

MANITOBA PUBLIC UTILITIES BOARD

Re: CITY OF WINNIPEG
WATER AND SEWER HEARING

Before Board Panel:

Susan Proven	- Board Chairman
Monica Girouard	- Board Member
Raymond Lafond	- Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
December 20, 2011
Pages 255 to 452

APPEARANCES

Bob Peters) Board Counsel
Denise Pambrun) City of Winnipeg

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KELLY KJARTANSON, Affirmed	
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--- Upon commencing at 9:35 a.m.

THE CHAIRPERSON: Anyway, I'm turning this over -- today, welcome back, and we hope to finish today, and I'll turn to Mr. Bob Peters to find out just exactly what's going to happen today.

MR. BOB PETERS: I -- I hear the -- the Board Chair's wishes, and maybe commands, and I'll do my best to -- to move things along, and we'll see how we go.

CITY OF WINNIPEG PANEL RESUMES:

CYNTHIA WIEBE, Previously Affirmed
 KELLY KJARTANSON, Previously Affirmed
 GEOFFREY PATTON, Previously Affirmed
 MOIRA GEER, Previously Affirmed
 WANDA BURNS, Previously Affirmed
 DUANE GRIFFIN, Previously Affirmed
 ARNOLD PERMUT, Previously Affirmed

CONTINUED CROSS-EXAMINATION BY MR. BOB PETERS:

MR. BOB PETERS: Madam Chair, Board members, witnesses, in the blue bind-- in the blue binder which we've called the PUB book of documents,

Tab 2, page 83, we looked at the statement of operations for the water works system. And Ms. Geer was kind enough to provide us with most of the City's answers related to that. I'd like to just start there this morning. And I say page 83, that's the top right-hand corner under Tab 2.

(BRIEF PAUSE)

MR. BOB PETERS: Ms. Geer, you've located that?

MS. MOIRA GEER: Yes, I have.

MR. BOB PETERS: And the transfer, when we go down the statement of operations, we -- we talked about the \$83 million of rate revenues. We talked about the \$66 million of expenses. And then the surplus from operations was divided into transfers into other funds, as well as a net surplus, correct?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And the transfer to other funds, would that be correct to say that is a transfer into one (1) fund, and that is the water main renewal fund?

MS. MOIRA GEER: That is correct. It's -- if -- if you look at the financial statement, there is a note reference.

MR. BOB PETERS: Note 12.

MS. MOIRA GEER: Note 12, which shows that it is the transfer to the water main renewal reserve.

MR. BOB PETERS: And for the Board's edification, on page 90, nine zero (90), of Tab 2, that's the note 12 to the financial statements that Ms. Geer was referring to. It provides a narrative, and then it also shows in chart form that there was a \$12 million transfer to the water main renewal reserve.

Correct, Ms. Geer?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: Now, Ms. Geer, if nine (9) -- if 12 million went to the water main renewal fund, where did the \$9.4 million surplus go that remained after that?

MS. MOIRA GEER: The 9.4 million surplus is accumulated in the accumulated surplus.

MR. BOB PETERS: And on that topic, if the Board turns to page 89 and looks at note number 9 in Tab 2, the Board will see the accumulated surplus is broken down in chart form either into a

contribution in investment and tangible capital assets, or else in retained earnings, correct?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And the tangible capital assets related to the waterworks system are only waterworks-tangible capital assets.

Is that also correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And retained earnings, maybe I was too flippant yesterday, not meaning to be, but the \$66 million of retained earnings, is it -- is it cash in the bank?

MS. MOIRA GEER: Primarily, a mi -- it's -- it's attributable to anything that's not related to the capital asset base.

MR. BOB PETERS: That, to me, means it's very liquid and probably cash.

MS. MOIRA GEER: Pardon me?

MR. BOB PETERS: Does that mean it's very liquid and it's cash?

MS. MOIRA GEER: Partially, yes.

MR. BOB PETERS: And partially what?

MS. MOIRA GEER: There's --

MR. BOB PETERS: I'm not -- I'm not understanding what else could be in the retained earnings account.

MS. MOIRA GEER: The re -- the retained earnings is also the -- I mean, there's the capital assets, but there's also debt on the books as well. But it would be primarily current assets and liabilities that would form that retained earnings.

