconnection. And what we do is we refer these
14 customers to the Salvation Army, so that the Salvation
15 Army can help -- help them remedy their situation and
16 provide opportunities for them. So that's the Neighbours
17 Helping Neighbours program. The -- the grant was at
18 three hundred dollars (\$300) and we increased it to four
19 hundred and fifty dollars (\$450).

20 MR. MICHAEL ANDERSON: Are you aware of
21 whether there's any Salvation Army facilities or outlets
22 or contact points in any of the four (4) diesel First
23 Nations?

24 MS. SHANNON JOHNSON: There aren't in the
25 -- in the four (4) diesel First Nation communities. What

1 we like to do with the Neighbours Helping Neighbours
2 program is have the customer go into the Salvation Army
3 office and go through the intake process. Obviously, in
4 the diesel communities that's not always available.
5 There is a Salvation Army in Thompson and it's -- yeah,
6 and it's my understanding that -- that they will do the
7 intake process and -- and work with the customers over
8 the phone.

9 MR. MICHAEL ANDERSON: That was going to
10 be my next question, so thank you for that.

11 In terms of this -- this may have been
12 asked and answered, and again, but what's -- if I go to
13 the same tab, Volume II, Appendix 3, CAC/MSOS-MH-1-100,
14 the question that was posed was:

15 "What proportion of Manitoba Hydro's
16 residential customers are low income?"

17 And then using two (2) different
18 standards, two (2) different assessments of low income
19 customers are
20 provided.

21 What's Manitoba Hydro's understanding of
22 the percentage of low income residential basic customers
23 in the four (4) communities?

24 MS. SHANNON JOHNSON: We don't have
25 income -- what everybody makes in the four (4) Nation com

1 -- or the four (4) diesel communities, so it's -- it's
2 hard to assess what our understanding is. We provide the
3 -- the 125 percent of LICO, and in working with the
4 communities we have them screen the -- screen the
5 applicants for the program for us.

6 MR. MICHAEL ANDERSON: And when you say
7 "we", could you please describe who -- who that body
8 would be?

9 MS. SHANNON JOHNSON: We, being Manitoba
10 Hydro and the community. As -- as I explained yesterday,
11 the -- the key to the First Nation Power Smart Program is
12 working with the communities on a one-off basis, and --
13 and creating a plan and a program that -- that will take
14 advantage of the opportunities that are available.

15 MR. MICHAEL ANDERSON: So in doing your -
16 - your programming then, are these -- these two (2)
17 assessments, these LICO analyses, what Manitoba Hydro
18 would use to assess the -- the need for low income -- for
19 -- the need for programming directed at low income basic
20 residential customers? Or do you have another set of
21 assessments that you might do?

22 MS. SHANNON JOHNSON: Eligibility is 125
23 percent of LICO. And -- and just for those that don't
24 know, LICO is the Low Income Cut Off, which is a Federal
25 Government statistic. And that's used across the board

1 for the lower income program, including in First Nations.

2 MR. MICHAEL ANDERSON: Thank you.

3

4 (BRIEF PAUSE)

5

6 MR. MICHAEL ANDERSON: Okay. And --
7 and turning -- also if we stay at Volume II, Appendix 3,
8 and move forward to CAC/MSOS/MH-1-100H, and if we can
9 also move to the reference that we had just been using on
10 the Winter Cost Control Act, page 8 of MKO-2, which again
11 is the extract from Order 176/06.

12 So where I'm at is, again it's Volume II,
13 Appendix 3, CAC/MSOS/MH-1-100, and then the other
14 reference is Order 176/06, page 8 -- it's page 8 of MKO-
15 2.

16 MR. ROBIN WIENS: Mr. -- Mr. Anderson,
17 your reference to CAC/MH-100, was the 'H' part of --

18 MR. MICHAEL ANDERSON: 'H'.

19 MR. ROBIN WIENS: Thank you.

20 MR. MICHAEL ANDERSON: Yes. You're
21 welcome, Mr. Wiens. 'H'. It's a long response. Many
22 questions. Thank you.

23 In the Order 176/06, dated December 21st,
24 2006, at paragraph 1, 2, 3, 4, last sentence:

25 "The Board needs additional information

1 to understand apparent widespread
2 delinquency, as well as related
3 accounting practices, particularly as
4 to which Manitoba Hydro's customers are
5 ultimately responsible for accounts
6 written off."

7 Well, it's the first part of that
8 sentence, "apparent widespread delinquency," I had wanted
9 to discuss, or -- or bills in arrears.

10 I notice in the second sentence of the
11 explanatory note, it says:

12 "The frequency and magnitude of arrears
13 in diesel communities is lower than
14 experienced in grid communities."

15 I just wanted to confirm that that's
16 Manitoba -- the current circumstances of arrears accounts
17 in the diesel communities.

18 And then, if I might, prior to that answer
19 -- I apologize. I had intended to say if by grid
20 communities, and that descriptor in the second sentence,
21 do you mean all grid communities, or do you mean just
22 First Nation grid communities?

23

24 (BRIEF PAUSE)

25

1 MR. MICHAEL ANDERSON: I should note,
2 just for the record, by the way, that these references to
3 the -- the CAC/MSOS/MH interrogatories in volume 2 are
4 from the General Rate Application, and were incorporated
5 referentially at the request of CAC. I just noted that I
6 had been making these references without making that
7 clear.

8 MR. ROBIN WIENS: Mr. -- Mr. Anderson, no
9 member of the panel was involved in the preparation of
10 that response, so we cannot give you what we would deem
11 to be an accurate answer to the question.

12

13 (BRIEF PAUSE)

14

15 MR. VINCE WARDEN: Mr. Anderson, would
16 you like to -- could you please repeat the question?

17 MR. MICHAEL ANDERSON: Yes. I -- I was -
18 - I had noted in Order 176/06 that the Board had
19 expressed a requirement for -- or a request for
20 additional information to understand apparent widespread
21 delinquency in respect of the evidence that had been
22 filed by Manitoba Hydro that was the subject of that
23 Order, and to reconcile that with the response by
24 Manitoba Hydro to CAC/MSOS/MH-1-100H that suggests that
25 the frequency and magnitude of arrears in diesel

1 communities is lower than that experienced in grid
2 communities.

3 And I had a second part to that question,
4 and that was to clarify whether grid communities means
5 all grid communities, including Thompson, The Pas,
6 Winnipeg or whether it's exclusive to First Nation
7 communities on the grid.

8 MR. VINCE WARDEN: Well, as -- as the
9 preamble to this table indicates, Mr. Anderson, we're --
10 we're talking First Nation communities here only. So
11 this is First Nation communities versus -- or comparing
12 to diesel communities.

13 MR. MICHAEL ANDERSON: The reason I
14 requested the clarification, of course, is that, without
15 knowing the author of this question, the actual question
16 didn't specify First Nation; it just said grid
17 communities.

18 MR. ROBERT MAYER: The little star in the
19 footnote seems to tell us that, Mr. Anderson.

20 MR. MICHAEL ANDERSON: Yes, thank you.
21 But, Mr. Mayer, I would just note that the reference to
22 the Band agreements was the reference there, so I didn't
23 read that as meaning the entire answer. It was specific
24 to a certain circumstance. Thank you.

25

1 (BRIEF PAUSE)

2

3 CONTINUED BY MR. MICHAEL ANDERSON:

4 MR. MICHAEL ANDERSON: So the question is
5 -- is then: This response accurately depicts the status
6 of arrears accounts in -- in the diesel communities
7 compared to communities on the grid?

8 MR. VINCE WARDEN: First Nation
9 communities on the grid, yes.

10 MR. MICHAEL ANDERSON: So it -- then do
11 we draw from this that the diesel First Nation customers
12 are doing somewhat better than comparative grid
13 communities at ensuring their bills are paid?

14

15 (BRIEF PAUSE)

16

17 MR. VINCE WARDEN: Mr. Anderson, we have
18 to base our conclusion on the information that's
19 presented in the -- this table. And if you follow the
20 table through, you could come to that conclusion, yes.

21 MR. MICHAEL ANDERSON: Thank you.

22 MR. ROBERT MAYER: Almost inescapably.

23 MR. MICHAEL ANDERSON: Mr. -- Mr. -- I
24 supposed, although it's commentary, the matter of
25 delinquency in arrears has been raised several times in

1 respect of the diesel zone, and I just wanted to confirm
2 that the response to CAC/MSOS-100H was correct. Thank
3 you.

4

5 (BRIEF PAUSE)

6

7 CONTINUED BY MR. MICHAEL ANDERSON:

8 MR. MICHAEL ANDERSON: Which now brings
9 me to the -- I think what -- the final area that I'll ask
10 on at this point, thank you, is in regard to accounts
11 over two thousand (2,000). And the reference that I'll
12 use for this would be PUB/MH-6, which I know that Ms.
13 Bowman went through a bit yesterday, and I don't mean --
14 intend to go over that ground per se.

15

16 (BRIEF PAUSE)

17

18 MR. MICHAEL ANDERSON: And going back for
19 a brief moment to the two thousand 2,000-K step and the
20 design of itself, is it Manitoba Hydro's view that the
21 two thousand (2,000) kilowatt hours per month supplied to
22 the basic residential customer grid rates ought to be
23 adequate for serving their requirements and that it
24 should -- ought to be unusual that they exceed two
25 thousand (2,000) kilowatt hours a month?

1 MR. ROBIN WIENS: Other than electric
2 space heating, yes, it ought to be reasonable to meet
3 their requirements.

4 MR. MICHAEL ANDERSON: If we go to MKO-2
5 page 1 and the top of page 2. This is from PUB Order
6 46/04, March 25th, 2004. And this was the initiating
7 order that set in place the -- the interim rate
8 structure. And at the bottom of the page it says:

9 "Manitoba Hydro's expected to conduct a
10 full public compa -- public awareness
11 campaign in the four (4) communities
12 regarding the revised rates, the result
13 and impact on electricity bills, and
14 the opportunities and importance of
15 managing consumption levels to avoid
16 high electricity bills."

17 There was some commentary --

18 MR. ROBIN WIENS: Mr. Anderson, can you
19 give us the page number?

20 MR. MICHAEL ANDERSON: Oh, I'm sorry.
21 It's -- it's MKO-2, page 1. The reference is at -- right
22 at the bottom of the page.

23 MR. ROBIN WIENS: Thank you.

24 MR. MICHAEL ANDERSON: It's the last
25 paragraph on the page and it overflows on to the top of

1 page 2.

2

3

(BRIEF PAUSE)

4

5

6

7

8

MR. MICHAEL ANDERSON: Now, mis -- the Vice-chair had recalled the campaign that was conducted at the time that Order 46/04 was issued and shortly following with 159/04.

9

10

11

12

13

What efforts are made -- can you provide an update on the full public awareness campaign that continues to this date in respect of maintaining consumption at less than two thousand (2,000) kilowatt hours?

14

15

16

17

18

MR. ROBIN WIENS: Mr. Anderson, we put a full documentation of that effort into the application that Manitoba Hydro filed with the Public Utilities Board in late 2006. Pardon me, it's -- pardon me, 2004. The application was filed on October 28th, 2004.

19

20

21

22

MR. MICHAEL ANDERSON: I agree that the documentation was in that filing. And my question, Mr. Wiens, is what is Manitoba Hydro doing today. Has it di --

23

24

25

MR. ROBERT MAYER: We've been hearing that for -- this is the second day since we brought the extra witness to the table.

1 MR. MICHAEL ANDERSON: If you're -- the
2 question that I was going to ask in respect of -- in
3 addition to that, and I thank you for that, is whether
4 Manitoba Hydro has considered making any form of direct
5 contact with any customer who ha -- is exceeding 2,000
6 kilowatt hours on a regular basis.

7 To inquire -- to insure that they're
8 informed of the consequences, and/or to determine whether
9 or not there may be a simple remedy to assist in bringing
10 their accounts below 2,000 kilowatt hours per month?

11 MS. SHANNON JOHNSON: I think what we do
12 when we go into the communities is work with the
13 community, and put plans together in conjunction with the
14 community.

15 As far as us contacting individuals
16 directly, we have never -- we've never done that, but in
17 regards to looking at workshops being done in conjunction
18 with the community, absolutely; that's -- that's
19 something that we look to do, is -- is provide
20 information on energy-efficiency opportunities and the
21 like in the community in conjunction with the community.

22 MR. ROBERT MAYER: Quite frankly, I can't
23 imagine Manitoba Hydro phoning me up and saying, Mr.
24 Mayer, we've noticed you've gone over what you normally
25 use. Thank you very much. I've paid for it, so what.

1 I -- I -- Mr. Anderson, surely you're not
2 suggesting that that's what hy -- that's what Hydro
3 should be doing?

4 MR. MICHAEL ANDERSON: Well, without
5 beginning my summation in a response to your question, I
6 key on the -- the term "special projects," and "special
7 programs," and "consultation with communities."

8 And I link it back to the thinking that --
9 of you -- you will recall, Mr. Mayer -- Mr. Vice-Chair,
10 that MKO did not -- although we objected to the 2,000-K
11 step in prior proceedings vigorously, we were silent on
12 it in the Order that gave rise to 159/04 because we saw a
13 complete package being developed through the settlement,
14 which included aggressive DSM and consultation with
15 customers.

16 And so --

17 MR. ROBERT MAYER: And we're going to see
18 that DMS sometime once we -- when we get to that portion
19 of the hearing, or that agreement.

20 MR. MICHAEL ANDERSON: Yes. Yes, Mr. --
21 so it's linking all of -- all of those unusual aspects
22 together.

23

24 CONTINUED BY MR. MICHAEL ANDERSON:

25 MR. MICHAEL ANDERSON: For context, and

1 I've asked this type of question before, but just to have
2 Mr. Wiens' confirmation, at the current rates -- or at
3 the proposed rates, we'll use the tail block rate, as
4 we're describing it, at forty-five (45) cents a kilowatt
5 hour, if a customer exceeds the 2,000 kilowatt step by
6 100 kilowatt hours, that will add forty-five dollars
7 (\$45) to their bill.

8 Is that correct?

9 MR. ROBIN WIENS: Correct.

10 MR. MICHAEL ANDERSON: And so -- I'll
11 just leave it with that, and then work on it in
12 summation. It's a substantial amount relative to the
13 remainder of the bill that is at grid rates, correct?

14 MR. ROBIN WIENS: You're looking at
15 approximately a hundred and forty (140) or so dollars for
16 the first two thousand (2,000) kilowatt hours, so that
17 will give you the relativity of that. The next one
18 hundred (100) is forty-five dollars (\$45).

19 MR. MICHAEL ANDERSON: Thank you, Mr.
20 Wiens.

21 And Ms. Johnson, were you involved, or
22 participated in the infrastructure assessments that were
23 done at the northlands for Denesuline First Nation that
24 resulted in the, as I recall the date April 16th, 2009,
25 assessment reports?

1 Are you familiar with them?

2 MS. SHANNON JOHNSON: No, I'm not.

3 MR. MICHAEL ANDERSON: I was going to ask
4 what the status of the initiatives that were identified
5 through the Manitoba Hydro walk-through for the arena,
6 Band office, and so forth, that were in those documents.

7 Similar to my question about how many
8 houses have been turnkey retrofitted, I'm looking for re
9 -- the current result of those activities.

10 MR. ROB COX: I'll -- I'll answer that,
11 Mr. Anderson, as it was my staff member who actually did
12 the audit.

13 The First Nation community was provided
14 with the complete report that outlined all of the energy-
15 efficiency opportunities that were available in all the
16 buildings that they went through.

17 I -- I have not had an update as to what
18 actually has taken place, if they have, in fact, gone out
19 and undertook those improvements to start receiving the
20 savings on, but they did receive the complete report on
21 that.

22 MR. MICHAEL ANDERSON: And for the
23 benefit of -- of the Board in that we're discussing a
24 document that to my knowledge is not filed, can you
25 describe the generality of what that assessment report

1 was?

2 MR. ROB COX: Which First Nation is that?

3 MR. MICHAEL ANDERSON: The Northlands.

4 Lac Brochet.

5 MR. ROB COX: Yes. Okay.

6 MR. MICHAEL ANDERSON: And then while
7 you're looking for that, could you confirm that these
8 assessments were done with two (2) of the four (4) diesel
9 First Nations, being Northlands and Shamattawa?

10 MR. ROB COX: While I'm looking for it I
11 can tell you that since we have completed the other two
12 (2), all four (4) communities have received an identical
13 report outlining their opportunities.

14 MS. SHANNON JOHNSON: And my apologies, I
15 was involved in those, I just didn't know that was the
16 name that we were using. So my apologies, my -- one (1)
17 of my staff members was also involved in that one as
18 well.

19 MR. ROB COX: I have a summary table here
20 that indicates that walkthroughs were done through the
21 school, the school water pumping station, the school
22 sewage lift station, the water treatment plant, the
23 vehicle maintenance garage, arena band Office, sewage
24 truck garage, fire truck garage, health resource centre,
25 a motel, Mr. Mayer, sewage treatment plant, and community

1 hall.

2 And it was estimated at that time that
3 there would be a saving of thirty-five thousand five
4 hundred and twenty-one (35,521) kilowatt hours, which
5 resulted in thirty-nine thousand six hundred and forty-
6 six dollars (\$39,646) on the bill, and a Power Smart
7 rebate total, fourteen thousand nine hundred and eight-
8 four dollars (\$14,984).

9 MR. MICHAEL ANDERSON: And similar to the
10 response in PUB/MH-28, is it possible to make an
11 undertaking to provide us a status on the implement --
12 implementation of the recommendations made in those four
13 (4) reports?

14 MR. ROB COX: What we could do is provide
15 you with of a summary of which Power Smart programs they
16 applied for incentives on, is what we could do.

17 MR. MICHAEL ANDERSON: And if possible,
18 the status of whether they've actually been completed and
19 are operational or not.

20

21 (BRIEF PAUSE)

22

23 MR. ROB COX: Yeah, in some cases they
24 may have received an application and not filled it in and
25 submitted it yet, so I couldn't provide you on that.

1 Only the applications that we've received, and ob --
2 obviously once they're completed we do issue a cheque for
3 the incentive, so I could provide that information.

4 MR. MICHAEL ANDERSON: I'm sorry, you
5 couldn't?

6 MR. ROB COX: No, I said I could with
7 applications that have been processed. We can give you
8 the number that have been considered complete because we
9 processed them by issuing a cheque.

10 MR. MICHAEL ANDERSON: Good. Thank you
11 very much. That will be very helpful.

12

13 --- UNDERTAKING NO. 21: Manitoba Hydro to provide a
14 summary of which Power Smart
15 programs the four (4) diesel
16 First Nations applied for
17 incentives on, and whether
18 they've been completed

19

20 CONTINUED BY MR. MICHAEL ANDERSON:

21 MR. MICHAEL ANDERSON: And one (1)
22 structural question on that. I understood that the
23 residential Retrofit program, Manitoba Hydro is now
24 considering paying the transportation cost of the
25 materials.

1 Is that correct?

2 MS. SHANNON JOHNSON: Yes, we're looking
3 at that.

4 MR. MICHAEL ANDERSON: And what -- does
5 Manitoba Hydro currently pay the cost of materials for
6 the band facilities Power Smart initiatives that we were
7 just discussing in these four (4) reports?

8 MR. ROB COX: Sorry, can you ask that
9 again?

10 MR. MICHAEL ANDERSON: Do you pay the
11 cost of materials, the shipment cost of materials
12 regarding the recom -- the Power Smart initiatives that
13 you've described in these four (4) reports for
14 institutional buildings?

15 MR. ROB COX: No, on the commercial
16 programs we would -- we do not pay the transportation.

17 MR. MICHAEL ANDERSON: Is there any
18 relief that you're aware of to assist in covering the
19 cost that the First Nations are eligible to apply for,
20 to facilitate the shipment of the material?

21 MR. ROB COX: Given that these are -- are
22 provincial Power Smart programs, no, there is not any
23 thought been given to that.

24 MR. MICHAEL ANDERSON: Now I've made a
25 note, Mr. Chair, that I'll ask our panellists when they

1 are convened to describe first-hand the means and cost of
2 shipment of goods to the four (4) communities ,in respect
3 of this response.

4 And those are my questions. Thank you
5 very much.

6 THE CHAIRPERSON: Thank you, Mr.
7 Anderson.

8 MR. MICHAEL ANDERSON: Thank you, panel,
9 very much.

10 THE CHAIRPERSON: Thank you. Just
11 following up on Mr. Anderson's question, just one (1) --
12 concluding one (1) on this DSM business, just to sort of
13 simplify it.

14 How much -- how many dollars was spent by
15 Manitoba Hydro and DSM in the four (4) communities in
16 fiscal 09/10 and what is budgeted for those four (4)
17 communities for 10/11 in -- in total. You could take it
18 as an under -- undertaking.

19 MS. SHANNON JOHNSON: I think we provided
20 that in 28A -- I'm just pulling the numbers up -- just to
21 give you a breakdown of where some of the numbers come
22 from, to put it into perspective for you.

23 THE CHAIRPERSON: That's fine. And --
24 and the funding source.

25

1 (BRIEF PAUSE)

2

3 MS. SHANNON JOHNSON: As -- as we
4 indicated in the response, the labour for the individual
5 that goes up and works with the communities, we don't
6 track by community. So in those numbers, we've kind of
7 come up with a bit of an estimate to the best of our --
8 to the best of our ability. In addition, in 2008/'09,
9 we've put in actual travel costs in there, and then an
10 estimate, to the best of our ability, on what the labour
11 piece would have been.

12 As far as the dollars budgeted, we don't
13 budget specifically for the First Nation program or for
14 the diesel programs. It calls -- it comes in under the
15 overall budget of the lower income program.

16 From a breakdown standpoint, we
17 essentially will leverage what funding is available
18 through existing Power Smart programs, and then that
19 which is not covered by that would be covered by the
20 Affordable Energy Fund. So an -- an exact breakdown will
21 -- will vary, depending on -- on what the community does.

22 THE CHAIRPERSON: Thank you. Do you have
23 any re-direct?

24 MS. ODETTE FERNANDES: I just have one
25 (1) question, if I may. Thank you.

1 RE-DIRECT EXAMINATION BY MS. ODETTE FERNANDES:

2 MS. ODETTE FERNANDES: Mr. Wiens,
3 yesterday with Mr. Anderson, it was pointed out that
4 Schedule B of the 1997 agreement, which is INAC exhibit
5 number 5, outlined some principles in respect to
6 community participation.

7 Have you had an opportunity to look at the
8 schedule, and did you have any further comments?

9 MR. ROBIN WIENS: Yes, simply that the --
10 the heading of the -- of the schedule talks about
11 principles in respect to community participation, and it
12 does deal with consultation, it does deal with providing
13 opportunities to the community, it does deal with
14 providing resources to obtain independent technical
15 advice, and so forth. But the important point is that
16 these programs have already been funded. There's not a
17 question of how many dollars are going to be spent and --
18 and who's going to spend them in terms of -- in terms of
19 dealing with these soil remediation projects.

20 These are principles in respect to
21 community participation after the projects have been
22 approved and they're ongoing.

23 MS. ODETTE FERNANDES: Than you, Mr.
24 Wiens.

25

1 (PANEL STANDS DOWN)

2

3 THE CHAIRPERSON: Okay. Thank you, all.
4 Thank you very much to the -- the panel. I believe when
5 we return, Mr. Peters, we'll be moving on to the
6 witnesses, correct?

7 MR. BOB PETERS: Yes, Mr. Chairman, and
8 not often have I been called a realist, but I've come to
9 the conclusion that we hope to get through the direct
10 evidence and cross-examinations of Mr. Mills this
11 afternoon. We don't have that same optimism for the
12 evidence and testimony of Mr. Hildebrand, and that will
13 be a matter of rescheduling.

14 I can indicate that, in terms of
15 rescheduling, I have advanced to the parties the earliest
16 three (3) available dates that the Board has, and we're
17 just waiting to hear back as soon as possible as to
18 whether all parties are able to adjust their schedules,
19 and so far it's looking positive. So I will have more to
20 report after lunch.

21 I suggest after lunch, we probably could
22 reconfigure the hearing room and have both Ms. Hart and
23 Ms. Thompson and their witnesses on the side of the room
24 that Manitoba Hydro now occupies, and we'll proceed at, I
25 suggest, the usual 1:15.

1 THE CHAIRPERSON: 1:15 it is. Thank you.

2

3 --- Upon recessing 12:00 p.m.

4 --- Upon resuming at 1:17 p.m.

5

6 THE CHAIRPERSON: Okay. Well, welcome
7 back, everyone. We've got a -- we've -- no, I think
8 Board counsel is just hiding there, so we're all fine.

9 Okay. Welcome back. We've got kind of a
10 heavy agenda this afternoon, so we better get on with it.

11 Ms. Hart, if you wouldn't mind introducing
12 the INAC witnesses, and then we will start by having Mr.
13 Mills sworn in, please.

14 MS. GLYNIS HART: Yes. Thank you.
15 INAC's witnesses, on my immediate right, Mr. Fred Mills,
16 from the Department of Indian Affairs and Northern
17 Development. Farther down on the table, Mr. Dale
18 Hildebrand, from Desiderata. Thank you.

19 THE CHAIRPERSON: Thank you. Ms.
20 Shields, you might as well swear both of them in, and
21 we'll get that task done with.

22

23 INAC PANEL:

24

FRED MILLS, Sworn

25

DALE HILDEBRANDI, Sworn

1 THE CHAIRPERSON: Thank you. Ms.
2 Hart...?

3 MS. GLYNIS HART: Thank you.

4

5 EXAMINATION-IN-CHIEF BY MS. GLYNIS HART:

6 MS. GLYNIS HART: Mr. Mills, at Exhibit
7 number 3 for INAC is your August 16th, 2010, evidence for
8 Indian and Northern Affairs Canada.

9 You prepared the document, and are you
10 ready to adopt it as evidence at this time?

11 MR. FRED MILLS: Yes.

12 MS. GLYNIS HART: And further, in regard
13 to INAC's responses to the IRs that were distributed, I'd
14 like to read out the specific IRs that Mr. Mills has
15 prepared, and ask him if he's ready to adopt those
16 particular IRs, too.

17 Mr. Mills, in regard to the PUB/INAC
18 exhibits, number 2-1 through to 2-12.

19 MR. FRED MILLS: Yes.

20 MS. GLYNIS HART: And in regard to the
21 IRs from CAC/MSOS/INAC, 2-1 through to 2-11

22 MR. FRED MILLS: Yes.

23 MS. GLYNIS HART: And in respect of the
24 responses to HYDRO/INAC, 2-4 through to 2-11.

25 MR. FRED MILLS: Yes.

1 MS. GLYNIS HART: Thank you. So you've
2 prepared them, and adopted them. Are there any that you
3 are not prepared at this time to accept?

4 MR. FRED MILLS: Yes, and that's
5 HYDRO/INAC 2-1A, which clarification needs to be provided
6 during cro - during --

7 MS. GLYNIS HART: And when will you
8 provide that clarification?

9 MR. FRED MILLS: During cross. Or during
10 direct, pardon me.

11 MS. GLYNIS HART: Thank you. Mr. Mills,
12 I'd like to start talking about consultation, and ask
13 you: In INAC's view why is it important that Manitoba
14 Hydro consults with the First Nations?

15 MR. FRED MILLS: Well, in INAC's view,
16 consultation is extremely important with First Nations;
17 it's just part of doing business in these communities.
18 First Nations need to know what's going on and they need
19 to fully understand what's happening.

20 And I'll relate a little bit towards what
21 INAC does when it's working with First Nations on major
22 capital projects, is that we -- they're involved right on
23 the very front end of something that we're planning. If
24 we're planning to, say, do a water and sewer extension in
25 the community, we go talk to the First Nation, right off

1 the bat, and say, You know what? Or the First Nation
2 will come to us and say, We need an extension. And then
3 we get into our consultation about what kind of an
4 extension, what kind of service is going to be provided,
5 what are the options that need to be looked at? You
6 know, what are the issues, what -- you know, what's the
7 problem, what are the issues, what are the options, what
8 are the alternatives? And that's all done prior to any
9 decision made and -- as to what type of system should be
10 put in or what should be put in.

11 And I think it's important to get buy-in
12 of a customer at that stage, because if you're going to
13 expect them to contribute resources to something, they
14 need to understand why they're doing that and why -- what
15 -- what their cost is, and why that cost is what it is.
16 And if you do it early on in the process, then it makes
17 the rest of the process extremely easy to deal with. You
18 have -- you have established, you know, say, a project
19 coordinator with the community that we would work with.
20 Those kind of things. So that we know that, when we're
21 dealing with the community, that we know that they're
22 getting the information and disseminating it to the
23 people that need to know in their communities.

24 MS. GLYNIS HART: Thank you. Is INAC on
25 site in each of the four diesel nation communities?

1 MR. FRED MILLS: INAC does not have
2 personnel in any of those communities on a permanent
3 basis. There are staff that travel in and out for a
4 variety of reasons.

5 MS. GLYNIS HART: In INAC's view, what do
6 the First Nations and Manitoba Hydro need to talk about?

7 MR. FRED MILLS: I guess sort of what
8 I've already covered. They -- they -- there needs to be
9 an understand -- an understanding of why, or what the
10 issue is. What is the issue that needs to be resolved by
11 a particular project. What are the options that have
12 been chosen. What are the pros and cons of those
13 options. And, obviously, what are the costs of each of
14 the options.

15 And through our process, we do all this
16 before the final decision is made, as to what option will
17 be chosen. It's our experience that First Nations are
18 and do have access to technical advice, and they can
19 bring something to the table that we -- that may be
20 overlooked. And so I think it's important that we
21 respect that fact, that they do have access to technical
22 advice and that they can -- they can provide valid input
23 into processes.

24 They also need to know the cost, and if
25 we're talking on hydro projects, certainly the capital

1 costs, but also need to understand, if the work is not
2 done, what's the impact on the reliability of the power
3 going to the -- that the community uses? And if the work
4 is going to be done, but is not going to be paid for as a
5 capital contribution, what are the impacts on the rates?

6 And so that assists them in determining
7 whether or not that's something that they're prepared to
8 put forward to INAC to consider for funding.

9 MS. GLYNIS HART: Why is it important to
10 INAC that the First Nation has access to this information
11 that you've just talked about? Or another way of putting
12 that question is: What does INAC need from the First
13 Nation in order to be able to provide the First Nation
14 with financial support?

15 MR. FRED MILLS: We -- we need basically
16 the same information. As spenders of public funds, we --
17 we have our -- we have to undertake due diligence. We
18 need to again understand what are the options -- what's
19 the issue, what are the options, what are the
20 alternatives to consider, what are the costs, what are
21 the impacts on rates if it's not done, what -- what's the
22 impact on the reliability of the power if the -- if the
23 project is not undertaken.

24 And we also need to know what the priority
25 of this project is from Hydro's perspective and from the

1 First Nation's perspective, so that we can fit it into
2 our five (5) year capital plan. We -- we have a five (5)
3 year capital plan, not -- I wouldn't say not unlike
4 Manitoba Hydro's, as I was going to say, but it -- it's a
5 limited budget, and so we have to fit in schools, water
6 and sewer, major road upgrades. You know, all those kind
7 of projects have to be fit into our capital plan.

8 And so we don't always have a lot of money
9 to put into capital projects that are -- that come out of
10 the blue. So if somebody came to us on April 1st and
11 said we need a million dollars for a engine rebuild or --
12 or installation of a new diesel generator in a community,
13 the chances of us trying to find money in that fiscal
14 year are virtually zero.

15 If we knew about this in three (3) or four
16 (4) years time, that this is something that's projected,
17 then there's a lot better chance for us to -- to say,
18 okay, three (3) or four (4) years down the road we can
19 manipulate our -- our five (5) year capital plan a little
20 bit to fit these in.

21 But as we get closer to the -- the year in
22 which things are taken up under construction, it's a lot
23 tighter, our budgets are a lot fi -- more fixed. It's
24 not unlike what Hydro says. They start off at about 50
25 percent on their estimates, and as we get down and into

1 contributions and tenders, our -- our budgets are within
2 5 percent. So there's not slippage in there to start
3 moving it around from one project to another, or to put
4 something brand new in. It becomes extremely difficult.

5 So it's -- timeliness is an extreme
6 importance, that we know what's going on well in advance,
7 and we know what -- all the things that are being
8 considered. And -- and I know that's not potentially
9 possible if you're looking at something in year 5, that
10 you would have all the alternatives managed and figured
11 out.

12 But as time goes by you can refine those
13 and keep everybody in the loop as to what's going on, so
14 that things can be refined, and so that a year before a
15 project starts everybody knows that it's on the plan and
16 ready to roll; so the year it starts and it goes.

17 And -- and, virtually, that's how we
18 manage our major capital projects for schools and water
19 and sewer systems. It's -- we don't get a school come
20 out of the blue at us. They're planned years in advance.
21 And we would expect at least a five (5) year advance on
22 certainly anything major.

23 And the other -- I guess the other
24 important piece to this, from INAC's perspective, that
25 First Nations need to know is they also have to

1 prioritize these within their band base capital plans.
2 INAC provides each First Nation a band base capital
3 allocation or band base capital, and the band -- then
4 that's for minor projects in those communities that
5 includes things such as housing and -- and minor repairs,
6 or -- or it may be a small subdivision that they need to
7 do, or build a fire hall, or -- or those kind of things.

8 So they'll have their plan already
9 prioritized. So they need to know when these things are
10 coming up so that they can also fit them in.

11 Because part of our process, under the
12 band base capital allocation process, is that, and I'll
13 just use an example rather than a partic -- any
14 particular band, is that if the band's base capital
15 allocation is a million dollars, our -- our regional
16 policy is that in order to access what we call major
17 capital, which is our major capital five (5) year plan
18 that has water and sewer and school projects on, that the
19 project must exceed one half ($\frac{1}{2}$) of one (1) year's
20 allocation.

21 So if they have a million dollar one (1)
22 allocation, the project would exc -- must exceed five
23 hundred thousand dollars (\$500,000) to access money out
24 of our major capital plan.

25 So, as a -- as a quick example, a project

1 comes in for five hundred and ten thousand dollars
2 (\$510,000), they would be able to access ten thousand
3 dollars (\$10,000) out of the major capital. Conversely,
4 if the project came in at \$4 million, they could access
5 \$3 ½ million from the major capital. So all these things
6 are interrelated and important to deal with.

7 The other piece to it is that First
8 Nations are required to contribute that half of their
9 band base towards a major project. So if we're looking
10 at an engine rebuild for six hundred thousand dollars
11 (\$600,000), this band would have to contribute out of
12 their band base, out of their own capital plan, five
13 hundred thousand dollars (\$500,000) towards that and INAC
14 would contribute the other say hundred and ten (110) to
15 its -- out of its major capital.

16 So it's -- it's important to understand
17 how this all works together and that it's the customer,
18 in this case, the First Nations with Manitoba Hydro need
19 to be fully engaged on the front end, because they've got
20 to come back to us and explain to us why they see it as -
21 - as this -- as important as -- as they may have come to
22 realize from -- from Manitoba Hydro.

23 And again, I guess the other important
24 thing is that both parties, First Nation customers and
25 INAC, need to be involved, and understand what's going on

1 because we got to prioritize these, and fit them into our
2 major capital plans, where -- where that's required, and
3 Bands have to prioritize those within their own plans.

4 MS. GLYNIS HART: And in being
5 responsible for public funds, what does that -- what
6 pressure does that put then on the information that you
7 need to received from the First Nations in regard to
8 these projects?

9 MR. FRED MILLS: Well, we need to have
10 all the facts, and making sure that -- that all the
11 information is as transparent as possible.

12 We've got to undertake our due diligence,
13 and depending on the project it may mean farming some of
14 that out to a technical firm to review and analyse it
15 that we may not have in-house.

16 It may be, you know, looking at -- at the
17 installation of a new generator such as Tadoule Lake
18 where we did bring a -- a outside consultant from Indian
19 Affairs in, although it was a government employee from
20 Public Works, but we brought the expertise that we needed
21 to the table to do -- undertake an analysis of a -- of
22 the project.

23 So we need -- we need all the information
24 that we can possibly get on it. And preferences for that
25 information to be freely provided as opposed to asking

1 for every little bit that comes along.

2 I mean, I think -- I think on Tadoule Lake
3 there was an exchange of information, but it seemed that
4 we were always asking for information as opposed to
5 Manitoba Hydro saying, you know, Here's our book on
6 Tadoule Lake, these are all our considerations that were
7 undertaken.

8 We seem to have to ask as we were going
9 through to get more clarification on everything. It
10 wasn't quite as clear as it probably should have been, at
11 least from our perspective.

12 MS. GLYNIS HART: And what did that do to
13 the process then?

14 MR. FRED MILLS: Well, it's -- obviously
15 slowed the process down, because we're now asking for
16 information, and then Hydro's got to scramble, and get
17 the information to try and respond to the questions that
18 are being provided.

19 MS. GLYNIS HART: And Mr. Mills, is there
20 any extra pressure if there's a sole source supplier?

21 MR. FRED MILLS: Oh, extremely. Extreme.
22 We -- most of our major projects are -- in fact, all of
23 them from what I'm -- are tendered, we do not do sole
24 sourcing on any project. We just -- we just don't do it.
25 It's -- we've -- we're spending public funds. We have to

1 account for them. The Auditor General comes in and takes
2 a look at our books, and says, Why did you sole source a
3 half a million dollar project, we better have a darn good
4 reason why it was sole sourced. We can't just go and
5 call Bill off the street to go do something.

6 MS. GLYNIS HART: And if the First
7 Nations came to you in regard to a project, and they
8 advised that they had heard from Hydro that it would cost
9 approximately 'X' dollars, how would that impact on what
10 you are able to do with an estimate?

11 MR. FRED MILLS: Well, it would depend on
12 the estimate, and -- and the project itself, and the
13 amount of information provided.

14 If it was everything that we needed, then
15 obviously we would consider the level of that estimate,
16 and take that into a factor in terms of -- of how we
17 would fit that within our capital plans.

18 If it was say a 50 percent estimate,
19 that's probably something that we wouldn't actually
20 factor in, certainly not within a two (2) to three (3)
21 year period. It would be something we would have stuck
22 out in year five (5) of a five (5) year capital plan, or
23 even sort of what we call future year's capital on a
24 listing, because the -- the estimate's not refined enough
25 to actually move forward, but it's -- from what I -- it's

1 what I would consider just sort of your best guess in
2 terms of the cost.

3 So the importance of having, I guess, as
4 accurate as possible estimates as the closer you get to
5 when a project comes into place is extremely important,
6 because it determines how much funding the First Nation
7 must -- or the customer must contribute to Manitoba Hydro
8 for -- and therefore how much we, if we have to
9 contribute any, how much INAC may have to contribute to
10 the First Nation in order for them to contribute to the -
11 - to the project.

12 So if we make a funding decision based on
13 an estimate that's, you know, plus or minus 50 percent,
14 and all of a sudden it's a million dollar project, and
15 all of a sudden we're -- you know, we're talking about
16 another half million dollars, in the same year -- in a
17 current year, we don't have room to add a half million
18 dollars to that project, because our plan is maximized.
19 In fact, we actually over plan to a small extent every
20 year, because in any given year, one (1) project may go
21 faster and some may go slower. So it's actual process of
22 over planning to make sure that our budgets, at the end
23 of the year, are expended as close to -- as possible.

24 But it's -- so it's important to -- to
25 have accurate, reasonable estimates as -- the closer you

1 get to the actual implementation of the project --

2 MS. GLYNIS HART: Do --

3 MR. FRED MILLS: -- and for sure you
4 should have that stuff by then.

5 MS. GLYNIS HART: Could you explain what
6 you mean by over planning? What is it that INAC does?

7 MR. FRED MILLS: Well, as an example --
8 and I'm just going to throw a number out, because I don't
9 know what our capital plan is this year. I'm not
10 involved in capital.

11 But if our capital plan was fifty (50) --
12 worth \$50 million for major projects, we may over plan
13 that pro -- we may have list of, say, 50 million, \$55
14 million worth of projects on it in April 1st, and then
15 projects are -- are -- are started in -- in one year, and
16 sometimes there's projects that have to go over two (2)
17 or three (3) years, so they're part of that plan.

18 But a good example would be this year,
19 where the -- the weather, because most of our projects
20 are carried out outdoors, if you have a lot of rain and
21 you're trying to build a water and sewer system, you --
22 you may not get as much pipe in the ground as you had
23 planned. You may have planned to spend \$5 million on
24 pipe and, because of the weather, you may only get two
25 (2) in.

1 So, we have a requirement to try and bring
2 our budgets in as close to -- our expenditures as close
3 to the budget at the end of the year, so we would over
4 plan on a project. And it may be a school project where
5 -- that the roof has already been put on in the previous
6 years, and these guys aren't worried about weather
7 anymore. They can go ahead and do as much as they can in
8 -- inside. They may go a lot faster than -- that what
9 their schedule showed, so they may take up some of that
10 one and a half or \$2 million.

11 And it's -- you know, we manage anywhere
12 from, I would say -- I would say around a hundred (100) -
13 - a hundred (100) major projects a year. So, it's a --
14 it's a lot of work to try and keep a handle on it. Also,
15 it's -- like I say, it's important to understand where --
16 what the estimates are and when -- and when we -- and, as
17 I say, the closer you get to the year of implementation,
18 the better it is, the easier it is to ensure that we've
19 got the resources we need to undertake those projects.

20 MS. GLYNIS HART: What information do you
21 need from the First Nation about the timing of the
22 project?

23 MR. FRED MILLS: Well, it would be the
24 same that the First Nation needs from Manitoba Hydro, as
25 far in advance as possibly can be provided. We -- you

1 know, if it -- if we're talking about rebuilding a power
2 unit or replacing a power unit, that's something -- and
3 I'm not an engineer, but I'm thinking that's probably
4 something that would take a minimum of three (3) years,
5 you know.

6 First year, you know, just sort of mind
7 setting what needs to be done, second year, undertaking a
8 -- a study to -- to firm up what needs to be done, and
9 the third year maybe starting construction. And, given
10 that these are remote communities, it may be just
11 shipping the material in in the third year.

12 So, you know, there is leeways there for
13 these major things, and so we would need to know probably
14 the year before, at least the year before the -- the --
15 you know, the -- the major feasibility study is going on,
16 that this is something that's being contemplated. It's
17 on a plan somewhere that's being contemplated to be
18 undertaken.

19 So if we know at that time, then we can
20 start saying, Okay -- working with the First Nations and
21 Manitoba Hydro, saying, you know, What's your -- what's
22 your timeline for this project? When do you expect it to
23 be up and running? So what are all your timelines and
24 your schedule on it? And then we can start factoring the
25 resources in the years that they're required.