MR. RAYMOND LAFOND: Can I ask a question on this? Your -- your retained earnings have decreased, actually, by about \$18 million.

What would be -- what would have brought the decrease in retained earnings?

MS. MOIRA GEER: In -- in reference to the --

MR. RAYMOND LAFOND: Yes.

MS. MOIRA GEER: -- financial statements in front of us?

MR. RAYMOND LAFOND: Well, looking at note number 9, we see a decrease of about \$18 million in the retained earning, yet on -- there was a surplus of 6.7 million, probably transfers between one fund and the other. But could you enlighten me on that?

MS. MOIRA GEER: You'll just have to give me a minute to --

MR. RAYMOND LAFOND: Yeah.

MS. MOIRA GEER: -- to look at that, please.

(BRIEF PAUSE)

MS. MOIRA GEER: I'm sorry, the -- the question was the retained earnings compared from -- or the accumulated surplus between 2010 and 2009?

MR. RAYMOND LAFOND: The accumulated retained earnings went down from 84.9 million to \$66.9 million. So that's a decrease of 18 million, yet the statement of operation shows a surplus of 6.7 million.

MS. MOIRA GEER: That's with the -- the complications in the financial statement presentation are a result of how we treat the capital. I think what I -- what I would ask, if I may, is to -- to get the detail behind that to explain it. I don't have that information in front of me to --

MR. RAYMOND LAFOND: I would appreciate that. Thank you.

MS. MOIRA GEER: Okay.

MS. DENISE PAMBRUN: That can be in the form of an undertaking.

MR. BOB PETERS: So the undertaking, for the record, would be for the City to provide an explanation as to why the retained earnings decreased approximately \$18 million from 2009 to 2010, as shown in note number 9 to the 2010 financial statements.

Is that set?

MS. DENISE PAMBRUN: Yes.

--- UNDERTAKING NO. 2: The City to provide an explanation as to why the retained earnings decreased approximately \$18 million from 2009 to 2010, as shown in note number 9 to the 2010 financial statements

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Thank you. Madam Chair and Board members, we've -- we've talked about the water side. I want to turn to the sewage disposal system side and turn to page 102 in Tab 2.

And here, we'll see again a statement of operations, Mr. Geer, for the sewage, and only the sewage, disposal system?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: Now, when I said, "sewage, and only sewage, disposal system," does that include the combined sewers?

MS. MOIRA GEER: The -- the combined sewers would be -- that would be part of the sewer operations.

MR. BOB PETERS: It includes the combined sewers, it includes the storm sewers, and the sanitary sewers, correct?

MS. MOIRA GEER: The -- that would be correct.

MR. BOB PETERS: And --

MR. RAYMOND LAFOND: Does it also include the lane -- land drainage and solid waste disposal?

MS. MOIRA GEER: It does not include solid waste disposal.

MR. RAYMOND LAFOND: Okay.

MS. MOIRA GEER: It does include a transfer to the land drainage program.

MR. RAYMOND LAFOND: Okay. Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And we'll come to that, Ms. Geer. The revenues showing on page 102, the statement of operations for the sewage disposal system, show revenues of about \$121 million.

And that would be primarily from consumer rates, correct?

MS. MOIRA GEER: Correct.

MR. BOB PETERS: And in terms of expenses, halfway down the page, the total expenses from operations about \$64.4 million?

MR. BOB PETERS: From operations, correct.

MR. BOB PETERS: And that leaves a surplus of about \$65 million from operations, correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And of that \$65 million of surplus, \$37.4 million was transferred into other funds, also correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And if the Board can just flip to page 110, in Tab 2, under note number 11, that is where the City shows interested readers where the transfers to other funds went?

MS. MOIRA GEER: That is correct. The -- the note provides the detail on that transfers line.

MR. BOB PETERS: And so there was \$12 million transferred to the sewer system rehabilitation reserve?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And there was 11.9 million transferred into the environmental projects reserve, also correct?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And the last transfer appears -- or, the last transfer of significance is a transfer of \$13.4 million to the general revenue fund, correct?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: When you told Board Member Lafond that there was -- the land drainage program was also funded out of the sewage disposal system monies, where does Mr. Lafond or I find that on the financial statement?