1 MS. GLYNIS HART: And how do government -
2 - how do government policies fit into this equation to --

3 MR. FRED MILLS: Well, I mean, everything
4 we do has to be within our -- within our authorities and
5 our policies and our national programs. If there's
6 something that a -- a -- a First Nation wants to
7 undertake that's not within our -- within our policies of
8 Indian Affairs, then it's not something we can support.
9 And that's -- you know.

10 So the earlier we know that, that these
11 projects are -- that -- that a project's going on, the
12 earlier we can tell a First Nation that something isn't
13 within our authority to undertake, that they may go to
14 other organizations or other places to look for funding
15 for it.

16 MS. GLYNIS HART: What do you see INAC's
17 role to be when it's managing major projects?

18 MR. FRED MILLS: Well, when we manage
19 major projects we -- we attend -- we have staff that
20 attend every monthly project meeting on site. They go
21 and they -- they sit down. We hire project managers,
22 outside consultants as project managers, the contractors
23 are all tendered about -- those are our expectations.
24 The -- and then when the project is up and running,
25 they're -- the consultants that are onboard who did the

1 design or the inspectors of it -- of the project.

2 And monthly project meetings are
3 undertaken so there's a discussion about what happened in
4 that month. What are the issues that came up. Are there
5 risks out there now that -- you know, are there cost
6 overruns coming up. What -- what are the problems.
7 What's the progress. Are things on track; are they off
8 track. If they're off track, what's being done to bring
9 them back on track. We're usually fully abreast of
10 what's happening in a major project.

11 MS. GLYNIS HART: And what is the First
12 Nations' role then with these major capital projects?

13 MR. FRED MILLS: Their role is virtually
14 the same as ours. We actually pay for what we call
15 project coordinators at each First Nation for every major
16 project. We put funding aside so that the First Nation
17 can hire a project coordinator; that may be somebody
18 within the community and it may not be. It may be
19 somebody they bring in. Most times it's somebody within
20 the community that has some expertise, some technical
21 expertise. But part of their job is to do the internal
22 coordinations with the contractor and the project manager
23 within the community.

24 If they need local resources, they're the
25 person that the contractor would go talk to about finding

1 those. If they needed plumbers or pipefitters or
2 electricians or a backhoe operator or -- or -- or gravel
3 or -- you know, that kind of stuff, they would -- that
4 would be the person that the project manager and the
5 contractor would talk to about where they could acquire
6 those resources within the communities.

7 MS. GLYNIS HART: Who issues these
8 contracts for the work?

9 MR. FRED MILLS: Actually, the First
10 Nations do. We have a -- what we call a contribution
11 arrangement with the First Nation and within those
12 contribution arrangements are -- are requirements for
13 them to call tenders along with their project managers
14 that they hire. We don't hire the project managers.
15 They hire the project managers, they hire the designers,
16 they hire the contractors. And those are all done
17 through requests for proposals for the consultants and
18 tenders for construction.

19 MS. GLYNIS HART: And --

20 MR. FRED MILLS: And that's through the -
21 - that's through the First Nation. The contracts are
22 signed by the First Nation, not INAC.

23 MS. GLYNIS HART: That would be for a
24 major capital project then, through the contribution
25 arrangement.

1 Is that what you were saying?

2 MR. FRED MILLS: Yeah, it also accou --
3 it's also the same for a band-based capital project.
4 We're not -- we don't sign contracts with contractors.
5 We don't hire contractors to do things on First Nations
6 anymore. Fifteen/twenty (15/20) years we used to hire
7 the odd contractor to do work, but we don't do that
8 anymore. We believe First Nations are sophisticated
9 enough to be able to manage these projects now.

10 MS. GLYNIS HART: In these contribution
11 arrangements, can INAC commit in advance funding to the
12 First Nations for these major capital projects?

13 MR. FRED MILLS: No, we don't. We don't
14 -- we don't provide advances on capital, we pay on
15 progress. So, you know, an example being that they hire
16 a project manager who works with them. The project
17 manager finishes a month's worth of work, he'll submit a
18 bill to the First Nation. The First Nation will provide
19 their billings to us, which would include the cost of
20 their project coordinator, then we would fund the band.
21 We would send a cheque to the band for that amount in the
22 following month.

23 And it would be the same with the
24 contractor. The contra -- if you -- if you -- if the
25 contractor undertook fifty thousand dollars' (\$50,000)

1 worth of work one (1) month, that's what he would be paid
2 for. If he undertook a hundred and fifty (150) or two
3 hundred thousand dollars (\$200,000), that's what he would
4 be paid for. It's all based on progress.

5 MS. GLYNIS HART: Now INAC did help,
6 ultimately, to fund the project at Tadoule Lake. I'd
7 like to return to that again and ask you in INAC's view,
8 again, what would have expedited it? You touched on that
9 briefly.

10 MR. FRED MILLS: Yeah, I think -- I think
11 open -- openness and sharing the information. I mean, it
12 -- it was a lot of back and forth, I mean. And -- and I
13 think Mr. Wiens commented that it was -- started in 2004
14 and the cheque came in March of 2007; that's, you know,
15 three (3) years on this. And I believe that the project
16 had been completed sometime in 2006 or early two thou --
17 or late 2007 maybe. I don't -- I'm not quite sure off
18 the top of my head.

19 But trying to get all the information just
20 seemed to be a little too much back and forth as opposed
21 to just providing it all at once, and -- and then going
22 through it and seeing, well, there -- if there's
23 something's missing or something that wasn't
24 understandable, then you're asking questions about
25 information you have to get clarification on as opposed

1 to trying to ask something where you really don't have
2 the information. And then you get the information. Then
3 you got to read it. And then you determine, well, I
4 don't quite really understand what's going here. Then
5 you got to ask another question, so that back and forth
6 communication. And I believe Vince talked about that.
7 It needs to be improved.

8 So I think if that had been a better
9 process, in terms of that, would -- would -- probably
10 would have been a lot cleaner and faster. And probably
11 listening to each other might have helped a lot more
12 because I don't know that -- that everybody heard each
13 other all the time when we're in -- in our meetings and
14 our discussions.

15 And an -- an example being is that -- and
16 I can't recall who asked the question, but it had to
17 with, you know, why are we putting an 855 kilowatt
18 generator into -- into Tadoule Lake when all the rest of
19 them are 425s, and I think there's 175 there, if I recall
20 correctly. And the answer back was for cold load pickup.

21 And so the first question that came, and
22 I'm not sure if it was INAC or MKO asked the question,
23 but the question is: Well, couldn't we divide the
24 community up into zones so that if the plant went down,
25 that you could actually go out before you started the

1 generator and shut off a couple of zones in the
2 community, and then start your plant up so you've only
3 got a third of the community on, so you're not picking
4 the whole community up, and then as you get that up and
5 running, you go and throw another switch and get another
6 third, and then throw another switch and get it all up?

7 And I'm not a technician, but I certainly
8 wouldn't think that you would need the same size
9 generator if you're going to do that. You would need
10 something smaller, maybe ano -- I don't know what size it
11 would be, but it might have been smaller, I'm not sure,
12 but I -- but the discussion around the cold load pickups.

13 And if I -- if I recall my -- in my mind
14 correctly, that I wasn't able to find anything in any of
15 the documents that Manitoba Hydro provided, but I believe
16 the cost was somewhere around a hundred thousand dollars,
17 or maybe fifty thousand dollars (\$50,000) each or hu -- I
18 can't -- somewhere -- it was a lot less than \$1.5
19 million.

20 But then I don't know what it would cost
21 to put in another generator of wha -- of the size that
22 needed to be put in so that that would be able to happen.
23 But that didn't seem to resonate with Manitoba Hydro
24 because, at the end of the day, they put in an eight
25 fifty-five (855). There -- I don't believe there's any

1 cold load pickups in those commu -- in that community
2 today.

3 So I'm not sure if there would have been a
4 savings, but it didn't seem to -- to resonate with Hydro
5 that that -- that that was a valid option. And so that's
6 what I'm saying. We need -- and there are probably times
7 when we didn't listen well with Hydro, you know, but I'm
8 just saying that if we want true consultation, then it
9 has to be a clear, open, transparent process where every
10 -- where -- where everybody's -- where all the -- where
11 all the information is on the table without people
12 running around asking each other for little bits and
13 pieces here and there. I think that would go a long ways
14 to making -- to making differences in what it is.

15 And contrary to what Mr. Warden said about
16 Hydro having the technical expertise, they're not the
17 only ones in the country. First Nations -- we found the
18 technical expertise. So we -- we do think that -- that
19 it's important from -- from our side of doing due
20 diligence that we have Hydro's technical projects
21 reviewed by a technician, by somebody with the proper
22 expertise to challenge it.

23 I'm not saying that every time it's
24 challenged that it's going to be wrong, but I think it
25 add -- it adds a level of accountability that -- that we

1 see that is needed for us to go back to the taxpayers and
2 say, yeah, we -- we spent the right amount of money doing
3 the right thing.

4 Without us doing that technical challenge,
5 I can't go to taxpayers and say that. And I think that's
6 an important piece that we need to do, and it's in the
7 public interest that we do that.

8 MS. GLYNIS HART: Thank you. I'd like to
9 move on, and ask you a little bit about soil remediation.
10 So far we've heard a bit about the Brochet soil
11 remediation, and the Shamattawa.

12 Tell me if there are any differences
13 between the two (2) projects, and if so what they are,
14 and why they would be important.

15 MR. FRED MILLS: Yeah. I'll start with
16 Shamattawa. Hydro's is quite correct; there are three
17 (3) sites in Shamattawa. The school site, which happens
18 to be further away from the diesel site that's being
19 remediated as opposed to the Anderson gas station, which
20 happens to be virtually next door.

21 So that's why I only talked about the two
22 (2) sites, because we felt that the third site wasn't
23 going to impact either one (1) of those other sites.

24 Our funding decision on that was actually
25 made prior to the delineation of the two (2) sites, the

1 Anderson gas site and the Hydro site. And we felt at the
2 time that the funding decision was being made that there
3 was potential for cross-contamination. And it -- and it
4 was fortunate there wasn't.

5 The ground conditions in Shamattawa, from
6 my understanding, are -- are gravelly, sandy soils, so
7 fuel and gas can migrate quite readily across the
8 community. I -- I was actually surprised to learn that -
9 - that there was a delineation between the two (2). I
10 think a lot of people were that were involved in the
11 project. So we agreed to fund that at 50/50.

12 The Brochet site, clearly it's not on
13 reserve. We do have a -- Canada does have a polluter pay
14 principle. From the best of my knowledge, no First
15 Nation, or Brochet First Nation, or -- or INAC, had no
16 care or control of that site. Manitoba Hydro had.

17 And Manitoba Hydro states that they've,
18 you know, lived up to the standards, but that still
19 obviously didn't prevent any spills from happening. Oil
20 was spilt to the tune of, I think about two (2) -- almost
21 two (2) mil -- two (2) -- almost \$2 million, if I recall
22 correctly. I'm not going to bother looking it up. It's
23 in the ballpark.

24 So -- so there was -- you know, accidents
25 did happen, but is that something that the diesel

1 customers need to pay, because diesel customers pay for
2 accidents in grid communities, too, because we pay grid
3 rates, do we not?

4 So anything that happens in a grid
5 community, or anything that happens on the grid, diesel
6 customers are paying for that. You talk about cost
7 causation? They're not causing any costs in the grid
8 communities.

9 MS. GLYNIS HART: During cross-
10 examination of Manitoba Hydro, counsel for CAC/MSOS
11 raised an issue about a true-up provision, and I'd like
12 to follow up with you on that particular issue, and
13 whether INAC would be able to do such.

14 MR. FRED MILLS: Okay. I'll -- I'll use
15 I guess Tadoule Lake as an example. The project was
16 completed. There was a -- an agreement between Manitoba
17 Hydro and -- and Indian Affairs to pay 'X' number of
18 dollars, I can't remember the number, one point one
19 (1.1), \$1.2 million.

20 There was no true-up in that agreement.
21 The project had been completed. So there was -- from
22 INAC's perspective, there was no need to -- to allow
23 chances for increases. The project had been done, so the
24 true cost of the project should have been known.

25 That's not normally how we do things, but

1 given that there was a time lag in between -- on the
2 discussions about what needed to be done, and the costs,
3 and coming up with the cash to actually do the job, that
4 once we knew what the costs -- what we felt we knew what
5 the costs were, we obviously didn't put a -- put a
6 provision in there for increases.

7 But on a -- on a normal capital project
8 for say water and sewer, we have what's called -- we --
9 we do a -- we -- we add a contingency fund into the
10 project so that, knowing that costs don't always come out
11 exactly as planned, there is provisions usually in a
12 project that's -- that's ongoing and where we have a good
13 understanding of what's going on, we get -- you know,
14 belong -- go to the monthly meetings, we get ongoing
15 information about the project.

16 So we'll know three (3) or four (4) months
17 in advance before the cost is finalized, that there's a
18 potential for it to go up. So we can start saying, Okay,
19 we -- you know, we need to adjust our -- we need to look
20 at using some of our contingency funds to cover those add
21 -- additional costs, that's when the project is in the
22 process. But if it's already been completed there's no
23 need to do that, it's -- it's a done deal as far as our
24 concern. If we know the costs, we know the costs, you
25 pay it out, you don't do a -- don't do a -- what's call -

1 - what's -- this room has called a true-up.

2 MS. GLYNIS HART: Mr. Mills, I'd like to
3 go back to your IR responses that we were speaking about
4 earlier, the one that you had wanted to clarify, and
5 that's MH/INAC-1A. I'll give everyone a moment to find
6 that particular response.

7 It's the one in which Desiderata had
8 recommended a doubling over the next four (4) years of
9 rates applying to the portion of diesel, residential, and
10 general service rate structures. It's currently billed
11 at grid rates. And the recommendation was made on the
12 grounds it will support, encourage energy conservation.

13 Mr. Mills, at this time could you clarify
14 INAC's response to this particular IR?

15 MR. FRED MILLS: Yeah, I would be pleased
16 to. In my direct evidence on page 30 we -- we talk about
17 all the options of Desiderata being valid options. We're
18 not making a recommendation that his recommendations are
19 -- are good recommend -- we're saying they're valid. We
20 looked at them and they're -- they're reasonable, they're
21 valid.

22 And the question that came out of MH/INAC-
23 1 was: Does INAC support this recommendation; that was
24 the doubling of rates. And we certainly put a provision
25 in there in terms of our support, but we're not making a

1 recommendation to the Board that that's something to do,
2 that's not what we're here for.

3 And I think people misinterpreted what we
4 were trying to say in here. We're here to provide the
5 Board with some information so that they hav -- can
6 assist them in making their decision. And so they have a
7 better understanding of INAC funding, and our -- and our
8 processes.

9 So we're saying that, basically, that if
10 the Board made the decision to double the rates that we
11 would look at supporting that provided that these things
12 were put in place. And I think Mr. Anderson talked about
13 a diesel special DSM program was -- hinted about one
14 anyways, if he didn't talk directly about one. That
15 there is some, from INAC perspective, that there is some
16 support for that.

17 As to whether or not the Board chooses
18 that, that's certainly up to the Board and it's not a
19 recommendation that you do from INAC. It never has been
20 a recommendation. It was just a statement that we made
21 that we would support if it was something that was
22 decided. And the reasons behind that are that, from our
23 funding perspective, it would have little impact on the
24 funding we provide First Nations and that's laid out in
25 my IRs to I believe CAC.

1 MS. GLYNIS HART: Before we move on to
2 the cross-examination, Mr. Mills, is there anything else
3 you wish to add on anything you've talked about in regard
4 to consultation, soil remediation, or anything else at
5 this time?

6 MR. FRED MILLS: I don't --

7 MS. GLYNIS HART: If not, that's fine.

8 MR. FRED MILLS: I don't think so. I
9 think I covered everything.

10 MS. GLYNIS HART: Thank you.

11 MR. ROBERT MAYER: Can I clarify
12 something before we go to cross-examination. Mr. Mills,
13 what position do you hold right now?

14 MR. FRED MILLS: I am a -- what's called
15 a Special Project Officer with Indian and Northern
16 Affairs Canada.

17 MR. ROBERT MAYER: I gathered that, but
18 that's not what your resume says. It says you will
19 acquire that position in December of 2010. And that from
20 --

21 MR. FRED MILLS: I -- well --

22 MR. ROBERT MAYER: -- July 6th -- July
23 '06 to December 2010 you were the associate -- or, are
24 the Associate Funding Service --

25 MR. FRED MILLS: I was Associate Director

1 of Funding Services --

2 MR. ROBERT MAYER: I -- I wanted to
3 clarify that --

4 MR. FRED MILLS: Yeah.

5 MR. ROBERT MAYER: -- because that's not
6 what it says here.

7 MR. FRED MILLS: No, I was the Associate
8 Director to March -- or to Dec -- December 10th, 2009.

9 MR. ROBERT MAYER: '09, maybe?

10 MR. FRED MILLS: I think, '09.

11 MR. ROBERT MAYER: That would -- that
12 would make some sense.

13 MR. FRED MILLS: Let me look at it and
14 see.

15 MR. ROBERT MAYER: It's a -- your
16 evidence Exhibit B.

17 MR. FRED MILLS: Oh, yes, yes. No, it
18 should be '09, not '10, I'm sorry.

19 MR. ROBERT MAYER: Thank you.

20 MR. FRED MILLS: Sorry. I see it. Yes,
21 Thank you.

22 THE CHAIRPERSON: Ms. Hart, are you ready
23 for the cross-examination to begin?

24 MS. GLYNIS HART: Yes, we are. Thank
25 you.

1 THE CHAIRPERSON: We'll start with
2 CAC/MSOS. Ms. Bowman...?

3 MS. MYFANWY BOWMAN: Thank you. It'll
4 just take me a second to get sorted.

5

6 (BRIEF PAUSE)

7

8 CROSS-EXAMINATION BY MS. MYFANWY BOWMAN:

9 MS. MYFANWY BOWMAN: Mr. Mills, I'll --
10 I'll pick up, then, on -- on something, or almost where
11 Ms. Hart left off, and -- and ask you a couple of
12 questions about Mr. Hildebrand's report and -- and INAC's
13 position with respect to that report.

14 Now, in his -- pardon me, in his -- one
15 (1) of his Information Requests responses, Mr. Hildebrand
16 suggests that the tentative settlement agreement only
17 addresses major capital expenses, and he suggests that
18 only capital expenses in excess of a hundred thousand
19 dollars are major.

20 That's how I read his evidence. Was that
21 how you read his evidence as well?

22 MR. FRED MILLS: Sorry. Yes, I have, but
23 I don't recall that off the top of my head, that only
24 capital expenditures over a hundred thousand were
25 considered major. I don't recall that --

1 MS. MYFANWY BOWMAN: I will refer you to
2 -- to PUB/INAC-14B.

3 MR. FRED MILLS: 14B.
4

5 (BRIEF PAUSE)
6

7 MR. FRED MILLS: And your question?

8 MS. MYFANWY BOWMAN: I understood from
9 his report that he was saying that only capital expenses
10 over a hundred thousand dollars were major, and that
11 therefore only capital expenses in excess of a hundred
12 thousand dollars would fall within the confines of the
13 tentative settlement agreement.

14 Is that INAC's view, as well?

15 MR. FRED MILLS: No. INAC's view is that
16 all capital is part of the settlement agreement, and the
17 definition of -- of the -- the reason for the hundred
18 thousand dollar limit is so that, as Hydro talked about
19 yesterday, is so they don't have to come back for all the
20 small stuff and go through a long, convoluted
21 consultation process to spend fifty thousand dollars
22 (\$50,000) --

23 MR. ROBERT MAYER: I understood that the
24 -- that the hundred thousand dollar limit dealt with the
25 consultation process, not with the payment.

1 Am I correct?

2 MR. FRED MILLS: Yeah, but it's defined -
3 - my understanding of it is that it's part of the
4 settlement agreement, and the only reason why there's a
5 hundred thousand dollar limit there was for the
6 consultation process.

7

8 CONTINUED BY MS. MYFANWY BOWMAN:

9 MS. MYFANWY BOWMAN: Just give me one (1)
10 moment, please.

11

12 (BRIEF PAUSE)

13

14 MR. ROBERT MAYER: We appear to be back
15 to that same issue though, that we're talking about --
16 minutes of settlement which are on the record -- and
17 we're talking about a tentative agreement that we're not
18 going to see until we go into some other session.

19 MR. FRED MILLS: Unfortune --
20 unfortunately, yes.

21

22 CONTINUED BY MS. MYFANWY BOWMAN:

23 MS. MYFANWY BOWMAN: Well, I can deal Mr.
24 Hildebrand's views with him. I wanted to confirm that I
25 understood INAC's position, so that's -- you've done that

1 for me, and I appreciate that. Thank you.

2 Now, does INAC take the position that the
3 fall arrest system and the fire suppression system do not
4 provide benefits to the diesel First Nations, and
5 therefore are excluded from the tentative settlement
6 agreement?

7 MR. FRED MILLS: They do not provide
8 direct benefits to the First Nations. They provide
9 direct benefits, and I believe it's something that we
10 can't talk about -- states -- I'm not saying -- INAC is
11 not saying that they're not important issue -- or
12 important things that need to be done. Irrespective of
13 whether there's legislation or not, it's always important
14 to -- to ensure the safety of employees.

15 It's a mat -- it's a matter of is what is
16 being put in place is -- is that appropriate for -- for
17 the facility, or are there other ways of doing it.
18 Again, if the consultation process had taken place on
19 these, or takes place on these, there are a number of
20 different ways of measuring -- dip measuring tanks
21 without having to go on top of them.

22 You can buy, you know, wireless floats.
23 You can install float systems. And I'm not a tech -- or
24 an engineer by any stretch of the imagination. I'm just
25 the common Joe off the street. That if I had a tank that

1 was 25 or 30 feet in the air, I don't know that I'd want
2 to be climbing up on it once a month. I think I would
3 find some way of doing it a lot cheaper. That's what
4 we're talking about.

5 We're not saying they're not important or
6 that it shouldn't be part of at least -- I -- it's -- I
7 think the consultation process needs to take place to --
8 to really clear up what it is that's being done for a
9 million and a half dollars. There's probably other ways
10 of doing it that are a lot less expensive.

11 MS. MYFANWY BOWMAN: So if I have your
12 answer then, it is important, it may not be necessary, we
13 don't have enough information, but it doesn't benefit the
14 communities. Is that what -- have I summarized your
15 comments correctly?

16 MR. FRED MILLS: It doesn't directly
17 benefit the communities.

18 MS. MYFANWY BOWMAN: So on that basis, it
19 would not be eligible -- if that interpretation is
20 correct, then it would not be eligible for funding under
21 the tentative settlement agreement.

22 Is that INAC's position?

23 MR. FRED MILLS: I don't know that we
24 have a position on it at this point in time. I'm just
25 saying that we need a lot more information to make that

1 decision.

2 MS. GLYNIS HART: If it's the
3 interpretation of the agreement, I don't believe we can
4 get into that.

5 MR. ROBERT MAYER: Mr. Mills, I -- I'm
6 having a problem here. If that facility doesn't apply
7 with workplace safety and health provisions, it gets shut
8 down. That would be a bit of a problem, wouldn't it?

9 MR. FRED MILLS: I didn't say that it
10 wasn't required. I'm saying that there are different
11 ways of providing the same type of service that you're
12 looking for. And my understanding is that these are
13 stairs going up to the tops of tanks, so that Hydro staff
14 can go up and dip measure a 30 or 40 foot tank. So I'm
15 saying that there are other ways of doing the same thing
16 without spending a million and a half dollars.

17 MR. ROBERT MAYER: And so --

18 MR. FRED MILLS: And those things, from
19 my point of view, have not been considered.

20 MR. ROBERT MAYER: Mr. Mills, it's your -
21 - your position that the only reason they would ever have
22 to go on top of that tank is in order to dip it?

23 Is that your position?

24 MR. FRED MILLS: I wouldn't say it was my
25 position. That's what Hydro told us.

1 MR. ROBERT MAYER: Okay. Thank you very
2 much.

3

4 CONTINUED BY MS. MYFANWY BOWMAN:

5 MS. MYFANWY BOWMAN: So it's your non-
6 engineering view that -- that there are other ways to get
7 there?

8 MR. FRED MILLS: Correct.

9 MS. MYFANWY BOWMAN: Does INAC also agree
10 with Mr. Hildebrand in his conclusion, that costs
11 incurred to comply with provincial regulations do not
12 provide benefits to diesel First Nations, and, therefore,
13 should be excluded from the tentative settlement
14 agreement?

15 MR. FRED MILLS: I think we said that
16 INAC found all of -- of Desiderata's recommendations
17 valid. We don't hold an opinion on whether or not they
18 should be -- a recommendation that should be undertaken
19 or not. We -- we considered them all valid
20 recommendations.

21 As I said earlier, we're not here to make
22 recommendations; we're here to provide information.

23 MS. MYFANWY BOWMAN: Thank you, I think.
24 You would agree with me that prior to 2004 a significant
25 proportion of the diesel revenue requirement was related

1 to capital costs which were, of course, passed on to
2 customers through rates.

3 Is that accurate?

4 MR. FRED MILLS: I don't know that I've
5 seen a cost of service study prior to 2004 to make that
6 statement. I -- I can only assume that -- understanding
7 that capital costs are -- were probably larger than --
8 than the rate structure, but I honestly don't know.

9 MS. MYFANWY BOWMAN: So you're not
10 certain whether capital costs made up a significant
11 portion of the rate requirement.

12 MR. FRED MILLS: Not prior to 2004, I'm
13 not.

14 MS. MYFANWY BOWMAN: You would agree with
15 me that the purpose of the tetament -- tentative
16 settlement agreement was to take those costs out of the
17 revenue requirement as much as possible?

18 Would that -- would you agree with that
19 statement?

20 MR. FRED MILLS: Yes, I would.

21 MS. MYFANWY BOWMAN: And the purpose of
22 that, of course, is to try and keep rates down as much as
23 possible?

24 MR. FRED MILLS: That's right, but that's
25 because there was 16 or \$17 million spent in Shamattawa

1 on a brand new diesel plant. If that hadn't been
2 factored in, I don't know that we would be sitting here
3 with a tentative settlement agreement. That was a big
4 chunk of the \$24 million of the undepreciated capital
5 cost.

6 MS. MYFANWY BOWMAN: So, from INAC's
7 point of view, had it not been for that particular plant,
8 we might not have a tentative settlement agreement?

9 MR. FRED MILLS: I wouldn't say --

10 MS. MYFANWY BOWMAN: Insofar as we have
11 one.

12 MR. FRED MILLS: I wouldn't say it was an
13 opinion. I don't know whether or not we'd have a
14 tentative settlement agreement. I'm just saying that we
15 may not have come to the Board, or the Board may not have
16 instructed Manitoba Hydro to get into discussions with
17 MKO and INAC regarding the undepreciated capital cost,
18 because it would have been, what, \$8 million versus
19 twenty-four (24).

20 So that's what I'm saying.

21 MS. MYFANWY BOWMAN: You would agree with
22 me that in the event that capital costs are not funded
23 through customer contributions directly. That they then
24 form part of the revenue requirement?

25 You'd agree with that statement?

1 MR. FRED MILLS: If Hydro didn't recover
2 the capital contributions that they saw fit to be charged
3 to the customers in the diesel communities; I believe
4 Hydro answered that question, and they would put them in
5 the rates.

6 MS. MYFANWY BOWMAN: Thank you. Pardon
7 me. INAC agrees, of course, that the tentative
8 settlement agreement has not been executed at this point
9 in time?

10 MR. FRED MILLS: That's correct.

11 MS. MYFANWY BOWMAN: And I understand
12 from one (1) of your Information Request responses that
13 it's been INAC's position throughout the mediation
14 process that until an agreement is signed, its terms are
15 not binding.

16 I understand your position correctly?

17 MR. FRED MILLS: That's correct. Having
18 said that, we have implemented at least two (2) -- in
19 fact, I believe all our undertakings, or all the things
20 we agreed to within the minutes of settlement. We
21 provided the \$3.2 million in unpaid surcharge billings.
22 We have totally funded what was deemed to be INAC's share
23 of the undepreciated capital costs, including interest to
24 Manitoba Hydro.

25 So we have lived up to our obligations, as

1 we see them, under the minutes of settlement.

2 MS. MYFANWY BOWMAN: I believe the
3 question asked was about the tentative settlement
4 agreement, but -- but you've answered my question. Thank
5 you.

6

7 (BRIEF PAUSE)

8

9 MS. MYFANWY BOWMAN: You would agree with
10 me that people are not perfect?

11 MR. FRED MILLS: Yeah, that's my
12 experience.

13 MS. MYFANWY BOWMAN: It would be fair to
14 say that equipment and systems are not perfect either?

15 MR. FRED MILLS: That's true, too.

16 MS. MYFANWY BOWMAN: And you would also
17 agree that any time you use a hazardous substance there's
18 a certain degree of risk?

19 MR. FRED MILLS: I would think there is,
20 but I would also think that while you're using a
21 hazardous sus - - that you would take every measure
22 possible to mitigate those risks.

23 MS. MYFANWY BOWMAN: Because those risks
24 exist every time you use a hazardous substance --

25 MR. FRED MILLS: That's correct.

1 MS. MYFANWY BOWMAN: -- is that right?

2 MR. FRED MILLS: Yeah.

3 MS. MYFANWY BOWMAN: Thank you. And of
4 course, equipment and -- and systems may improve, but
5 risk continues to exist.

6 MR. FRED MILLS: Well, as they improve I
7 would consider -- I would think that risks would
8 diminish, but yeah, there would be still some like risk
9 there.

10 MS. MYFANWY BOWMAN: And I understand
11 that the Federal Government and INAC -- and/or INAC have
12 a number of diesel facilities in various communities in
13 northern Manitoba and across Canada.

14 Is that right?

15 MR. FRED MILLS: WE have no diesel
16 communities in northern Manitoba.

17 MS. MYFANWY BOWMAN: Pardon me. And
18 other locations in Canada, however?

19 MR. FRED MILLS: We have -- we -- I
20 wouldn't -- I don't know the numbers of plants that are
21 owned by -- that are ran by INAC, but it's not a huge
22 number. There are more plants run by other -- by local
23 public utilities, as opposed to what INAC runs. I don't
24 know the numbers off the top of my head.

25 MS. MYFANWY BOWMAN: I don't require the

1 numbers, but thank you. So INAC has some now. And I
2 understand that in the past INAC had more than it did --
3 than it does now?

4 MR. FRED MILLS: You know, I honestly
5 couldn't answer that because I -- I don't work in the
6 other regions. I don't know if they've got more or less
7 now.

8 MS. MYFANWY BOWMAN: And I understand
9 that INAC has a number of areas within its jurisdiction
10 where it has soil contamination problems that it's
11 required to deal with.

12 Is that right?

13 MR. FRED MILLS: Yes, it's not unlike any
14 other jurisdiction.

15

16 (BRIEF PAUSE)

17

18 MS. MYFANWY BOWMAN: And INAC doesn't see
19 itself as having been negligent by the mere fact, does
20 it?

21 MR. FRED MILLS: INAC is cleaning them up
22 at their expense.

23 MS. MYFANWY BOWMAN: So INAC agrees that
24 soil contamination does need to be cleaned up?

25 MR. FRED MILLS: Yeah, I don't think INAC

1 ever disagreed with that.

2 MS. MYFANWY BOWMAN: Sorry, I'm going to
3 back to Mr. Hildebrand's report for a moment. Does INAC
4 support Mr. Hildebrand's recommendation that the revenue
5 shortfall that's current allocated between the Federal
6 and Provincial Governments and the First Nation education
7 accounts should be allocated as between the government
8 accounts and First Nation education accounts, and
9 Manitoba Hydro or the grid customers?

10 MR. FRED MILLS: As I stated earlier,
11 INAC finds all Desiderata's recommendations valid ones.
12 We're not here to make a recommendation to the Board, or
13 to anybody about which ones they should choose to
14 implement.

15 MS. MYFANWY BOWMAN: And what steps has
16 INAC taken to encourage and/or to facilitate energy
17 efficiency measures by Diesel First Nations and their
18 members?

19 MR. FRED MILLS: Well, as I said really
20 early on in my direct, we provide the First Nations band
21 based capital funds for them to make decisions with, in
22 terms of capital funding. And I'll just give you a
23 number for this year because that's what I had readily
24 available, because I anticipated a question on it.

25 Between the four (4) First Nations, the

1 from some of the evidence from Manitoba Hydro that the
2 First Nations pay a reasonable number of the residential
3 hydro bills directly.

4 You're familiar with that evidence?

5 MR. FRED MILLS: I'm familiar with the
6 evidence.

7 MS. MYFANWY BOWMAN: Now, I'm not sure if
8 you'll be able to answer this, but do some social
9 assistance recipients pay their own electric bills --

10 MR. FRED MILLS: I -- I wouldn't know
11 that. We don't pay -- we don't -- we're not involved
12 with the First Nations at that level. In fact, the only
13 reason why I know that some of the First Nations pay
14 bills directly to Manitoba Hydro on behalf of some of
15 their residents, is through the information provided. We
16 -- we're not involved in the day-to-day operations of the
17 First Nation. We fund them and allow them to manage as
18 they see that they need to manage as long as it's within
19 our policies, programs, and authorities.

20 MS. MYFANWY BOWMAN: So you don't know
21 the answer to that question.

22 MR. FRED MILLS: No.

23 MS. MYFANWY BOWMAN: Thank you. Can you
24 tell us how many residents of each of the diesel First
25 Nations are in receipt of employment and income

1 assistance benefits?

2 MR. FRED MILLS: No, because we don't
3 track it that way. We -- the only way -- what I'd be
4 able to tell you is how many families or single people
5 are on social assistance. I can't tell you how many
6 people or how many of those houses are on social
7 assistance because some homes have more than one (1)
8 family living in them.

9 So one (1) may have -- somebody may be
10 working for the -- as a teacher for the -- for the band,
11 so there's unemployed family living in the home, while
12 there may be that person's sister or brother with their
13 family are living with them who are on social assistance.
14 I don't know that kind of detail.

15 MS. MYFANWY BOWMAN: So you can tell --
16 tell us how many people are on social assistance, which
17 is --

18 MR. FRED MILLS: I can tell you how many
19 families are on social assistance and single people.

20 MS. MYFANWY BOWMAN: All right. Can you
21 answer that question?

22 MR. FRED MILLS: I don't know that I can
23 give you the exact population that's on social
24 assistance. I'd have to find that out.

25 MS. MYFANWY BOWMAN: Could you undertake

1 to -- to get that information?

2 MR. FRED MILLS: Yeah.

3 MS. MYFANWY BOWMAN: Ideally what I'd
4 like is if you can tell us the number of residents,
5 people, and the number of -- of individuals or families
6 who are on assistance.

7 MR. FRED MILLS: We can take that
8 undertaking.

9 MS. MYFANWY BOWMAN: Thank you.

10 MS. MARY ANN THOMPSON: Just to clarify
11 in the undertaking, when you speak about the number of
12 residents you're talking about like the total population
13 in the on- reserve community?

14 MS. MYFANWY BOWMAN: That's what I was
15 referring to, unless there's a better way to get at that
16 information, but -- but that's what I was thinking of.

17 MS. MARY ANN THOMPSON: So you want to
18 know -- just to make sure that I don't get this wrong,
19 the population and the number of families and single
20 people on income -- or receiving income assistance?

21 MS. MYFANWY BOWMAN: That's correct, yes.
22 Thank you.

23

24 --- UNDERTAKING NO. 22: INAC to indicate the number
25 of families and single people

1 that are receiving income
2 assistance
3

4 CONTINUED BY MS. MYFANWY BOWMAN:

5 MS. MYFANWY BOWMAN: And as a followup to
6 that, I'm wondering, and -- and, again, this might be
7 something that you prefer to ta -- do by way of
8 undertaking, but can you tell us what proportion of
9 residents in each of those -- and residents, I mean
10 people, in each of those First Nations are low income.

11 MR. FRED MILLS: I don't know that we
12 would know that. I don't know what everybody in the
13 community makes for a salary. We can tell you the
14 numbers of people that are on social assistance. I don't
15 know -- like I say, I don't know -- I don't know what the
16 salaries are in the communities. We don't -- we're not
17 involved in that level of detail.

18 You know, thirty (30), forty (40) years
19 ago we were like mom and dad. Well, we're no longer like
20 mom and dad. You know we don't -- we don't -- we're not
21 involved with the day-to-day lives of First Nations.

22 MS. MYFANWY BOWMAN: You are, however, a
23 representative of the Government of Canada, which has a
24 fair bit of information at -- at its disposal.

25 MR. FRED MILLS: Well, I -- I don't have

1 that information.

2 MR. ROBERT MAYER: Until they fix the
3 long form census.

4 MR. FRED MILLS: That's right.

5 MS. GLYNIS HART: And I could just make
6 clear that Mr. Mills is here on behalf of INAC, not the
7 Government of Canada, just to clarify that.

8 MR. MICHAEL ANDERSON: Excuse me, Mr. --

9 MS. MYFANWY BOWMAN: All right, so the
10 short answer is you don't have that information.

11 MR. FRED MILLS: The short answer is this
12 is not available to us.

13 MS. MYFANWY BOWMAN: All right, thank
14 you.

15 MR. MICHAEL ANDERSON: Mr. Bowman, pardon
16 me for interrupting. Mr. Chair and Ms. Bowman, these --
17 this kind of demographic information MKO had attended to
18 file to the extent that it was aware of it in our written
19 materials that we had associated with our written view.

20 You may have other questions in this
21 regard, but I wanted just to say that we intend to
22 provide as detailed a picture of the community as
23 possible.

24 MS. MYFANWY BOWMAN: And I suspect that
25 MKO may -- may be the best place to get that information,

1 so I will look forward to that. And those are my
2 questions. Thank you.

3 THE CHAIRPERSON: Thank you, Ms. Bowman.
4 Mr. Anderson, from MKO...?

5

6 (BRIEF PAUSE)

7

8 MR. MICHAEL ANDERSON: Mr. Chair, if I
9 might, as a small housekeeping matter, pardon me for not
10 being present at the resumption. I had been recalled to
11 the MKO office on an urgent matter.

12 While I was there, though, I multi tasked,
13 and produced maps -- the maps I had undertaken to
14 provide, providing general location of the communities to
15 Wollaston Lake, Saskatchewan, and with the assistance of
16 Goggle Earth.

17 And I must say that I somewhat
18 underestimated the distance in kilometre from Brochet to
19 Wollaston, which is 88.72 kilometres, and -- according to
20 Goggle Earth, and a hundred and eight point eight four
21 (108.84) from Northlands.

22 The distance from Brochet to Wollaston is
23 point to point based on the centerline locations of the
24 communities provided.

25 I have enough maps for everyone here. If

1 -- and perhaps we could -- if -- if you wanted to provide
2 them with exhibit numbers, you -- I would suggest that
3 the comparative map identifying the location of the
4 Northlands Denesuline First Nation, Brochet, and
5 Wollaston Lake, Saskatchewan, be given MKO-5. Otherwise
6 I can hand them out for information, whichever the --

7 THE CHAIRPERSON: No, no. It's -- it's
8 fine. I was thinking of the exhibit number.

9 MR. MICHAEL ANDERSON: Four (4) was the
10 BCS utilities commission --

11 THE CHAIRPERSON: Yes, so it is five (5).
12 You're correct.

13

14 --- EXHIBIT NO. MKO-5: Comparative map identifying
15 the location of the
16 Northlands Denesuline First
17 Nation, Brochet, and
18 Wollaston Lake, Saskatchewan

19

20 MR. MICHAEL ANDERSON: And then I went
21 one (1) step further, and prepared a similar map showing
22 the relative location of Lynn Lake to the three (3)
23 communities, and also put in a distance calculator on
24 that, which is a 195.77 kilometres as the raven flies.

25 THE CHAIRPERSON: Very good, sir.

1 MR. MICHAEL ANDERSON: Thank you.

2 THE CHAIRPERSON: That could be Exhibit
3 number --

4 MR. MICHAEL ANDERSON: MKO-6.

5 THE CHAIRPERSON: -- 6.

6

7 --- EXHIBIT NO. MKO-6: Map showing relative location
8 of Lynn Lake to the three (3)
9 communities

10

11 MR. MICHAEL ANDERSON: This is the --
12 yes. And -- and while these are being passed out, I
13 would just add, and certainly more information will be
14 provided by the communities, but from both communities
15 there's regular travel by snow machine in the wintertime
16 to Wollaston Lake.

17 There are relations in all three (3)
18 communities. Brochet, in fact, was a primarily Dene
19 community until this -- the mid 20th Century, really, and
20 the Dene members of that community moved north to their
21 current location in Lac Brochet in 1974.

22 Wollaston Lake is a Dene community.
23 Denesuline, and so there are relation -- close relations
24 between all three (3) communities.

25 Also the youth from Northlands, in

1 particular, regularly canoe to Wollaston Lake in the
2 summertime, as do the youth from Wollaston Lake canoe to
3 Lac Brochet, Northlands.

4 So just to provide some concept of the
5 view of distance by the communities.

6

7 (BRIEF PAUSE)

8

9 CROSS-EXAMINATION BY MR. MICHAEL ANDERSON:

10 MR. MICHAEL ANDERSON: Ms. Bowman was
11 asking you some questions. What I -- just as -- by way
12 of explanation, using the satellite imagery that Goggle
13 Earth posts, the very dark, or black, area in the centre
14 bottom of the maps -- of the first map is Reindeer Lake.
15 It's the north end of the lake.

16 The black area in between the two ruler
17 bars, regrettably I dropped it on top of the north end of
18 Wollaston Lake, but that is Wollaston Lake.

19 And the -- they -- the blue strips are
20 just variations in the satellite imagery.

21 I've now... When we submit the written
22 information, I'll put a version of the first map, without
23 my ruler bar sitting on top of the north end of Wollaston
24 Lake so you can appreciate, because the north end of the
25 lake goes to the northeast, and it's actually quite --

1 it's even closer to the community than the ruler bar
2 distances would indicate.

3 Following the route of the Cochrane River,
4 and you can see the Cochrane River just to the north of
5 the upper ruler bar. It's that black line that angles up
6 to the north, and then tracks northeastward and then
7 south back into Reindeer Lake.