MS. MOIRA GEER: The land drainage program is -- is part of the general revenue fund, and it would be -- that would be where you would see that program. Expenditures would be in the general revenue fund.

MR. BOB PETERS: All right. So 13.4 million was transferred to general revenues; and out of that 13.4 million, some of that was allocated or transferred into the land drainage program?

MS. MOIRA GEER: That would be fully for the land drainage program.

MR. BOB PETERS: All of it would be? A hundred percent of that would have been for the land drainage program.

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: Thank you. And then going back to page 102, looking at the statement of operations for the sewage disposal system, once we deal with those transfers to three (3) funds, that still leaves a surplus for the year from operations, after transfers, of about \$27.8 million, correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And that \$27.8 million would be then added into the accumulated surplus account for the sewage disposal system.

Is that correct?

MS. MOIRA GEER: That would be correct.

MR. BOB PETERS: And the Board will see that under note 8, found on page 108, also under Tab 2 of my book of documents, Ms. Geer?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And here again, there's investment in tangible capital assets of about

\$772 million. That would represent tangible capital assets related in -- to the sewer system and only the sewer systems.

Is that correct?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And the retained earnings would be cash and other liquid assets of the corporation -- or, the City?

MS. MOIRA GEER: The sa -- yes, it's the same as the water fund.

MR. BOB PETERS: Same principles apply, just a bit more money in this one?

MS. MOIRA GEER: The numbers are different, but the same principles apply.

MR. BOB PETERS: Thank you.

MR. RAYMOND LAFOND: Again, could we get the details of the -- the retained earnings accumulation to ninety (90) from eighty-three (83), when the surplus was more than that, to see how it was -- where it was transferred?

MS. DENISE PAMBRUN: Yes, we can.

MR. RAYMOND LAFOND: Thank you.

MR. BOB PETERS: So the undertaking will be to provide an explanation as to the change in retained earnings from 2009 to 2010, as shown in note 8 of the detailed financial statements?

MS. DENISE PAMBRUN: That's correct.

MR. BOB PETERS: Thank you.

--- UNDERTAKING NO. 3: The City to provide explanation of the change in retained earnings from 2009 to 2010, as shown in note 8 of the detailed financial statements

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, speaking of differences between budgets -- or, between different years, but on page 111 of the -- the book of documents, Tab 2, that you have in front of you, top right-hand corner, page 111.

The City does a budget, and then they compare their budgets to actual, correct?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And on page 111, the sewer services budget was supposed -- was in at about 135 million, but the actual came in closer to 121 million.

That's also correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: Does -- does the City have an explanation as to why the budget -- why it came in under budget, so to speak?

MS. MOIRA GEER: It was due to the drop in consumption.

MR. BOB PETERS: And that would be the same answer as to why the Board would see that the water budget was about \$6 million lower than -- than what was budgeted? The actual was 6 million lower?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And when you say it was lower consumption, it's just then a multiple by the rates that were set times the volume that never materialized, that would really account for the -- for the difference?

MS. MOIRA GEER: The -- the -- the budget is set at expecting a certain level of consumption, billed consumption, which was less than what we had estimated in our budget.

MR. BOB PETERS: Mr. Griffin did too good of a job is what you're saying to the Board?

MS. MOIRA GEER: He did a fabulous job.

MR. BOB PETERS: All right. Not to bog down on statement of cash flows, because I'm not sure the true significance of that, Ms. Geer, but I did note on page 84 under Tab 2 of the book of documents there was an item on the statement of cash flows that showed, and it's probably right in the middle of the page, due from general revenue fund. This is over to the water works fund, \$13.172 million.

Do you see that entry?

MS. MOIRA GEER: Yes, I do.

MR. BOB PETERS: Can you explain to the Board why there is a receipt of \$13 million due from the general revenue fund over to the water works system?

MS. MOIRA GEER: The -- this is a statement of cash flows, which exchanges -- it explains the changes in the various point in time accounts in -- in the City's book of accounts.

The general revenue fund account is essentially -- it's an interfund account, but that is -- the water and waste department does not have a separate -- a separate bank account. Like the City -- the City has one (1) bank account and the general revenue fund is essentially the interfund account that

tracks the -- sort of where we're at relative to the general revenue fund.