8 Wollaston Lake, just as a geologic feature
9 -- hydrologic int -- oddity or inter -- a matter of
10 interest is it's one of the few bodies of water in Canada
11 that flow and discharge into two (2) watersheds. It
12 discharges on the Cochrane River into the upper end of
13 Reindeer Lake which discharges into the Churchill. And
14 the opposite end on the Athabaska River discharges into -
15 - eventually into the Mackenzie and into the Arctic
16 Ocean. So it provided a historic corridor for movement
17 for Dene Nations for several millennia.

18 MS. PATTI RAMAGE: Before we move on,
19 could I just get clarification which -- was Lynn Lake
20 INAC -- what was the Exhibit numbers attached --

21 MR. MICHAEL ANDERSON: - -- MKO-6 is the
22 second map that just shows the raven flies linkage
23 between the three (3) commun -- relative position of the
24 three (3) communities to Wollaston Lake and Lynn Lake,
25 MKO-6.

1 MS. PATTI RAMAGE: Okay. If you could
2 help me, Mr. Anderson, one says Lynn Lake in the search
3 bar.

4 MR. MICHAEL ANDERSON: Yes.

5 MS. PATTI RAMAGE: What number is that?

6 MR. MICHAEL ANDERSON: MKO-6.

7 MS. PATTI RAMAGE: That would mean the
8 one that says "Wollaston Lake" is MK -- is MKO-5?

9 MR. MICHAEL ANDERSON: That's correct,
10 Ms. Ramage. Thank you.

11

12 (BRIEF PAUSE)

13

14 CONTINUED BY MR. MICHAEL ANDERSON:

15 MR. MICHAEL ANDERSON: Good afternoon,
16 Mr. Mills, Mr. Hildebrand, and Ms. Hart, and Ms.
17 Thompson. I only -- I -- I have a few questions. The
18 evidence has set out much of the material that had been
19 provided in a different form before when Mr. Mills
20 appeared before the Board as our -- MKO's witness by
21 subpoena but, of course, with some important differences
22 and that's the advent of the minutes of settlement, the
23 settlement arrangements that we have and that have been
24 filed with the Public Utilities Board in December and, of
25 course, cert -- certain modifications to the O&M funding

1 mechanism.

2 Mr. Mills, I had wanted to -- and again,
3 if I'm going over ground Ms. Bowman had covered, I can
4 look to the record if directed to do so. But I had just
5 wanted to clarify, you have the -- the section on -- on
6 page 11, describing the -- the funding of First Nation
7 education accounts.

8 And the reason I'm keying on this is that,
9 is it your understanding that the -- that the First
10 Nations -- that whether or not an INAC -- whether or not
11 an account to which INAC contributes funds in support of
12 electrical cost is fully or partially funded, is it your
13 understanding that that is the classifier for account
14 purposes that is used by Manitoba Hydro under the minutes
15 of settlement and following process?

16 MR. FRED MILLS: Yes. If the account is
17 classified as being a hundred percent of formula funding,
18 then Hydro would be charging the First Nation education
19 rate.

20 MR. MICHAEL ANDERSON: And by "formula
21 funding," of course, the -- your evidence describes how
22 the O&M policy operates and you've attached attachments
23 that describe it, but it is not a hundred percent of the
24 actual electrical bills that would be incurred by a
25 school; is that correct?

1 MR. FRED MILLS: That's correct.

2 MR. MICHAEL ANDERSON: And so the formula
3 identifies -- calculates what INAC establishes ought to
4 be reasonable electrical costs for a facility of that
5 type and design and funds a hundred percent of that
6 result; is that correct?

7 MR. FRED MILLS: Correct.

8 MR. MICHAEL ANDERSON: Now in -- in the
9 event that a First Nation can establish that it is
10 operating a facility prudently and carefully and
11 efficiently, and the electrical bills are greater than
12 the amount identified under the formula, what recourse or
13 options do the First Nation have to receive funding for
14 the difference?

15 MR. FRED MILLS: They could provide that
16 information to us. We would take it under advisement and
17 -- and review and determine whether or not we would
18 consider an adjustment or not an adjustment.

19 MR. MICHAEL ANDERSON: And does INAC test
20 by making inquiries with the First Nation whether or not
21 the formula funding provided for the electric -- in
22 support of the electrical costs of schools are adequate
23 to meet the actual bills received by Manitoba Hydro?

24 MR. FRED MILLS: No, we don't. Our
25 expectations are that the First Nations would be -- they

1 -- they get the Hydro bills and they would be preparing
2 documents to provide us factual information if they do or
3 they don't.

4 MR. MICHAEL ANDERSON: Is it your
5 recollection based on discussions with either the
6 Northlands Denesuline First Nation or with myself that it
7 was the Northlands education authority that brought many
8 of the matters to the attention of MKO and then from --
9 by MKO to INAC that were eventually discussed leading to
10 the minutes of settlement?

11 MR. FRED MILLS: I recall there was
12 discussions on Northlands' electrical accounts. I can't
13 recall exactly which ones they were.

14 MR. MICHAEL ANDERSON: All right. Thank
15 you. Have any of the education authorities contacted
16 INAC to raise a dif -- raise the matter of there being a
17 difference between actual bills and formula funding?

18 MR. FRED MILLS: Not to my knowledge.

19 MS. MARY ANN THOMPSON: Mr. Anderson, if
20 we might just have a moment before you bring your next
21 question.

22

23

(BRIEF PAUSE)

24

25

THE CHAIRPERSON: We're just going to

1 take our ten (10) minute break right now. We'll just
2 give them that opportunity, and then we can carry on to
3 completion.

4 MR. MICHAEL ANDERSON: All right, Mr.
5 Chair.

6

7 --- Upon recessing at 2:38 p.m.

8 --- Upon resuming at 3:03 p.m.

9

10 THE CHAIRPERSON: Okay. Mr. Anderson...?

11

12 CONTINUED BY MR. MICHAEL ANDERSON:

13 MR. MICHAEL ANDERSON: Mr. Mills, we were
14 discussing some elements and aspects of the funding of
15 First Nation education accounts.

16 In -- in terms of the use of the first --
17 of those accounts that are classified now as first edu --
18 First Nation education accounts, can you describe what
19 the significance was in terms of the rate design filed in
20 October 2004 of using that classifier to -- to -- with --
21 in respect of those accounts -- in respect of all First
22 Nation accounts?

23 MR. FRED MILLS: What -- I guess the
24 significant shift or factor in it was that by creating
25 the First Nation education accounts, and then moving --

1 the -- the significance in -- in creating this tariff in
2 this class and -- and INAC and MKO agreeing to this
3 creation was that it was the only class where INAC
4 actually provided a hundred percent of the formula
5 funding and because, I believe, under the old tariff
6 prior to 2004 the government rate applied basically to
7 all general service accounts for First Nations,
8 supposedly. That was prior to the discussion that you --
9 that had taken place with Hydro, which we funded at a
10 variety of different levels as indicated by the four (4)
11 categories in our end funding, which were all less than
12 100 percent with the exception of the education one (1),
13 or category 4.

14 So what it -- what it did is allow INAC to
15 provide more funding to compensate for the cost of
16 electricity, and to help assist in covering the cost of
17 the over -- overall cost of the electricity in the
18 community by shifting the surcharge to the -- to the --
19 the accounts that INAC funds at 100 percent.

20 So it was a significant shift in terms of
21 our budgets to make that adjustment, but we felt as -- as
22 part of the -- I guess as sort of trying to balance the
23 tentative settlement agreement, or the minutes of
24 settlement out appropriately, given that organizations
25 were doing different things that we felt that that was an

1 important piece to add to that to create a better balance
2 than what was going on.

3 MR. MICHAEL ANDERSON: Thank you. Was it
4 -- is it your understanding that prior to the -- the rate
5 design and tariffs approved in Order 159/04 that -- well,
6 prior to Order 17/04 and Order 46/04, that is prior to
7 April 1st, 2004, that the -- as you had said, the First
8 Nation gov -- the government surcharge rate was being
9 applied to some accounts that are now classified as
10 general service customers?

11 MR. FRED MILLS: That's correct.

12 MR. MICHAEL ANDERSON: Is that your
13 understanding?

14 MR. FRED MILLS: That's correct, yes, my
15 understanding.

16 MR. MICHAEL ANDERSON: And under those
17 circumstances prior to April 1st, 2004, would those --
18 would the First Nation have received a contribution in
19 support of those costs that would support the bills that
20 they would actually be receiving from Indian and Northern
21 Affairs -- from Manitoba Hydro based on the way the
22 formula would calculate contributions for those accounts?

23 In other words -- sorry, if a general
24 service customer were actually being billed prior to
25 April 1st, 2004, at the government rate, would the INAC

1 O&M contribution have been adequate to pay those -- to
2 address those bills, even taking into account the
3 difference for the O&M formula?

4 MR. FRED MILLS: No. I don't know that
5 we would know that for a fact, Mike, because -- or Mr.
6 Anderson, because we don't get the Hydro bills. As I --
7 as in my evidence, we don't have the Hydro bills, so we
8 can't do that comparison.

9 MR. ROBERT MAYER: Mr. -- Mr. Anderson,
10 could you tell us where you're going with this because
11 the pre 2004 situation doesn't quite appear to be
12 particularly relevant to these proceedings.

13 MR. MICHAEL ANDERSON: Yes. Well, I was
14 going to move on to a comment that was made regarding the
15 proposed increases, and I had wanted just to talk a bit
16 about the -- the importance of the classifier used for
17 First Nation's education accounts as the -- the reference
18 for classification, and also to take on the costs that
19 are not otherwise supported through the payment of rates
20 by residential and general service customers.

21 I don't have any -- I don't need to pursue
22 this particular item in retrospect of the --

23 MR. ROBERT MAYER: That's fine. I think
24 you could assume that people at this table who have read
25 the evidence that was provided by INAC in respect to the

1 funding, and the categories.

2

3

(BRIEF PAUSE)

4

5 CONTINUED BY MR. MICHAEL ANDERSON:

6

MR. MICHAEL ANDERSON: All right. Mr. Mills, at the -- as I understand in your evidence you've described at the bottom of page 16 and top of page 17 the mechanism that is now used to provide formula funding for the First Nation diesel accounts in support of the payment of the electrical costs.

12

And at the bottom of page 16, item 5, you indicate that, following the calculation of the general -- the gross funding requirement, and so forth, that you fund 100 percent of the difference between the diesel electrical rate and the grid elec -- the diesel electric budget and the grid electrical budget, is that correct?

18

MR. FRED MILLS: That's correct.

19

MR. MICHAEL ANDERSON: And so if -- if I was putting this into -- realizing it's not precisely how it works, but just to -- to work it out, if you had a category 3 asset, in essence, the funding would be calculated as the grid rate times 20 percent.

24

That amount would be identified for formula calculation purposes, and then whatever the

25

1 difference is between the diesel rate and the grid rate
2 would be funded at 100 percent. Is that a general
3 summary of the process?

4 MR. FRED MILLS: Yeah, I believe so.

5 MR. MICHAEL ANDERSON: Then you would
6 apply the multiplier to the grid portion only, and then
7 fund 100 percent of the difference between --

8 MR. FRED MILLS: Yes.

9 MR. MICHAEL ANDERSON: -- the calculated
10 grid rate and the diesel rate?

11 MR. FRED MILLS: Yeah.

12 MR. MICHAEL ANDERSON: Okay. Now, I'm
13 going -- working through that -- that mechanism and going
14 to page 19, and this is in respect of insurances of
15 increases to O&M funding. And I'm looking at the third
16 physical paragraph on page 19 that suggests:

17 "INAC is not in a position to provide
18 assurance of increases to O&M funding,
19 nor assurance that other funding would
20 not be decreased."

21 And then what -- what, in essence, would
22 that -- does that -- does that mean, Mr. Mills, in
23 respect of education funding?

24 MR. FRED MILLS: In respect to all
25 funding First Nations receive, not just education

1 funding, and not just O&M funding, of which there -- they
2 are two distinct programs. While the -- the schools are
3 funded under the operation and maintenance program,
4 education of the children are funded under another
5 program. And from INAC's perspective, that -- that isn't
6 -- that education is an important program, and we need to
7 make sure that that's a program that we fund first.

8 So if we don't have enough resources in
9 the region to fund all the educational requirements, we
10 may reduce funding in other program areas which aren't as
11 important. I'm not saying that they're not all
12 important, it's just that there's a -- there's a -- a
13 level of priorities that we must go through.

14 So -- and we have taken money out of other
15 programs and put them into -- into education and other
16 priority programs. So that -- that's what that means.
17 We can't -- I can't say that every time the PUB provides
18 a rate increase in the diesel communities that we're
19 going to match it with our funding. I cannot provide
20 that guarantee. In fact, INAC will not provide that
21 guarantee.

22 We -- we, like the First Nations, like
23 everybody else, have to live within a budget. We only
24 have so much money to go around, and it's divvying it up.
25 While it may seem like a lot of money, when you start

1 dividing it up among a hundred thousand (100,000) people
2 and sixty-three (63) First Nations and fifteen (15) or
3 twelve (12) different First Nation organization entities
4 that we fund, it's not a lot of money.

5 MR. MICHAEL ANDERSON: Thank you, Mr.
6 Mills. I just wanted to clarify it. Is that comment
7 about making priorities in the expenditure of a limited
8 regional budget, is it suggested then that an outcome of
9 that might be that INAC would not fund 100 percent of the
10 difference on accounts, as indicated at the bottom of
11 page 16, item 5?

12 MR. FRED MILLS: That might be an option
13 that could be considered if it came to that tight of a --
14 of a budget issue.

15 MR. MICHAEL ANDERSON: I just wanted to
16 be clear that that is the message that you were --

17 MR. FRED MILLS: Yeah.

18 MR. MICHAEL ANDERSON: -- communicating.
19 Okay.

20 And then in terms of the intent to use the
21 education accounts -- First Nation education accounts to
22 carry some of the revenue -- the cost of the diesel
23 service not paid through rate revenues, would that --
24 then that -- in the event that that occurred and less
25 than a hundred percent was being provided as a result of

1 limited budgets and priorities being made by INAC, that
2 would begin to affect the rationale for adopting the
3 tariff approach that's taken in the rate design that's
4 currently approved; is that correct? Meaning now the --

5 MR. FRED MILLS: I --

6 MR. MICHAEL ANDERSON: -- assumption is
7 is that there has been a concurrence that the co -- that
8 INAC would fund -- there's been a concurrence in the rate
9 design, the First Nation education accounts, similar to
10 the government accounts, would be where those costs not
11 covered by general service and residential rates would be
12 borne by those customers on -- and the essence being that
13 INAC funds in accordance with the formula presently as
14 set out on page 16 at the bottom.

15 And if that were not the case, where less
16 than a hundred percent was being provided, is it your
17 view that that would cause a need, perhaps, to revisit
18 the rationale for the current rate structure?

19 MR. FRED MILLS: You're talking about two
20 (2) different rates. You -- you -- the money that we're
21 -- or the fu -- the funding that we're talking about on
22 17 and 18 is for general service customers. And what
23 you're ta -- and what you're talking about, you're also
24 talking about the education tariff, which is a different
25 tariff.

1 Both may be affected by the decision to
2 reduce funding because we need to fund another program,
3 but I don't know which one it may be. It may be both.
4 It would depend on what's going on at the time. As to
5 whether or not they would affect the rationale behind the
6 -- the tariff itself, I'm not sure that I would -- I
7 would answer that because I don't know if it would or it
8 wouldn't until the decision is made.

9 MR. MICHAEL ANDERSON: Okay, I
10 understand. I -- I was just taking the distinction on
11 the change in the percentage funding for education
12 accounts, but I take your -- your comment on crossing
13 that bridge when we get to it in terms of the evidence.

14

15 (BRIEF PAUSE)

16

17 MR. MICHAEL ANDERSON: Now, on page 15,
18 Mr. Mills, in the third -- the third paragraph, where it
19 says -- you say:

20 "Finally, where First Nations use
21 diesel electric service, additional
22 funding has been provided for category
23 3 assets since 2004."

24 Can you explain why that is?

25 MR. FRED MILLS: That was part of our

1 negotiations through the minutes of settlement.

2 MR. MICHAEL ANDERSON: And the additional
3 funding addressed what matter that was discussed at that
4 time?

5 MR. FRED MILLS: I'm not sure I
6 understand the question.

7 MR. MICHAEL ANDERSON: The additional
8 funding also included the -- the formulas that you have
9 described in your evidence for their funding of, whether
10 it be a category 3 or education account, was that
11 mechanism applied prior to April 1st, 2004?

12 MR. FRED MILLS: I don't think that's
13 important to these hearings, Michael, whether it was
14 applied before 2004. It's being applied now. And, as
15 described on page 16, the fourth paragraph down talks
16 about that, how that adjustment works, and we've
17 discussed that already.

18

19 (BRIEF PAUSE)

20

21 MR. MICHAEL ANDERSON: Okay. Now, Mr.
22 Mills, if you could please turn to Board counsel's book
23 of documents Tab 5, to that schedule that I had referred
24 to.

25 Page 2 of 2. And you'll recall, of

1 course, from both the evidence and from my discussion
2 with Mr. Warden, that under the column at the far right-
3 hand indicating proposed September 1st, 2010, that the --
4 the average cost per kilowatt hour is now fifty-nine (59)
5 cents.

6 Do you recall that?

7 MR. FRED MILLS: Yes. I recall that
8 discussion.

9 MR. MICHAEL ANDERSON: Would one -- would
10 you draw from -- by adding fifty-nine (59) cents in that
11 -- in that row for remaining kilowatt hours, and draw
12 that, it appears that the effect of the capital payments
13 under the minutes of settlement are diminishing, and that
14 over a period of time will be back to seventy-nine point
15 one (79.1) cents? According to the progression that we
16 see on this table.

17 MR. FRED MILLS: According to the
18 progression we see on the table, yes. It has diminished,
19 and looks like it is increasing.

20 MR. MICHAEL ANDERSON: Now, perhaps you
21 had gone through this a bit with Ms. -- Ms. Bowman, but
22 in your evidence you describe measures that you believe
23 might be employed to address the increases in what we
24 understand to be largely variable costs and some capital
25 costs.

1 But have you any suggestions to make in
2 terms of measures that could be taken to control, or
3 reduce the --the rate of increase in costs for the diesel
4 service?

5 MR. FRED MILLS: I have nothing off the
6 top of my head, Michael.

7 MR. MICHAEL ANDERSON: In terms of the --
8 the use and application of any particular lighting
9 technologies, heating technologies --

10 MR. FRED MILLS: Well, there's -- yeah,
11 if -- if you're talking about DSM, there -- there is LED
12 lights. They're more expensive to purchase, but they use
13 like 1 -- like 5 percent of the power of a -- of an
14 incandescent light bulbs. So there are those -- there
15 are -- there are savings through using LED lights.
16 Changing the street lights to LED lights from high
17 pressure sodium would reduce power consumption.

18 Even changing the light bulbs in the house
19 would reduce power consumption, as well. Even though
20 there's going to be a loss from the heat from a light
21 bulb, a light bulb heat is -- coming off a light bulb is
22 actually extremely inefficient as opposed to an electric
23 space heater because most of the energy is going into
24 making light, which doesn't provide a lot of heat.

25 So if you reduce -- if you reduce the heat

1 load from a light bulb, it can be easily made up from --
2 from running an oil furnace at minimum -- without
3 probably a minimal increase in power consumption. That's
4 my unprofessional opinion.

5 MR. ROBERT MAYER: There appears to be
6 some distinct suggestion in that maybe you should stick
7 to what you actually have some experience with.

8 MR. FRED MILLS: Well, I just -- you
9 know, if you look at it, right -- okay. I'm just trying
10 to put common sense into it.

11

12 CONTINUED BY MR. MICHAEL ANDERSON:

13 MR. MICHAEL ANDERSON: In terms of the
14 application of that type of thinking, however, in terms
15 of the opportunity a First Nation might have when
16 presenting a business case for adjustment of O&M based on
17 a difference between bills and O&M, internally at Indian
18 Northern Affairs Canada, there would be persons who would
19 view that business case, and make judgments in respect of
20 -- or determinations in respect of prudence and
21 efficiency of use; that is, to assure themselves that the
22 bills are not exceeding the O&M because the facility is
23 not being properly operated.

24 Is that correct?

25 MR. FRED MILLS: That's correct.

1 MR. MICHAEL ANDERSON: So within the
2 department, would you be one (1) of the persons making a
3 determination like that?

4 MR. FRED MILLS: Probably not now. Not
5 in my current position I would not be.

6 MR. MICHAEL ANDERSON: But in your --
7 okay. The -- but there are persons that INAC has on
8 staff that can -- do make those types of determinations
9 in responding to those business cases, yes?

10 MR. FRED MILLS: There are people on
11 staff. I don't know if there are people on staff that
12 have the ability to do that kind of an analysis, but I'm
13 sure that if there aren't, and that analysis needs to be
14 undertaken, INAC would acquire the expertise to do that.

15

16 (BRIEF PAUSE)

17

18 MR. MICHAEL ANDERSON: Mr. Chair, I had
19 some other questions that linked Mr. Mills' comments to
20 those of Mr. Hildebrand, and in that Mr. Hildebrand is
21 being rescheduled, I'll defer the remainder of my
22 questions for that time. Thank you very much.

23 MR. FRED MILLS: Okay. Thank you, Mr.
24 Anderson.

25 Ms. Fernandes or -- or Ms. Ramage?

1 MS. PATTI RAMAGE: If I could just have
2 about a one (1) or two (2) minute break to consult with
3 Mr. Wiens, maybe find out about --

4 THE CHAIRPERSON: But of course.

5 MS. PATTI RAMAGE: -- LED lighting.

6 THE CHAIRPERSON: Five (5) it is.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: Okay. We're ready to
11 begin again. Ms. Ramage?

12 MS. PATTI RAMAGE: Yes, and perhaps
13 before I begin the cross, I could -- I could put on the
14 record that Manitoba Hydro has distributed, in response
15 to an undertaking, a copy of the costs associated with
16 extending a transmission line from Wollaston Lake to --
17 it's to Brochet.

18 And I think the important thing to take
19 from this undertaking is that the cost of the
20 Saskatchewan option, including contingency, is
21 significantly greater than the Manitoba option.

22 And I'd also point out, just while I am on
23 the mic, you can see -- if you turn to the map on the
24 second page, just for clarification, Wollaston Lake is at
25 the point of the right-hand arrow. You see there's two

1 (2) arrows coming down. But in fact, in order to use
2 this option, we would be going back to the Points North
3 station. It's not as simple as just going from Wollaston
4 Lake, and I was asked to draw that to the Board's
5 attention.

6 THE CHAIRPERSON: This -- why don't you
7 identify the rest of the material, and then we'll give
8 them exhibit numbers?

9 MS. PATTI RAMAGE: This should probably
10 be provided with Manitoba Hydro Exhibit 5 as a number.

11

12 --- EXHIBIT NO. MH-5: Map to Brochet and cost of
13 Saskatchewan option

14

15 MS. PATTI RAMAGE: Manitoba Hydro also
16 distributed -- and I -- I think it's --

17 DR. KATHI AVERY KINEW: Excuse me for a
18 minute, Ms. Ramage. I think you said that this was a map
19 to Brochet, but this is actually costing and a map to
20 Tadoule.

21 MS. PATTI RAMAGE: Yes, you're correct.
22 I'm sorry.

23 DR. KATHI AVERY KINEW: Thanks.

24 MS. PATTI RAMAGE: We have also
25 distributed, just for illustrative purposes, two (2)

1 the document I -- I just handed out. It begins with an
2 email dated November 26th, just as we run through this.

3 And I should state for the record that the
4 -- the documents I'm running through are all part of
5 volume 2 of Manitoba Hydro's filing -- how do we go?
6 It's appendix 2, attachment 2. They're all contained in
7 that. I've just put them together so we're not flipping
8 through that fairly thick attachment.

9 THE CHAIRPERSON: And the date of the
10 email you're looking at is November 26th, 2004, correct?

11 MS. PATTI RAMAGE: That is correct.

12

13 CONTINUED BY MS. PATTI RAMAGE:

14 MS. PATTI RAMAGE: And, Mr. Mills, can
15 you confirm that the process with respect to obtaining
16 funding for the Tadoule Lake generation upgrade began on
17 or about November 26th, 2004, as a result of this email
18 from Robin Wiens addressed to yourself and Mr. Anderson?

19 MR. FRED MILLS: Yeah, I -- yeah, it was
20 sometime around there. I -- I understand -- recall
21 discussions taking place prior to the email going out,
22 but we had talked about it and Hydro had raised it
23 earlier.

24 MS. PATTI RAMAGE: And subsequent to that
25 email various information was provided by Manitoba Hydro

1 to your technical consultant. I believe it's Mr. Max
2 Holubitsky. I'm not sure of the pronunciation.

3 THE CHAIRPERSON: H-O-L-U-B-I-T-S-K-Y.

4 MS. PATTI RAMAGE: Thank you, Mr. Chair.

5

6 CONTINUED BY MS. PATTI RAMAGE:

7 MS. PATTI RAMAGE: And without going
8 through in detail, from reviewing Attachment 2, that
9 information was exchanged on or about January 14, '05,
10 February 10th of 2005, April 7th of 2005, and January
11 19th of 2006.

12 Would you accept that, subject to check?

13 MR. FRED MILLS: Yes, subject to check.

14 MS. PATTI RAMAGE: And would it be fair
15 to characterize the information that was exchanged as
16 fairly technical in nature requiring the services of an
17 outside consultant?

18 MR. FRED MILLS: Yes, some of the
19 information was, and that's why we brought an outside
20 consultant in.

21 MS. PATTI RAMAGE: Now, if I could refer
22 you to the second page of the handout. At the bottom of
23 that page I see an email, and it is a -- it is from Max
24 Holubitsky to a Rick Romanow, who is a Hydro employee, I
25 -- I can advise. And if I could just read that email and

1 if you could confirm that it says:

2 "I -- I received the CD you sent -- CD
3 you sent and am currently reviewing the
4 contents. It appears as though
5 everything I requested is present.
6 Thank you, Max."

7 Did I read that correctly?

8 MR. FRED MILLS: Yes.

9 MS. PATTI RAMAGE: And that email is
10 dated April 5th, 2006.

11 MR. FRED MILLS: That is correct.

12 MS. PATTI RAMAGE: And if we look to the
13 top of that page there is another email. It is from
14 Manitoba Hydro's Steve Morrison to yourself and Michael
15 Anderson. And it says, and I will read it:

16 "It now appears that Mac -- Max
17 Holubitsky has all the information he
18 requires in order to complete his
19 assessment of the Tadoule Lake capacity
20 increase project. I am attaching a
21 spreadsheet sent to me by Shane Du
22 (phonetic) that you requested with
23 respect to his cost accounting for the
24 project.

25 I am not aware of any outstanding

1 information required. If there is
2 anything further you -- you require,
3 please let me know."

4 Have I read that email correctly?

5 MR. FRED MILLS: Yes.

6 MS. PATTI RAMAGE: And that email is
7 dated April 12th, 2006, is that correct?

8 MR. FRED MILLS: That's correct.

9 MR. ROBERT MAYER: Yeah, I'm prepared to
10 see you read it correctly. Is there a reason you left
11 the last line out?

12 MS. PATTI RAMAGE: No reason other than I
13 was trying to move things along.

14 MR. ROBERT MAYER: Okay.

15

16 CONTINUED BY MS. PATTI RAMAGE:

17 MS. PATTI RAMAGE: And if we turn the
18 page there is an email again from Steve -- Manitoba
19 Hydro's Steve Morrison to yourself, Mr. Mills. And this
20 email says:

21 "Can you please advise when we can
22 expect to receive the contribution
23 arrangement agreement from INAC and
24 subsequent payment of the contribution
25 for the Tadoule Lake capacity increase?

1 I am assuming your project assessment
2 is complete, and I ask that you bring
3 us up-to-date on the status of the
4 proceedings. Thank you, Steve."

5 Have I read that correctly?

6 MR. FRED MILLS: Yes.

7 MS. PATTI RAMAGE: And that email is
8 dated August 17th, 2006, is that correct?

9 MR. FRED MILLS: Yes.

10 MS. PATTI RAMAGE: And if I can have you
11 turn the page again. I will go to the -- to the bottom
12 of that page. And I see an email. It is from Mr. Fred
13 Mills to Steven Morrison, of Manitoba Hydro. And it --
14 it reads:

15 "Sorry for not getting back to you
16 sooner. The Region is awaiting
17 recommendations as to -- as what or how
18 much INAC should contribute towards
19 this project, so there will not be a
20 contribution agreement, CA, coming
21 shortly on this.

22 As stated at our meetings, the CA will
23 be with the First sa -- First Nation or
24 MKO, as representative of the First
25 Nation, and not directly with Manitoba

1 Hydro. Once a decision is made at INAC
2 as to what and how much will be funded,
3 you will be contacted."

4 Have I read that email correctly?

5 MR. FRED MILLS: Yes.

6 MS. PATTI RAMAGE: And that email is
7 dated September 15th, 2006, is that correct?

8 MR. FRED MILLS: Yes, it is.

9 MS. PATTI RAMAGE: And the email above on
10 the page is an email from Manitoba Hydro, Steve Morrison,
11 to yourself. And I'm only going to read the first
12 paragraph of this, Mr. Mayer, just to move things along.
13 Yes.

14 "We are now approaching on six (6)
15 months since your last communication
16 regarding the contribution arrangement
17 and payment agreement for the Tadoule
18 Lake capacity increase project, and a
19 year since our final project
20 information exchange."

21 Have I read that into the record
22 correctly?

23 MR. FRED MILLS: Yes.

24 MS. PATTI RAMAGE: And that email is
25 dated March 2nd, 2007. Is that correct?

1 MR. FRED MILLS: That's correct.

2 DR. KATHI AVERY KINEW: Ms. Ramage, I
3 think you need the last paragraph of that one.

4

5 CONTINUED BY MS. PATTI RAMAGE:

6 MS. PATTI RAMAGE: I can put that on the
7 record also. Mr. Morrison also advised:

8 "If I do not have a substantive
9 response from INAC by the end of March
10 2007, I will have no recourse but to
11 issue a billing directly to INAC in the
12 amount of one million two hundred
13 sixteen thousand seven hundred and
14 eight-two dollars (\$1,216,782) subject
15 to late payment fees of 1.25 percent
16 per month, 16.08 percent per annum,
17 commencing thirty (30) days following
18 the billing date."

19 Have I read that paragraph of that email
20 correctly into the record?

21 MR. FRED MILLS: Yes, you've read it
22 correctly.

23 MS. PATTI RAMAGE: And if we turn to the
24 second last page of the document --

25 MR. FRED MILLS: Just -- can I make an

1 additional comment.

2 At that point in time, in March 2007, I
3 was off sick for three (3) months, so I wouldn't have
4 responded directly to this.

5 And if you go to your next email that
6 you're going to on the next page, a gentleman by the name
7 of Brian Milne had picked up this project.

8 MS. PATTI RAMAGE: Yes. Thank you, Mr.
9 Mill. And I'm going to the -- or Mr. Mill -- Mr. Mills -
10 - to the page -- it's headed page 2 of 3, just so the --
11 it's the second last page of the document.

12 It is an email dated March 21st, 2007.
13 And at this point, a Mr. Milne from INAC writes:

14 "As discussed, I have attached the
15 contribution arrangement for the
16 Tadoule Lake diesel generation upgrade
17 project. The CA is the only way that
18 INCA can flow -- flow funds. If you do
19 not have any problems with the CA as
20 written, then I will forward you the
21 originals to sign. If you would like
22 some changes, please fax back to me
23 ASAP so that Justice Canada can review
24 and make revisions as necessary. We
25 would like to flow the one million two

1 hundred and sixteen thousand seven
2 hundred and eighty-two dollars
3 (\$1,216,782) by March 31."

4 And then if you have any questions, he
5 provided a phone number.

6 Have I read that into the record
7 correctly?

8 MR. FRED MILLS: Yes.

9 MS. PATTI RAMAGE: And that email issued
10 March 2007 -- March 21st --

11 MR. FRED MILLS: Yes.

12 MS. PATTI RAMAGE: -- 2007.

13 MR. FRED MILLS: Yes.

14 MS. PATTI RAMAGE: And if we just back up
15 a page, payment actually flowed April 2nd, 2007. Is that
16 -- or I'm sorry, March 30th, 2 -- 2007, we have
17 confirmation. It indicates that -- in an email from
18 Brian Milne to Steve Morrison. It says:

19 "Thanks Steve. We received the CA, and
20 the cheque is being processed."

21 MR. FRED MILLS: Sorry, you lost me on
22 those pages.

23 MS. PATTI RAMAGE: Oh, I'm sorry, it's
24 page 1 of 3. We have to back up --

25 MR. FRED MILLS: Okay.

1 MS. PATTI RAMAGE: -- because the emails
2 work...

3 MR. FRED MILLS: Okay. And I now see it.

4 MS. PATTI RAMAGE: So would you agree
5 that it appears the cheque was ultimately received March
6 30th, 2007?

7 MR. FRED MILLS: Yes.

8 MS. PATTI RAMAGE: So would you be --
9 also be prepared to agree, in summary, that from April
10 5th, 2006, wh -- all information was received by INAC but
11 it took fully one year before a cheque was forwarded?

12 MR. FRED MILLS: Yes, I would -- I would
13 agree with that, but on your attachment, the third page -
14 - fourth page in where it says number 1 at the bottom, an
15 email from me to Steve Morrison talked about for me not
16 getting back sooner.

17 We were still waiting for recommendations.
18 So that's why it would have taken so long. Even as late
19 as September we didn't have the recommendations from our
20 consultant. So that would have been part of the reason
21 why it -- why it took a year.

22 MS. PATTI RAMAGE: Okay. Thank you. Now
23 I would like you to turn to a volume 2 of Manitoba
24 Hydro's filing, and Attachment 2 of that filing --
25 Attachment 2, Appendix 3.

1 MR. FRED MILLS: Attachment 2, Appendix
2 3; or Appendix 2, Attachment 3?

3 MS. PATTI RAMAGE: If you just look down
4 the sides it's mid-way through the binder and it says
5 Attachment 3.

6 MR. FRED MILLS: Appendix 2, Attachment
7 3.

8 MS. PATTI RAMAGE: Appendix 2, Attachment
9 3 of Volume 2.

10 MR. FRED MILLS: Yes.

11 MS. PATTI RAMAGE: With respect to the
12 Shamattawa Soil Remediation Project, can you confirm that
13 discussions regarding cost sharing were underway at least
14 as early as January 16th, 2007, based on the letter that
15 appears -- the first document in Attachment 3?

16 MR. FRED MILLS: Yes, I can confirm that.

17 MS. PATTI RAMAGE: Now, if I heard you
18 correctly with respect to the Shamattawa Soil Remediation
19 in your direct, you indicated the decision to fund --
20 INAC's decision to fund fifty (50) -- fifty (50) was made
21 prior to INAC learning of the delineation between the
22 sites; is that correct?

23 MR. FRED MILLS: That's what I've been
24 told. I wasn't personally involved in this project, but
25 that's what I've been told.

1 (BRIEF PAUSE)

2

3 MS. PATTI RAMAGE: Mr. Mills, if I could
4 just have you turn several pages in to a letter addressed
5 to Ms. Anna Fontaine, dated November 20th, 2008.

6 MR. FRED MILLS: I have that.

7 MS. PATTI RAMAGE: I'm looking down to
8 the third paragraph of that letter. And I'm going to
9 read this into the record.

10 "The attached memo refers to two (2)
11 independent consultants' reports which
12 indicate a clear delineation between
13 the gas and diesel contaminants. Two
14 (2) of our engineers will attend the
15 meeting to discuss any questions you
16 may have regarding this issue."

17 Have I read that into the record
18 correctly?

19 MR. FRED MILLS: You said, 2008, November
20 20th?

21 MS. PATTI RAMAGE: That's correct.

22 MR. FRED MILLS: No, I don't know that I
23 see the letter that you're talking about. The second
24 paragraph, you said, or the first paragraph?

25 MS. PATTI RAMAGE: The third paragraph.

1 MR. FRED MILLS: Third paragraph, okay.
2 I'm sorry. I'm hard of hearing, so. Okay, go on. I'm
3 sorry.

4 MS. PATTI RAMAGE: Okay. And if we turn
5 the pages we see that a -- a report dealing with the
6 delineation was provided to INAC on that date, is that
7 correct?

8 MR. FRED MILLS: If that was attached to
9 the letter, yes.

10 MS. PATTI RAMAGE: And if we keep turning
11 the pages of the attachment we will get to a number of
12 other letters for -- or, communications. For example, an
13 email from Ruth Kristjanson of Manitoba Hydro to Ms. Fon
14 -- Ms. Fontaine.

15 And without me reading everything into the
16 record, would you agree that that email dated June 16th,
17 2009 indicates that there has been no resolution of the
18 cost sharing at that point in time?

19 MR. FRED MILLS: Yes.

20 MS. PATTI RAMAGE: And if we turn the
21 page again to a letter to Ms. Fontaine dated June 19th,
22 2009. The -- it's the next letter that appears in that
23 package. I'm going to -- the second paragraph of that
24 letter:

25 "I bring this to your attention as you

1 are aware also..."

2 MS. GLYNIS HART: If you could just wait
3 one moment, please.

4 MS. PATTI RAMAGE: Oh, sorry. I'm sorry,
5 I thought you were there.

6 MS. GLYNIS HART: But it -- I've not been
7 able to find it yet. Thank you.

8 MS. PATTI RAMAGE: That's the June 19th
9 letter, 2009.

10

11 (BRIEF PAUSE)

12

13 MR. FRED MILLS: Okay.

14 MS. PATTI RAMAGE: And there I'll bring
15 to your attention in that letter of June 19th, 2009, the
16 second paragraph:

17 "As you are also aware, there has been
18 correspondence between INAC and
19 Manitoba Hydro on the issue of cost
20 sharing of the diesel generating
21 station project, with no resolution to
22 date."

23 I've read that into the record correctly?

24 MR. FRED MILLS: Yes.

25 MS. PATTI RAMAGE: And the next letter in

1 the package, one (1) month later, July 16th, 2009, and
2 I'll paraphrase to move on, Ms. Kristjanson again writes
3 INAC, indicating that there is increased concerns about
4 delays from the community, and indicating that she is:

5 "...hoping we can get this resolved
6 quickly."

7 Would you agree that -- with that summary
8 of the contents of that letter?

9 MR. FRED MILLS: Yes.

10 MS. PATTI RAMAGE: And then I ask you to
11 turn the page again to a letter, this time from INAC to
12 Manitoba Hydro, dated July 31st, 2009. And I will look
13 to the third paragraph of this letter, and it indicates:

14 "Unfortunately, there has been no
15 resolution to date between Manitoba
16 Hydro and INAC on the issue of cost
17 sharing the remediation work at the
18 former Manitoba Hydro diesel generating
19 site."

20 Have I read that correctly?

21 MR. FRED MILLS: Yes, you have.

22 MS. PATTI RAMAGE: And then, finally, I
23 turn the page, and we have a letter, again from INAC to
24 Ms. Kristjanson, dated September 15th, 2009, confirming
25 the recent discussion, and that an agreement in principle

1 to share the costs of remediating the site on a 50/50
2 basis has been made.

3 Have I summarized the contents of that
4 letter correctly?

5 MR. FRED MILLS: Yes, you have. I'd like
6 to add an explanation to this whole train of -- of
7 emails. While there had been no discussions with Hydro
8 about a resolution in terms of payment, prior to that
9 INAC region and INAC headquarters had been working
10 towards resolving this and coming up with the resource as
11 well. We have not explained that to Hydro. We wouldn't,
12 because the region would not have had a -- the funds.

13 In 2009, we were able to acquire the funds
14 under the Federal Contaminated Site program -- FSCAP I
15 think it's called. I'm not sure the exact name, but
16 that's what we were going through, and we need a year's
17 advance notice to apply for money for that before you
18 actually get the money. And we are not in a position --
19 were not in a position to make a commitment on a 50/50
20 basis until we had the resources in place.

21 So our decision to apply for that was
22 before the delineation had been proven.

23 MS. PATTI RAMAGE: Mr. Mills, could I ask
24 you for an undertaking, if you could confirm that the
25 funding for this project was in fact FSCAP funding,

1 because it is my understanding that FSCAP funding for
2 this project was rejected. So you might --

3 MR. FRED MILLS: For INAC's share, I
4 don't -- as far as I know -- I could be wrong. We will
5 confirm it.

6 MS. PATTI RAMAGE: If you could do that,
7 that would be appreciated.

8

9 --- UNDERTAKING NO. 23: INAC to confirm that funding
10 for soil remediation was from
11 FSCAP

12

13 CONTINUED BY MS. PATTI RAMAGE:

14 MS. PATTI RAMAGE: But in any event, Mr.
15 Mills, are you suggesting to this Board that for in
16 excess of one (1) year, INAC did not provide Manitoba
17 Hydro with any indication that funding would be
18 forthcoming or confirmed on this project when it knew
19 that it had obtained funding?

20 MR. FRED MILLS: We hadn't obtained
21 funding. I didn't say we obtained the funding. I said
22 we were still trying to acquire it. That's the problem.

23 We can't make a commitment to Hydro, or to
24 anybody, without assurances that the money is going to be
25 there. We just don't do that.

1 were two (2) contaminated sites located
2 very close to each other. INAC was
3 responsible for one (1) site and
4 Manitoba Hydro was responsible for the
5 other. However, it was difficult to
6 determine who was responsible for the
7 overall contamination, so the parties
8 agreed to cost share in this
9 situation."

10 Have I read that correctly?

11 MR. FRED MILLS: Yes, you have.

12 MS. PATTI RAMAGE: And -- and based on
13 the information that we have -- we have run through this
14 morning -- or this afternoon, that INAC had in its
15 possession a report one (1) year prior to funding, that
16 there was no -- there was a clear delineation between
17 sites, is this answer correct?

18 MR. FRED MILLS: Well, after reading
19 everything, I would say I probably misinterpreted the
20 information that I was provided.

21 MS. PATTI RAMAGE: Thank you, Mr. Mills.

22 MR. ROBERT MAYER: The short answer to
23 the question is "no"?

24 MR. FRED MILLS: That this answer is not
25 right? I misinterpreted what I was told. There probably

1 wasn't an agreement by the parties to cost share this at
2 that point in time because INAC hadn't -- hadn't said
3 that there was to Hydro. While INAC had made the
4 decision to seek the re -- the region had made the
5 decision to seek the funding, it hadn't informed Hydro at
6 that time, so -- so my last piece of that sentence is
7 obviously an error.