So that's what that account represents.

MR. BOB PETERS: Thank you. The water works dipped into the City's general revenue fund for 13 million to help it in a -- in a need of cash flow?

MS. MOIRA GEER: That's not correct, no. That's not correct.

MR. BOB PETERS: So the 13 million that went into the City's bank account ended up being transferred back to the water work's account?

MS. MOIRA GEER: The statement of cash flows is a statement -- it's a point in time statement and it explains what happened year over year to your balance sheet accounts.

So really all it is it's just a change in the account balance and it's all relative to timing. So it's not the City withdrew funds from the utility, or vice versa, it's just a -- it's a -- it's -- it's simply a statement of cash flows to explain the difference from your cash position at the beginning of the year to the end of the year.

MR. BOB PETERS: All right. Thank you for that. When you were explaining to the Board the transfers from the sewage disposal system, and that was found on page 110, top right-hand corner under Tab 2, you indicated there was a transfer to the general revenue fund of \$13 million -- 13.4 million, correct?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And -- and that was a 2010 figure?

(BRIEF PAUSE)

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And, Ms. Geer, the Board will note that in 2009 it was also about 13.9 million. And I'm looking again still under note number 11 found on page 110 of Board counsel's book of document.

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: Is that a relatively constant number that it's been that for a number of years going back?

MS. MOIRA GEER: It would roughly be in that neighbourhood, yes.

MR. BOB PETERS: And this transfer to general revenues, from what you've told me, has nothing to do with that statement of cash flows where

there was a transfer the other way.

That's also correct?

MS. MOIRA GEER: In the statement of -
- that -- that is correct. The statement of cash
flows --

MR. BOB PETERS: Yep.

MS. MOIRA GEER: -- is not a transfer.

MR. BOB PETERS: And when it's
transferred to the general revenue fund it's then used
for whatever purposes the elected officials use the
general revenue fund for.

Is that correct?

MS. MOIRA GEER: It is transferred to
the general revenue fund land drainage program.

MR. BOB PETERS: And -- and the land
drainage program was a decision made by the elected
officials to -- as to how they were going to use some
of the money in the general revenue fund.

That -- that's not a -- that's not a
water and waste determination. That was the elected
officials' determination.

MS. MOIRA GEER: City Council approves
budgets at the City of Winnipeg.

MR. BOB PETERS: And in 2011, has
there likewise been a transfer from the sewage
disposal system fund over to general revenues at the
City?

MS. MOIRA GEER: I -- I believe the --
part of the package in the advanced materials that was
supplied to the Board included the 2011 operating
budget, and we could refer to that if that would help.

MR. BOB PETERS: Well, do -- do you
recall -- do you recall what the dividend to the City
was in 2011 from -- from the sewage disposal system
fund?

MS. MOIRA GEER: Not without looking
at the budget document. We would have to refer to the
budget document from 2011.

MS. DENISE PAMBRUN: 2011 is not yet
complete, so we'd have to refer to the budget.

(BRIEF PAUSE)

MS. DENISE PAMBRUN: I believe the
2011 operating budget is in the April material, Mr.
Peters.

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, I'm going to try to keep this -- this a little higher than -- than getting down to a specific document, if I can.

In terms of what's changed in terms of transfers to other funds from 2010 to 2011, are you able to tell the Board of any changes in the transfers from either the water or the sewage disposal system funds?

MS. MOIRA GEER: In the -- in the 2011 operating budget process, council approved a dividend from each of the water and sewer utilities to the -- to the City as a whole.

MR. BOB PETERS: And where will that money -- that'll come -- where -- where will that money come out of, and what will it replace that we've just now looked at in terms of the sewage and the water operating statements?

MS. MOIRA GEER: The -- a dividend would come from retained earnings.

MR. BOB PETERS: Are you able to approximate or quantify the dividend from the -- from the water utility that in 2011 will go into the general revenue fund?

MS. MOIRA GEER: I cannot quantify what it will be. I can tell you what was in the budget.

MR. BOB PETERS: And that was?

MS. MOIRA GEER: The budget for 2011 in the water utility was -- the budget for the -- the dividend for 2011, and water was 7 million.