8

9 CONTINUED BY MS. PATTI RAMAGE:

10 MS. PATTI RAMAGE: In any event, Mr.
11 Shamattawa -- Mr. -- Mr. -- oh, Mr. Mills, can you
12 confirm that the documents we just went through, that the
13 commencements -- this process commenced January 16th,
14 2007 and was ultimate re -- ultimately not resolved until
15 September 2009? Is that correct?

16 MR. FRED MILLS: Yeah, I believe I
17 already confirmed that.

18 MS. PATTI RAMAGE: And if we can turn to
19 Attachment 4 in that same binder.

20 MR. FRED MILLS: Is that your binder?

21 MS. PATTI RAMAGE: That is the Manitoba
22 Hydro filing --

23 MR. FRED MILLS: Yeah, okay. I just want
24 --

25 MS. PATTI RAMAGE: -- Volume II.

1 MR. FRED MILLS: -- to make sure I got
2 the right binder.

3 MS. PATTI RAMAGE: I appreciate that. It
4 goes a lot faster if we're looking at the same page.

5 MR. FRED MILLS: Yeah, sort of, eh.
6 Okay.

7 MS. PATTI RAMAGE: Now with respect to
8 the Tadoule Lake tank farm, can you confirm there's no
9 agreement in place as yet regarding a contribution on
10 this project?

11 MR. FRED MILLS: I really can't. I
12 haven't had any discussions with INAC staff, but if you
13 say there's not an agreement, I can only agree with you.

14 MS. PATTI RAMAGE: That's better than my
15 husband.

16 Based on the letter that appears at
17 Attachment 4, can you confirm that a request for
18 contribution was made by Manitoba Hydro as early as July
19 20th, 2009?

20 MR. FRED MILLS: Yes, I can confirm that.

21 MS. PATTI RAMAGE: And based on the
22 contents of that letter, can -- can you confirm INAC's
23 understand -- or can you confirm that Manitoba Hydro has
24 advised that the permit for the current tank farm expires
25 December 31st, 2010?

1 MR. FRED MILLS: Yes.

2 MS. PATTI RAMAGE: And that the remainder
3 of the -- of the tank farm will not meet Manitoba
4 regulations as at 2012?

5 MR. FRED MILLS: Yes.

6 MS. PATTI RAMAGE: And would this be a --
7 a matter that would, based on that information, require
8 extensive consultation based on the fact that this tank
9 farm will not be able to be operational?

10 MR. FRED MILLS: I would guess -- I
11 wouldn't be able to answer that in total because I don't
12 know when you became aware that the permits would run out
13 on this, and the regulations changed.

14 If it was two (2) or three (3) down --
15 years down the -- prior to this that Hydro knew they had
16 to do this, then I would say there is no need for
17 emergency consultation at this point.

18 It should have happened -- consultation
19 should have happened prior -- prior to this, but because of
20 -- and I'm -- and I'm not trying to lay blame here. I'm
21 just saying I don't know when you first heard about it.

22 So if you knew that you had -- you had to
23 make this change three (3) years ago, that's when you
24 should have started the consultation process so that
25 money would have been in place this year to do the job.

1 And I assume by that you're saying it
2 started in 2009, and now it expires basically a year and
3 a half later. I don't know when the regulations changed,
4 so...

5 MS. PATTI RAMAGE: Nor do I, so we'll --
6 we'll leave that point.

7 Mr. Mills, do you recall -- and now -- now
8 I'm looking for your recollection here, although I -- I
9 can help you a little -- that in December 2008 our Mr.
10 Rob Cox called you to discuss a five (5) year capital
11 plan?

12 MR. FRED MILLS: I don't recall a phone
13 call. I recall an email from him, and I sent an email
14 back to him, and forwarded the email onto -- because I
15 was no longer lead on that file. I sent it on to the
16 INAC employee who was.

17 MS. PATTI RAMAGE: That's exactly what I
18 was expecting you to say.

19 If I could have you turn to Attachment 5
20 in that binder, that's Volume II of Manitoba Hydro's
21 binder.

22 MR. FRED MILLS: Okay.

23 MS. PATTI RAMAGE: And three (3) pages in
24 you'll see a letter dated August 25th, 2009, addressed to
25 Mr. Ron Payne from Mr. Cox.

1 MR. FRED MILLS: Yes.

2 MS. PATTI RAMAGE: And if I can read the
3 first sentence of that letter:

4 "As you are aware, over the past eight
5 (8) months I have been trying to
6 arrange a meeting with yourself and
7 Michael Anderson to discuss the
8 contribution agreements, and to review
9 our five (5) year capital plan for the
10 four (4) diesel communities. I have
11 not been successful in getting
12 available dates from Mr. Anderson. As
13 a result, I -- I thought it would be
14 appropriate to share with you the
15 planned capital projects for the
16 2009/2010 fiscal year."

17 Have I read that correctly?

18 MR. FRED MILLS: Yes.

19 MS. PATTI RAMAGE: Do you have any
20 knowledge yourself of why a meeting could not be arranged
21 over an eight (8) or nine (9) month period?

22 MR. FRED MILLS: No, I don't.

23 MS. PATTI RAMAGE: Mr. Anderson, if I
24 could take you now back to, in your mind -- Mr. Mills,
25 I'm going to -- I am sorry. Mr. Anderson is jumping in

1 to object.

2 Mr. Mills, back -- if I could take your
3 mind now back to 2006, during the course of the Tadoule
4 Lake discussions, do you recall Manitoba Hydro
5 circulating a document entitled "Contribution arrangement
6 process"?

7 MR. FRED MILLS: Yes, I believe there was
8 two (2) of them passed out, Draft 1 and Draft 3.

9 MS. PATTI RAMAGE: Good. That document
10 appears, for the record, in Volume II, Appendix 2,
11 Attachment 2. But rather than having parties have to dig
12 through that document, we've provided a copy of that
13 document. Do you have that in front of you?

14 MR. FRED MILLS: Yes, I do.

15

16 (BRIEF PAUSE)

17

18 MS. PATTI RAMAGE: And I see it's copied
19 in black and white, so it makes it a little more
20 difficult. Mr. Mills, in the -- can you tell me what
21 this document is or purports to be?

22 MR. FRED MILLS: I believe it's a
23 document prepared by Manitoba Hydro, and the title of it
24 is "A contribution arrangement process for projects
25 exceeding a hundred thousand dollars in the four (4)

1 diesel communities" and lays out a process.

2 MS. PATTI RAMAGE: Thank you. And if we
3 can look to the third box on -- on the original copy it's
4 in red -- or the top is in black, the bottom's in red,
5 but the third box reads:

6 "INAC/MKO advises Manitoba Hydro of
7 specific information required by PWGSC
8 engineers to complete technical
9 evaluation assessment rationalization
10 report for INAC."

11 And underneath that in -- in the original
12 in red, it says:

13 "Fred and Michael to prepare parallel
14 portion of this section."

15 Mr. Mills, can you tell me, was the
16 parallel portion of this section ever prepared?

17 MR. FRED MILLS: I do not recall. I
18 don't even recall that we were to prepare this until I
19 read this in your evidence. So -- it's some four (4)
20 years ago, and I've been not in the capital program for a
21 number of years, so, no, I don't recall.

22 I understand that we -- I mean, it
23 wouldn't have been in there if we weren't supposed to do
24 it. I don't believe one was prepared, but I don't recall
25 having to do that until I saw this document when I got

1 your Attachment 2.

2 MS. PATTI RAMAGE: Okay, thank you. And
3 would it be fair to say, looking at this document, that
4 the first step in the consultation process, at least
5 proposed by Manitoba Hydro, is to provide a five (5) year
6 capital plan? Is that correct?

7 MR. FRED MILLS: That's correct, but I
8 don't know that I would categorize this as a consultation
9 process. It's called a capital contribution process.

10 MS. PATTI RAMAGE: Mr. INAC -- Mr. Mills,
11 I just heard from you that we didn't hear back from you
12 on this process, so I'm wondering, if this isn't the
13 process, maybe you could explain why we didn't hear back
14 on -- on the process.

15 MR. FRED MILLS: I was just commenting,
16 you called it a -- a consultation process, and I talked
17 about in my direct about what a consultation process is.
18 And you asked me to read the title of this and it clearly
19 says that it's a contribution arrangement process. And
20 it's -- I see this more as an exchange of information
21 than a sharing of ideas.

22 But, yes, the process, contribution
23 process you have laid out here is supposed to start with
24 a five (5) year capital plan.

25 MS. PATTI RAMAGE: If I could then maybe

1 take you back to Mr. Wiens' email of November 29th, 2004.
2 It appears -- it's the second document in at Attachment 2
3 of Volume II. I think we've also distributed that piece
4 of paper separately, but you can also quite easily find
5 it at Attachment 2 as the second page in.

6 MR. FRED MILLS: Okay.

7 MS. PATTI RAMAGE: I'm sorry, we didn't
8 distribute that, so if you could turn to that. And if I
9 -- if I could place this specifically on the record by
10 saying, if you could confirm. This is an email from
11 Robin Wiens to yourself and Mr. Anderson, dated November
12 29th, 2004, which reads:

13 "Thanks for your reply, Fred. Can you
14 advise at all what timing is involved
15 in this review? Would it be
16 appropriate to send the letter to the
17 First Nations prior to your completion
18 of the review or not?

19 As you know, we haven't tried this
20 process before and we could have some
21 glitches, so we would appreciate
22 hearing your concerns as soon as
23 possible. The plan is to move the
24 generator into the community over this
25 winter to take advantage of the winter

1 roads."

2 Have I read that correctly?

3 MR. FRED MILLS: Yes, yes.

4 MS. PATTI RAMAGE: Would you agree that
5 this was not an invitation from Mr. Wiens to -- to work
6 collaboratively on developing a process to avoid glitches
7 and to -- and to get this kind of a -- to get the
8 consultation process underway?

9 MR. FRED MILLS: I would agree that it
10 was a process.

11 MS. PATTI RAMAGE: It was a process.
12 What --

13 MR. FRED MILLS: I wouldn't categorize
14 the information exchange on Tadoule Lake a consultation -
15 - a true consultation process. I thought I made that
16 clear during my direct on -- when we talk about to
17 Tadoule Lake.

18 Both MKO and INAC made suggestions which
19 may or may not have reduced the cost, but we seemed to be
20 shut out. Those options weren't considered, and INAC and
21 MKO wouldn't -- didn't know whether or not these were --
22 these were valid options or not. There was just,
23 basically, a flat, no.

24 You had an eight fifty-five (855) in
25 stock, you went ahead and installed it, and then charged

1 INAC for it and the First Nations for it, without --
2 without consulting or -- or listening to our -- or
3 listening to our -- our options that we had presented,
4 which we considered were valid options.

5 MS. PATTI RAMAGE: Mr. Mills, there --
6 unless I am missing something, is there anything on the
7 record where INAC or MKO has proposed a consultation
8 process other than that that has been put on the record
9 by Manitoba Hydro?

10 MR. ROBERT MAYER: Before today --

11 MS. PATTI RAMAGE: Before today.

12 MS. GLYNIS HART: Would you please
13 identify what consultation process you're referring to.
14 Mr. Mills has clearly said if you're looking at the
15 diagram that it was a contribution arrangement. What --
16 could you identify what the consultation process is.

17

18 CONTINUED BY MS. PATTI RAMAGE:

19 MS. PATTI RAMAGE: I will call that
20 diagram Manitoba Hydro's proposed consultation process if
21 -- has anything else been proposed by INAC in response to
22 either that document or Mr. Wiens' general invitation to
23 try to work with this new process? Have -- have the
24 parties proposed anything to Manitoba Hydro?

25 MR. FRED MILLS: Not to my recollection.

1 But my understanding and interpretation of the minutes of
2 settlement it's the responsibility of Manitoba Hydro to
3 do the consulting, not of INAC to do the consulting --
4 well, or MKO. They are parties to the consultation, but
5 certainly not to initiate it. We don't know when you're
6 going to start a project or where you're at in your five
7 (5) year capital plan and that stuff, so how can we
8 initiate a consultation process?

9 MS. PATTI RAMAGE: I didn't ask about
10 initiating the process. I asked about developing the
11 process.

12 MR. FRED MILLS: I think we -- probably
13 the three (3) groups -- and I won't want to speak for MKO
14 -- but I think we could get together and develop a
15 consultation process that satisfact -- because I really
16 think what the problem here is that we have differing
17 opinions of what consultation is and means and I think we
18 need to -- to sort that out. And that's probably the
19 first thing we should do once the settlement agreement is
20 signed.

21 MS. PATTI RAMAGE: Okay. Thank you, Mr.
22 Mills.

23 MS. MARY ANN THOMPSON: Sorry to
24 interrupt, Patti, but just for -- to assist us. Could
25 you remind us again as to which document reference number

1 you were looking at when you read that email of Mr.
2 Wiens.

3 MS. PATTI RAMAGE: Mr. Wiens' email was
4 November 29th, 2004 and it appears as the second document
5 in -- on Attachment 2, in Volume II of Manitoba Hydro's
6 filing.

7 MR. ROBERT MAYER: And we received it as
8 a separate handout this afternoon.

9 MS. MARY ANN THOMPSON: No, not there.
10

11 CONTINUED BY MS. PATTI RAMAGE:

12 MS. PATTI RAMAGE: Okay. And on my --
13 just to finish up. And I'm not sure if I'm using the
14 right -- oh, I'll wait till you're ready for me.

15 DR. KATHI AVERY KINEW: Ms. Ramage, could
16 you tell me the date of this propos --

17 MS. PATTI RAMAGE: Yes. It was attached
18 to -- there's two (2) drafts of it in the filing in
19 Volume II, Appendix 2. It was attached -- Draft 1 was
20 attached to an email dated February 28th, 2006. Draft 2
21 was attached to an email, dated March 20th, 2006, for
22 review at a meeting of March 21st, 2006. And those are
23 all contained in Appendix 2, the documentation.

24 MR. ROBERT MAYER: Okay. What we have is
25 Draft 3 so --

1 MS. PATTI RAMAGE: Draft 3. We gave you
2 the latest draft. That was the March 20th, 2006 draft.

3

4 (BRIEF PAUSE)

5

6 CONTINUED BY MS. PATTI RAMAGE: MS.

7 PATTI RAMAGE: Okay, Mr. Mills, you have client groups
8 in the community of Brochet, is that correct? And,
9 oh, am I using the right term, calling them "client
10 groups"?

11 MR. FRED MILLS: Well, we call them
12 clients. Sorry, we call them clients.

13 MS. PATTI RAMAGE: And your client groups
14 in Brochet receive electric service, is that correct?

15 MR. FRED MILLS: Yes, we believe they do.

16 MS. PATTI RAMAGE: And within INAC's
17 complex funding formula, there's a component which is
18 intended to assist your client groups in that community
19 in paying for the electricity service they receive.

20 Is that correct?

21 MR. FRED MILLS: That's correct.

22 MS. PATTI RAMAGE: And the electric
23 service provided to your client groups in Brochet is
24 diesel electric service.

25 Is that correct?

1 MR. FRED MILLS: Yes, I believe so.

2 MS. PATTI RAMAGE: And you'd accept,
3 subject to check, that diesel electric service has been
4 available in Brochet since 1965?

5 MR. FRED MILLS: Subject to check.

6 MS. PATTI RAMAGE: And to the best of
7 your knowledge, the client groups in Brochet receive the
8 same level of service at the same rates as -- as are
9 applicable to non-First Nation customers in the same
10 customer class in that community?

11 MR. FRED MILLS: I believe so.

12 MS. PATTI RAMAGE: Thank you.

13

14 (BRIEF PAUSE)

15

16 MS. PATTI RAMAGE: If you could turn now
17 to page 11 of Manitoba Hydro's rebuttal evidence.

18

19 (BRIEF PAUSE)

20

21 MR. FRED MILLS: I have that page.

22 MR. MICHAEL ANDERSON: Sorry, Ms. Ramage,
23 which page?

24 MS. PATTI RAMAGE: That's page 11.

25 MR. MICHAEL ANDERSON: Thank you.

1 (BRIEF PAUSE)

2

3 MS. PATTI RAMAGE: If I could just have a
4 moment, I'm looking for a reference. And I have it --

5 THE CHAIRPERSON: While Ms. Ramage is --
6 while Ms. Ramage was looking for that, Mr. Mills, just in
7 case I'm confused, I just want to understand something.
8 When, quite some time ago, about twenty (20) minutes ago
9 or so, you were talking about the tank farm, and you were
10 making a point that when did they find out there was, you
11 know, a problem that it -- it wouldn't be, if you like,
12 like certified or licensed after a certain date.

13 Just for the understanding, let us -- I
14 have no idea about the details of all this. But let's
15 assume for a minute that Manitoba Hydro didn't inform
16 INAC, okay, they -- they just missed, okay, and then they
17 caught it later, that -- that can actually affect their
18 funding?

19 MR. FRED MILLS: It would -- it -- it
20 would -- if the decision was made to fund it, we would
21 have to go to Hydro and say, you know what, we can't fund
22 it this year, although you want to do the work this year;
23 it would have go down in the year three (3) or four (4)
24 of our plan. That's -- that's the kind of impact that it
25 would be.

1 THE CHAIRPERSON: Well, what I was
2 wondering --

3 MR. FRED MILLS: As opposed to whether or
4 not we would fund it is -- is a -- is -- is a different
5 story but --

6 THE CHAIRPERSON: But what I meant was
7 this, Mr. Mills, and correct me if I misunderstand it --
8 understanding it, and actually part of the whole process
9 is to help us to make sure we do understand it.

10 Let's imagine for a minute that they made
11 a mistake. I have no idea if they did or didn't, okay.
12 So you found out about it late, okay. But to be licensed
13 properly they had to go ahead with the project, okay.
14 Can INAC, recognizing that fact and knowing that you
15 can't fund it that year because it's not in your budget,
16 okay, can you potentially catch up later?

17 MR. FRED MILLS: For sure we could.

18 THE CHAIRPERSON: Thank you.

19 MR. FRED MILLS: Yeah. In fact, we did
20 with Tadoule Lake. Tadoule Lake gener -- generation set
21 was finished in 2006, I think, or '05, and we funded it
22 in '07.

23 THE CHAIRPERSON: Thank you.

24

25 CONTINUED BY MS. PATTI RAMAGE:

1 MS. PATTI RAMAGE: Okay. Now, without
2 requiring you to flip more pages, I'm going to read into
3 the record your response to Manitoba Hydro, INAC-8B. And
4 that question asked:

5 "With respect to the capital projects
6 referenced in part A..."

7 And those capital projects, just for the
8 record, were the Brochet soil remediation and Shamattawa
9 powerhouse modifications:

10 "...please identify which, if any, were
11 undertaken and/or completed without the
12 knowledge of INAC."

13 MS. GLYNIS HART: Could you just wait one
14 (1) moment, please.

15 MS. PATTI RAMAGE: Oh, okay.

16 MS. GLYNIS HART: We're just still trying
17 to find the information.

18 MS. PATTI RAMAGE: Oh, okay. I didn't
19 think -- I was just going to read it and then move on, so
20 --

21 MS. GLYNIS HART: Okay.

22 MS. PATTI RAMAGE: -- it was just for
23 context.

24

25 CONTINUED BY MS. PATTI RAMAGE:

1 MS. PATTI RAMAGE: The response was:
2 "All of them were undertaken and/or
3 completed without INAC's knowledge."
4 Do you recall that response?

5 MR. FRED MILLS: I recall that response,
6 yes.

7 MS. PATTI RAMAGE: Now we're at page 11
8 of Manitoba Hydro's rebuttal evidence and, at page 11,
9 that begins a series of correspondence between Manitoba
10 Hydro and INAC with respect to the Brochet diesel
11 generating site. Is that correct?

12 MR. FRED MILLS: Correct.

13 MS. PATTI RAMAGE: And that
14 correspondence, on the first page, is dated September
15 23rd, 1998. Is that correct?

16 MR. FRED MILLS: I must be on a different
17 page then. Hang on a sec. Okay. Thank you. I was one
18 (1) over. Yes.

19 MS. PATTI RAMAGE: And the next page,
20 also a letter from Manitoba Hydro to INAC, dated February
21 8th, 2000. And again, the reference there is the Brochet
22 former diesel generating site soil remediation file.

23 Have I read the reference and the date
24 correct in that letter?

25 MR. FRED MILLS: Yes.

1 MS. PATTI RAMAGE: And on page 4 of 5, we
2 have a letter from Manitoba Hydro to Mr. Martin Egan of
3 INAC dated June 21st, 2002. And again the reference and
4 sub -- the topic is Brochet former hydro diesel
5 generating station soil remediation project.

6 Is that correct, that that's what that
7 letter is about?

8 MR. FRED MILLS: That's correct.

9 MS. GLYNIS HART: Ms. Ramage, one (1)
10 moment. Could you please allow us to go back and look at
11 the IR that you've just read, the response to it, to look
12 at the question and the answer, just so we can clarify
13 that? We feel we've moved on without knowing which part
14 --

15 MS. PATTI RAMAGE: Certainly.

16 MS. GLYNIS HART: -- that you're exactly
17 --

18 MS. PATTI RAMAGE: It was --

19 MS. GLYNIS HART: -- talking about.

20 MS. PATTI RAMAGE: -- INAC-8B.

21

22 (BRIEF PAUSE)

23

24 MS. GLYNIS HART: Sorry. Was that

25 Manitoba Hydro/INAC-HB --

1 MS. PATTI RAMAGE: That's correct.

2 MS. GLYNIS HART: -- 8B? Thanks.

3

4 (BRIEF PAUSE)

5

6 MS. GLYNIS HART: We'd just like to go
7 back to 8A to see exactly which projects it is Mr. Mills
8 is referring to in 8A.

9 MS. PATTI RAMAGE: If it's of help, I can
10 read the response to 8A, or it indicates it's the Brochet
11 soil remediation and the Shamattawa powerhouse
12 modifications.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRPERSON: What are we waiting
17 for?

18 MS. GLYNIS HART: I -- I think we're
19 trying to determine which projects you're speaking of.

20 THE CHAIRPERSON: Ms. Ramage, can you
21 help out?

22

23 CONTINUED BY MS. PATTI RAMAGE:

24 MS. PATTI RAMAGE: I was referring to
25 MH/INAC-8, in which the question was with respect to the

1 capital projects referenced in response to part A. And
2 when I look at part A, part A says:

3 "Two (2) major capital projects for
4 which INAC is not aware of any
5 consultation, the Brochet soil
6 remediation and Shamattawa powerhouse
7 modifications."

8 But the part B question, which does not
9 refer to consultation, was referencing a statement made
10 in INAC's pre-filed evidence, and it asks:

11 "With respect to those capital
12 projects, please identify which, if
13 any, were undertaken and/or completed
14 without the knowledge of INAC."

15 To which INAC's response was:

16 "All of them were undertaken and/or
17 completed without INAC's knowledge."

18 MS. GLYNIS HART: Right, and we're
19 looking at that word "knowledge" versus consultation and
20 whether there is a misinterpretation on that and whether
21 the -- the knowledge, that it's not consult --

22 MS. PATTI RAMAGE: The -- the -- I -- I
23 would suggest A refers to consultation.

24 MS. GLYNIS HART: Right, to say that --

25 MS. PATTI RAMAGE: B is knowledge.

1 MS. GLYNIS HART: Thank you. Thank you.
2 I see the change from consultation in A to the -- to
3 knowledge in B. Thank you. We'll respond.

4

5 CONTINUED BY MS. PATTI RAMAGE:

6 MS. PATTI RAMAGE: Okay. And then I was
7 moving over to -- we've run through several documents,
8 letters from Manitoba Hydro to INAC regarding funding of
9 the Brochet soil remediation project. And I was just
10 going to get to one (1) last document, and that was -- I
11 wanted to ask, Mr. Mills, are you aware that both INAC
12 and MKO were provided a copy of Manitoba Hydro's October
13 2006 Rate Application to this Board?

14 MR. FRED MILLS: I know that INAC was
15 provided a copy of it. I don't know that MKO was. I
16 can't answer for MKO, if they received one.

17 MS. PATTI RAMAGE: Would you accept,
18 subject to check, that Manitoba Hydro, on Thursday,
19 October 12th, forwarded by email a copy of that
20 application to counsel for MKO and counsel for INAC?

21 MR. FRED MILLS: Did -- is the email part
22 --

23 MS. PATTI RAMAGE: That email is not part
24 of the proj -- the -- the filing. I can distribute that
25 email if necessary, but --

1 MR. FRED MILLS: I can't --

2 MS. PATTI RAMAGE: -- if you'd accept it
3 subject to check.

4 MR. FRED MILLS: I can't confirm that
5 INAC received it if you sent it to our counsel, that we
6 actually received it ourselves.

7 MS. PATTI RAMAGE: The representative of
8 INAC received that application.

9 MS. MARY ANN THOMPSON: I'm sorry, can
10 you just remind us, which filing?

11 MS. PATTI RAMAGE: That was the, let's
12 see, October 2006 Rate Application.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRPERSON: It's causing them
17 difficulty, Ms. Ramage. Would you just accept an
18 undertaking on that point, or is it critical for your --

19 MS. PATTI RAMAGE: It's not at all.
20 That's why I was saying accept subject to check, or an
21 undertaking if they would like to check that they have
22 that. And maybe also by way of undertaking if they could
23 confirm that in that rate applica -- that rate
24 application refers to capital expenditures, to which
25 capital contribution will have to be made, failing which

1 they will be included in rates.

2 That can be found at, just to move things
3 along, at page 7 of that application. And included in
4 the reference is the Brochet soil remediation project.

5 THE CHAIRPERSON: Since -- since we're
6 coming back, if you could take that as a undertaking,
7 it'll probably move us on this afternoon.

8 MS. GLYNIS HART: Yes, we will. Thank
9 you.

10

11 --- UNDERTAKING NO. 24: INAC to confirm that Manitoba
12 Hydro, on Thursday, October
13 12th, forwarded by email a
14 copy of the 2006 Rate
15 Application to counsel for
16 MKO and counsel for INAC

17

18 MR. MICHAEL ANDERSON: Mr. Chair, there's -
19 - I -- I'm sort of in between matters that are dealing
20 with me, and -- and we'll figure out some way to respond,
21 perhaps in my summation, but hopefully for the assistance
22 of everyone, I can confirm that I have a copy of the
23 October 26th diesel rate application that was forwarded
24 to me by counsel for MKO. Thank you.

25

THE CHAIRPERSON: Thank you, Mr.

1 Anderson. Ms. Ramage...?

2 MS. MARY ANN THOMPSON: I'm sorry, just
3 before we finish on this point.

4 Ms. Ramage, can you just give me the date
5 again, and the parties to the email that you described?

6 MS. PATTI RAMAGE: This is an email dated
7 October 12th, 2006. It's from myself, and it's to Jackie
8 Collins as counsel for MKO, and Mary Ann Thompson as
9 counsel for INAC.

10 MS. MARY ANN THOMPSON: Thank you.

11 MS. PATTI RAMAGE: I'm on my last piece.
12 Only a minute or two (2).

13 MR. ROBERT MAYER: As are we.

14 MS. PATTI RAMAGE: Yeah.

15

16 CONTINUED BY MS. PATTI RAMAGE:

17 MS. PATTI RAMAGE: With respect to your
18 comments regarding fall protection this afternoon, Mr.
19 Mills, are you aware that Manitoba Hydro hires people
20 from the diesel communities to -- to climb those ladders
21 approximately every two (2) weeks to do a dip, and check
22 the fuel levels?

23 MR. FRED MILLS: No, I'm not aware who
24 does that on Hydro's behalf. No, I was not aware.

25 MS. PATTI RAMAGE: Are you aware that in

1 addition to those, I think you called them dips, and that
2 seems a good name for me, I -- I doubt it's the technical
3 name, but there are also other required procedures, such
4 as performing routine visual inspections, on the top of
5 those tanks that must be completed?

6 MR. FRED MILLS: No, I'm not aware of
7 what needs to take place on tanks. I only went by the
8 information that was provided me by Hydro.

9 MS. PATTI RAMAGE: Mr. Mills, are you
10 aware that the community of Shamattawa uses floats,
11 something like what you described, to determine their
12 fuel levels?

13 MR. FRED MILLS: No. No, I wasn't.

14 MS. PATTI RAMAGE: Would you then -- are
15 you prepared to accept, though, that in addition to those
16 fuel levels, visual inspections must be conducted on
17 Shamattawa's tanks, and as such, a fall -- make sure I've
18 got -- fall arrest system is also in place in that
19 community, even though it has those types of floats?

20 MR. FRED MILLS: I don't know that one's
21 in the place. I've never seen those tanks. If there --

22 MS. PATTI RAMAGE: So that isn't your --

23 MR. FRED MILLS: -- but if there's a
24 requirement for one (1), I don't -- if there's a
25 requirement to do more than dips, I don't think we have a

1 problem with fall protection.

2 I think the -- the issue was the
3 discussion about it, not that -- not the fact that it's
4 required or not required, and the initial information
5 that I got was at this hearing, that was for dipping
6 tanks. If there's other requirements, I was not aware of
7 that.

8 MS. PATTI RAMAGE: Okay. Thank you, Mr.
9 Mills. That's all of my questions.

10 THE CHAIRPERSON: Thank you, Ms. Ramage.
11 The Vice-Chair has a point to raise, and then I'm going
12 to make some remarks before we adjourn.

13 MR. ROBERT MAYER: Mr. Mills, and the
14 reason I want to ask the question -- or want to deal with
15 this now is hopefully you'll have the information for us
16 when we get back.

17 Schedule A of your evidence is a
18 transcript of former proceedings.

19 MR. FRED MILLS: Yes.

20 MR. ROBERT MAYER: I would like to refer
21 you to pages 4425 to 4429, 4425 is the start of a
22 conversation between you and I resulting in an
23 undertaking given at 4429 respecting the previous --
24 respecting the previous agreements that certain commu --
25 that INAC and Hydro had certain contracts for the

1 provision of power.

2 I had asked you at that time, if I recall
3 correctly -- actually, it shows in the transcript, when
4 INAC cancelled those agreements because they require --
5 they had a six (6) month notice clause in them, I had an
6 undertaking at that point in time for Mr. Craig Henderson
7 to provide the information regarding the dates of
8 terminations of the agreements, as you can see there.
9 I'm informed by our counsel we never got that
10 information.

11 And now, I can understand that in light of
12 the fact that at that time you were called as an INAC
13 witness -- oh no, right -- sorry, as an -- as a MKO
14 witness, but you were represented by counsel from the
15 Department of Justice, so there may have been some
16 confusion as to who exactly had -- gave the undertaking.

17 Can we get that information between now
18 and the next time we come back?

19 MR. FRED MILLS: I can tell you that that
20 information was provided. And from my recollection -- it
21 may not have been provided to the Board, I don't know, I
22 provided it to counsel. If -- my recollection of
23 research of our files there were three (3) -- four (4),
24 supposedly four (4) agreements. I don't know that I
25 could find them all, but I could only find one (1) letter

1 of termination.

2 And I do brought -- I did bring a copy to
3 me (sic) because you did -- today, because you did
4 mention it very early on, I believe the first day of
5 proceedings, you talked something about the lack of an
6 undertaking not being undertaken.

7 MR. ROBERT MAYER: Right.

8 MR. FRED MILLS: And I assumed that was
9 the one you were talking about.

10 MR. ROBERT MAYER: That's -- I --

11 MR. FRED MILLS: So, I do have a copy of
12 the letter from Manitoba Hydro to Indian Affairs
13 terminating the Agreement.

14 THE CHAIRPERSON: We'll make a -- a copy
15 of that. Thank you very much, Mr. Mills.

16 MR. ROBERT MAYER: And that is the only
17 termination letter --

18 MR. FRED MILLS: That's the only one I
19 could find. I don't know -- recall finding all the --
20 all the agreements either.

21 MR. ROBERT MAYER: We had some difficulty
22 sorting that out too, Mr. Mills, which is why I thought
23 you might --

24 MR. FRED MILLS: Yeah.

25 MR. ROBERT MAYER: -- be able to assist.

1 MR. FRED MILLS: No. I -- I do recall
2 searching the files for termination letters, and I do
3 recall that was the only one that I could find, and that
4 was -- like, 2002 or something.

5 MR. ROBERT MAYER: Thank you.

6 THE CHAIRPERSON: Ms. Shields is copying
7 the material and she'll distribute it and have an exhibit
8 number. Mr. Peters --

9 MR. BOB PETERS: INAC Number 7 would be
10 my suggestion.

11 THE CHAIRPERSON: Very good.

12 MR. BOB PETERS: I believe that's the
13 next one in line.

14 THE CHAIRPERSON: Okay. Well, thank you
15 all for your -- your patience. For --

16 MS. GLYNIS HART: I just have one (1)
17 point in re-direct for Mr. Mills, if that would be okay.

18 THE CHAIRPERSON: We still have Mr.
19 Peters' cross.

20 MS. GLYNIS HART: I'm sorry.

21

22 (WITNESS RETIRES)

23

24 THE CHAIRPERSON: Thing -- things have
25 been moving -- moving ahead but a little -- little bit

1 slower than we all anticipated originally when we were
2 setting up the days.

3 Anyway, ladies and gentlemen, while --
4 while the Hearing will obviously take longer to conclude
5 than we initially scheduled, that is not necessarily a
6 negative development. To go - and I'll rely on Mr.
7 Peters to correct me if I misstate something - to go we
8 have PUB counsel's cross of Mr. Mills; and then we have
9 re-direct by INAC's counsel; we have Mr. Hildebrand's
10 evidence and then the cross of that; we have the time
11 with the tabling in-camera of the Tentative Settlement
12 Agreement and time for that. We also are planning,
13 through Mr. Anderson, a session potentially, with the
14 Chiefs from the -- the four (4) communities, four (4)
15 First Nations.

16 MR. MICHAEL ANDERSON: Yes -- yes, Mr.
17 Chair, we've already made inquiries about setting that in
18 place.

19 THE CHAIRPERSON: And perhaps we may
20 make arrangements with another party with respect to
21 certain research. And then, of course, we have closing
22 statements themselves.

23 The Board has had the benefit of full
24 involvement of the Intervenors, including INAC, CAC/MSOS,
25 and MKO and we thank all parties there. Previously,

1 involvement has been limited due to the interim and some
2 times ex-parte nature of the diesel zone applications
3 over the last six (6) years, but it is apparent now that
4 additional time is required to concluded this matter and
5 I believe that we've arranged for -- is it three (3)
6 days, Mr. Peters?

7 MR. BOB PETERS: Yes, it is, Mr.
8 Chairman. I can now confirm that having heard from
9 Manitoba Hydro, CAC/MSOS, INAC, MKO, that they are
10 available and plan to attend in this hearing room on
11 November 22nd, 23rd, and, if necessary, the 24th.

12 THE CHAIRPERSON: And I'll leave it with
13 you to work with the parties to determine when Mr.
14 Hildebrand comes, just so we don't waste his time and --
15 and costness (sic) needlessly.

16 One (1) week before we reconvene, parties
17 are invited to provide written submissions to the Board,
18 copied to other parties. I'll explain a bit more now.

19 Those written submissions should address
20 whatever topic you or your client want to provide
21 submission on, and the Board has heard that several
22 parties want to provide written submission on issues that
23 the Board raised on pages 46 and 47 of the transcript.

24 In addition to the specific issues already
25 mentioned by the Board, the parties are, and have been,

1 invited to be creative in providing options to the Board
2 for addressing electricity rate issues.

3 To assist the parties in assisting the
4 Board, we thought it might be helpful if the Board
5 outlined topics and issues that the Board would
6 appreciate the parties addressing in either, or both,
7 written and oral submissions.

8 These topics and options would a) on the
9 application as it stands; (b) on the prospect of certain
10 alternative approaches; and c) on the question of
11 obligations pursuant to statutes, including the Manitoba
12 Hydro Act, the Indian Act and the Constitution.

13 With respect to c), on the obligation to
14 serve; on social, economic and environmental aspects; on
15 costs in general incurred by First Nations and non-First
16 Nation -- Nations members; on legal obligations to fund
17 First Nations' electricity costs; ethical obligations to
18 fund First Nations' electrical costs; and the duty to
19 consult.

20 As to the constitutional considerations,
21 the Board will ask Board counsel to notify the provincial
22 Department of Justice of the Board's request, and to
23 advise submissions from legal counsel for the province.

24 As to alternative approaches, we again
25 encourage and invite creativity. In general, the pre-

1 2004 financial obligations have been paid, or are being
2 paid, by the parties.

3 It seems that the capital costs between
4 2004 and the present day have not been reimbursed by INAC
5 through to Manitoba Hydro. It seems that the future
6 capital expenditures funding post-2010, if not to be
7 incurred, also appears on a shaky foundation; likewise,
8 the accumulated operating deficit post-2004, which grows
9 at an alarming rate.

10 So will you please provide us with your or
11 your client's options to resolve these issues? Such
12 alternative options could include:

13 a) put all costs back into rates with no
14 diesel costs of service outside the rate-setting process;

15 b) assume INAC pays its capital share
16 pursuant to the tentative settlement agreement, and
17 delete depreciation and interests costs on post-TSA
18 capital expenditures;

19 c) do not transfer provincial accounts to
20 general service customer class, leave the status quo with
21 respect to provincial accounts;

22 d) take the tail block rate on consumption
23 over two thousand (2,000) kilowatt hours for non-
24 residential customer classes to fifty-nine (59) cents,
25 not forty-five (45) cents, that to reduce the burden on

1 grid customers;

2 e) grid rates for all customers except for
3 the Federal Government and First Nation education
4 accounts, with Federal Government and First Nation
5 education accounts to meet all deficits through premium
6 or surcharge; and

7 f) finally, any other options that you may
8 want to be considered.

9 Returning to main headings, we also seek
10 comments and ways and means to improve communications and
11 consultations between and amongst all parties. Perhaps a
12 new approach is needed, perhaps nought is needed, and
13 should involve agreed-upon protocols and criteria.

14 Complete understanding of the processes of
15 the other party or parties by the counterparty or --
16 parties seems to be required. And we also seek comment
17 on prospects and implications for all parties, financial,
18 social, environmental, et cetera, aspects pursuant to the
19 application as it is and as it may be amended with
20 respect to alternative approaches.

21 And in taking that particular approach,
22 please take into account the prospects of population
23 increase, ongoing and improved DSM, health and welfare of
24 the community, and other provincial and Federal costs
25 associated with the communities.

1 We would also like to consider the need,
2 if there is a need, for additional studies with respect
3 to economic, social, and environmental matters, inclusive
4 possibly of forecast, et cetera, by independent experts.

5 With respect to an alternative approach of
6 grid rates for all customers with the Federal Government
7 and First Nation education accounts to pick up resultant
8 deficits one would have to consider the need for capacity
9 increases with all the implications that would come with
10 that.

 We would also like you to consider the
11 question as to whether PUB should set final rates and
12 review and possibly amend one (1) year hence, or earlier
13 if circumstances warrant such action. In regard to final
14 rates, will INAC and/or First Nations seek a return of
15 moneys already paid if the rates are made final.

16 And the Board would appreciate and
17 anticipate the filing of such written submissions one (1)
18 week before the date for oral presentation. I've
19 commented already on the need for additional dates, and I
20 think we've gone through all of that.

21 When we hear from Mr. Anderson's panel, if
22 I can call it that, from First Nations chiefs, we would
23 be interested in knowing the social economic conditions
24 and prospects for the First Nations and their
25 communities, the current electrical service pros and

1 cons, and what would be the impact if the service was
2 greater than 60 amps.

3 As to the increase of service from 60 amps
4 to either a hundred or two hundred (200) amp diesel
5 service, Manitoba Hydro would best provide its estimates
6 of costs and revenues using the assumptions that come
7 from actual experience from the last time communities
8 moved from diesel service to grid service, seven (7) of
9 which are referenced in tab 18 of Board counsel's book of
10 documents.

11 I know this is a lot, and you can pick it
12 up from the transcript and you can -- as to the
13 arrangements and submissions, you can talk to Mr. Peters.
14 I want to thank each and all of you. Unless there are
15 questions of clarification, we will stand adjourned.

16 Should questions of clarification arise
17 subsequent to review of your transcript, we recommend
18 that you correspond with Ms. Shields or Mr. Singh, so.

19 MR. MICHAEL ANDERSON: I have one (1)
20 small piece of information to provide the Vice-chair.
21 According to Google Earth, it's 80.13 kilometres between
22 Lac Brochet and Brochet.

23 MR. ROBERT MAYER: Thank you.

24 MR. MICHAEL ANDERSON: You're welcome.

25 MS. PATTI RAMAGE: If I could -- I was

1 just looking for clarification. As I understand from
2 Board counsel, we'll be reconvening -- I believe it's
3 November 22nd, 23rd, and 24th. This written argument is
4 due one (1) week prior to oral arguments. I, therefore,
5 assume oral arguments are going to be scheduled after the
6 completion of evidence as opposed to the written
7 arguments coming in before evidence?

8 THE CHAIRPERSON: Mr. Peters, can you
9 help us on this point?

10 MR. BOB PETERS: My understanding is some
11 parties were intending to provide written submissions,
12 and the Chairman has now invited further comments that we
13 will review on the transcript.

14 And I would suggest that that written
15 submissions be filed approximately November 14th because
16 we're back here on the 22nd, 23rd, and 24th. And when it
17 comes time for oral submissions to close off the hearing,
18 those oral hearings could, I suppose, address any other
19 party's written submissions if you have comments.

20 MS. PATTI RAMAGE: I'm -- I'm just a
21 little concerned with that process because we haven't
22 heard from Mr. Hildebrand yet.

23 THE CHAIRPERSON: Yes, it has been a
24 complex and somewhat convoluted approach we grant. Mr.
25 Peters, I imagine you'll be speaking to your colleagues

1 in the near future.

2 MR. BOB PETERS: Yes, we'll discuss that,
3 yeah.

4 THE CHAIRPERSON: Okay, with that --

5 MR. ROBERT MAYER: I -- I've been -- I
6 was taught a long time ago that don't prepare your
7 argument before you've heard all the evidence because you
8 may look like a fool, so I've avoided that for a long
9 time, hopefully, being called a fool and preparing my
10 argument too early, but certainly the -- the issue of the
11 constitutional questions, and -- and the different
12 proposals that we're inviting opinion and comment on,
13 that we probably would like to see ahead of time.

14 I don't think we can ask you to -- give
15 your -- any written arguments on conclusions base -- that
16 are going to be required based on evidence.

17 THE CHAIRPERSON: No, that -- that is
18 certainly true. So with that, confused as it may be, we
19 stand adjourned. We'll see you back in approximately a
20 month. I lost a month somehow in there.

21

22 --- Upon adjourning at 4:52 p.m.

23

24

25

1 Certified correct,

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7 Cheryl Lavigne, Ms.

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