MS. DENISE PAMBRUN: That's found at Tab 2 of the April filing.

MR. BOB PETERS: Thank you, Ms. Pambrun.

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And, Ms. Geer, from the sewage disposal system, what was the budgeted amount of the dividend to go into the City's general revenue fund?

MS. MOIRA GEER: Roughly 10 million. It's also in that section of your binders.

MR. BOB PETERS: Yes. Thank you. Ms. Geer, if you were to flip back to page 83 at Tab 2 of the Board counsel's book of documents and look at the operating statement for the City of Winnipeg on the

waterworks side, we have accounted, and you've explained to the Board, how the net surplus for the year came out at approximately \$6.7 million.

Do you see that number?

MS. MOIRA GEER: Yes, I do.

MR. BOB PETERS: And when -- is that -- instead of that number now going into accumulated surplus, would the Board anticipate seeing, in the 2011 operating statement, that amount of about \$7 million would simply go into the general revenue fund?

MS. MOIRA GEER: The -- the -- in 2010, the accumulated surplus statement would look differently than it will in 2011, and there would be -- in a statement of accumulated surpluses, you have pluses and minuses. And a surplus would be a plus, and a dividend would be a minus.

MR. BOB PETERS: You've seen my bank statement. The -- if we look to page 89 of the Tab 2 of the documents, Ms. Geer, what you're telling the Board is that, as Mr. -- Board Member Lafond has noted, the change in retained earnings, you'll have a new entry under the accumulated surplus for 2011, and one of them will be a minus, which will show either just a reduced amount of retained earnings or a discreet transfer to the City's general revenue fund?

MS. MOIRA GEER: I'm -- I'm not exactly sure what the specific accounting treatment will be. That will be determined by the City's chief financial officer and our external auditors. But I would suspect it would flow through that way.

MR. BOB PETERS: Well, you were the City's chief financial officer not too long ago, were -- weren't you?

MS. MOIRA GEER: I was just an actor.

MR. BOB PETERS: Well. So -- so what you try to do is not tie the hands of Mr. Ruta, but you're saying that that will be their determination as to whether that retained earnings number is reduced or whether there's a separate line item showing a transfer to the general revenue fund?

MS. MOIRA GEER: That's correct. It will be very transparent and full disclosure. I -- I just can't say what the exact financial statement presentation would be at this time.

MR. BOB PETERS: All right. Thank you for that. Before we leave the waterworks fund -- well, just...

(BRIEF PAUSE)

MR. BOB PETERS: Back to note 12, found on page 90, still under Tab 2 of Board counsel's book of documents, and this is dealing, Ms. Geer, with only the water utility, correct?

MS. MOIRA GEER: That's right.

MR. BOB PETERS: And the upshot of po -- of note 12, just so that the record is clear, is that no longer will the frontage levy money be used for water main renewal reserve purposes?

MS. MOIRA GEER: That's right.

MR. BOB PETERS: And is that happening for the first time in 2010?

MS. MOIRA GEER: I don't believe that 2010 was the first time that happened. It commenced earlier than that, but I don't know the exact date of when that -- when that change occurred.

MR. BOB PETERS: All right. The -- but now there's \$12 million transferred from the water rates fund to water main renewal reserve.

That's a discreet transfer happening for the first time in 2010?

MS. MOIRA GEER: No, they're -- if you look at the note, there was also a transfer in 2009.

MR. BOB PETERS: Okay, I stand corrected. And you're just not sure if it happened in 2008 or whether 2009 was the -- was the first time?

MS. MOIRA GEER: I -- I don't know what the first year was of that -- that change.

MS. DENISE PAMBRUN: Mr. Peters, the City did provide the financial statements going back to about 2006, if you --

MR. BOB PETERS: Yeah.

MS. DENISE PAMBRUN: -- we could go back and review that.

MR. BOB PETERS: Yes, thank you.

Thank you.

MR. RAYMOND LAFOND: These reserves, would we see them within the accumulated surpluses through the tangible assets? They would be apportioned in there?

MS. MOIRA GEER: The -- the reserve funds, such as the water main renewal reserve fund, are separate capital reserve funds that there is a separate financial statement for, that are separate from the actual water utility.

MR. RAYMOND LAFOND: So it would be -- it would not be an allocation within the accumulated surplus for tangible assets? It would be a totally

separate fund?

MS. MOIRA GEER: It's a separate fund, and -- and -- and, Chair Lafond, part of the reason there's an undertaking to review the surplus because of the -- what happens in -- in the reserve funds, is where capital -- capital gets funded out of those programs, and then when we move all the assets on to our balance sheet, that's why the accumulated surplus number isn't as straightforward as -- as you would think it -- it would appear.

But those are separate funds that are dedicated primarily to capital programming.

MR. RAYMOND LAFOND: Do we have a statement of these separate funds for the --

MS. MOIRA GEER: Yes. Yes, we -- we did. As -- as Ms. Pambrun just suggested, we had supplied financial statements, and those would be within the City's financial statements.

MR. RAYMOND LAFOND: In the binders we received a few weeks ago -- or, a week ago or so?

MS. DENISE PAMBRUN: Yes.

MS. MOIRA GEER: Yes.

MS. DENISE PAMBRUN: Yes, that's correct. As well as the April filing.

MR. RAYMOND LAFOND: Yeah, I don't have the April filing, but I went through all these booklets, and I did not identify it. I'm sorry.

MS. DENISE PAMBRUN: I'll -- I'll check the April filing, but I believe they are in there.

MR. RAYMOND LAFOND: Okay.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, while you're on that topic with Board Member Lafond, how does -- how does the City determine what water main renewal transfers should be budgeted in the -- for a particular year?

MS. MOIRA GEER: The -- the water main renewal is not a succinct start-and-finish project. It is a program to renew the water mains. And what, basically, would happen is my colleague, Mr. -- Mr. Patton, who is our asset management engineer, is we do condition assessments.

We look at what -- what our infrastructure deficit or what our infrastructure needs are and determine a reasonable time frame to undertake the program and a reasonable funding level.

MS. DENISE PAMBRUN: Mr. Lafond, I

have double-checked and was -- Ms. Geer has confirmed. In Tab 3 of the April filing are the detailed financial statements for all of the reserves back to 2004. Well, the statements are 2005 and forward, but they have the column for back to 2004.

(BRIEF PAUSE)

MR. RAYMOND LAFOND: Thank you. A sub-question to legal counsel, in terms of the allocation towards the water main renewal, when I look at note number 9, on the wastewater financial statements, it says:

"The sewer rate increase to one ninety one (191) per cubic metre. The environmental projects reserve contribution for 2010 was twenty-two (22) cents per cubic metre."

Is this sort of an allocation every year? This is based on some program you have, and you decide that twenty-two (22) cents out of the rate has to go towards environmental projects?

MS. DENISE PAMBRUN: Can you give us the page number again, Mr. Lafond?

MS. MOIRA GEER: Yes, please.

MR. RAYMOND LAFOND: 237. That would be -- just a second. In the blue book, it would be 108. Note number 9.

MS. MOIRA GEER: The -- part of the sewer rate is the levy for the environmental projects reserve and the environmental projects capital reserve fund, which -- which is in the financial statements that Ms. Pambrun just -- just referenced you to. That's the -- to put funding into the reserve fund for the major upgrades that we have to make to our sewage treatment plants.

MR. RAYMOND LAFOND: So the twenty-two (22) cents per cubic metre is an allocation that's done on a year-to-year basis, like every year?

MS. MOIRA GEER: Every year. We have -- well, we have this environmental projects reserve, which is funded through the sewer rate.

And if you -- which is also -- I'm -- I'm sure it's in your blue binder, but also in filings that we've made in our rate report. You can see the financial plan for the environmental projects reserve fund that shows how the City hopes to fund that -- that large capital program we have coming.

MR. RAYMOND LAFOND: So the question I

was really getting at, in terms of water renewal mains, et cetera -- water main renewals, et cetera: Is there an allo -- a specific allocation, or is it simply year-to-year basis? You look at what's required rather than a -- an amount that's -- that's stipulated within the rate?

MS. MOIRA GEER: The -- the water main renewal reserve is -- is a capital -- dedicated capital reserve fund, which is handled a little differently than the environmental projects reserve, because the environmental projects reserve is primarily for specific projects that we have to do. Water main renewals is an ongoing program.

MR. RAYMOND LAFOND: Okay. Thank you.

MS. MOIRA GEER: So they're a little different.

MR. RAYMOND LAFOND: Is --

MS. DENISE PAMBRUN: And I should indicate, Mr. Lafond, when you get a chance to go through that April filing, which -- and it turns out you haven't, each one of those funds has -- in the -- in the financial statements, there's a description of when it was established and what the rules are for how it's allocated or how it's determined on -- on a yearly basis.

MR. RAYMOND LAFOND: Thank you. I appreciate that.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And, Ms. Geer, in a further attempt to assist Board Member Lafond, if we turn to Tab 1 -- if we turn to Tab 1 of the blue book of documents and to page 64 in the top right-hand corner, we will see some details of the accumulated surplus that we've talked about.

Have you located that, Ms. Geer?

MS. MOIRA GEER: Yes, I have.

MR. BOB PETERS: And does that statement for 2010 contain the balances of the reserve funds that Board Member Lafond was speaking to you about?

MS. MOIRA GEER: It has the bal -- it shows the balances as at December 31st in those capital reserve funds.

MR. BOB PETERS: Yes. And I'm looking halfway down the page, under "Capital Reserves," and the environmental projects reserve seems to have a balance of about \$38 million.

That's correct?

MS. MOIRA GEER: That would be correct.

MR. BOB PETERS: And just below that, the sewer system rehabilitation reserve is sitting at \$33 million?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: I don't see the water main renewal reserve on that sheet. Would that, perchance, be at the very bottom of the page, listed under "Other," or have I missed it?

MS. MOIRA GEER: No, I think it's probably -- it -- it's likely in "Other," but I would have to refer to the detail to confirm that.

MR. BOB PETERS: Could you undertake to -- to, at a time, advise the Board as to where the water main renewal reserve fund is shown in the accumulated surplus?

MS. MOIRA GEER: We -- we may have that detail, I'm just...

MS. DENISE PAMBRUN: Sorry, Mr. Peters, can you repeat -- repeat the question so I can mark it down?

MR. BOB PETERS: Yes, I was wanting to find out where the water main renewal reserve fund was depicted in the listing of the accumulated surplus of the -- of the City.

(BRIEF PAUSE)

MR. BOB PETERS: And I don't see it on -- under Tab 1 page -- on page 64.

MS. DENISE PAMBRUN: We will give that undertaking.

MR. BOB PETERS: All right.

--- UNDERTAKING NO. 4: The City to find out where the water main renewal reserve fund was depicted in the listing of the accumulated surplus of the of the City

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And, Ms. Geer, I don't want you to race through all the materials looking for it, but that water main renewal fund, you told me that that is set based on Mr. Patton's planning a capital program for the water main. And it sounded like it could be a -- a reasonably constant figure until the program is -- is completed.

Would that be fair?

MS. MOIRA GEER: The -- there is an ongoing renewal program.

MR. BOB PETERS: All right. And is it such that the fund would be depleted each year as well?

MS. MOIRA GEER: Pri -- primarily. If -- and if I may, the -- your previous question, I did find where it is in the materials --

MR. BOB PETERS: Okay.

MS. MOIRA GEER: -- to answer the other question about the balance in the reserve fund.

MR. BOB PETERS: Oh, please.

MS. MOIRA GEER: So if I -- if I may refer you to Tab 2, page 124.

(BRIEF PAUSE)

MS. MOIRA GEER: The -- the balance in the water main renewal reserve fund, which is at the bottom left of the page, was 2.4 million. So it is included in the other accounts, on the question you asked me, on page 64.

(BRIEF PAUSE)

MR. BOB PETERS: And, Ms. Geer, we -- we know from your previous evidence that \$12 million was taken from the waterworks fund and transferred to the water main renewal reserve in 2010, correct?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And all that is left at the end of the year is about \$2.4 million.

That is also correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: So that means that Mr. Patton had people out on the field spending the money, doing the program, making sure that the program was -- was in fact operated?

MS. MOIRA GEER: Yes, and if you flip to page 129 in that same section, which is a statement of changes in equity for the reserve funds, and the first column is the water main renewal, you'll see where the -- the water assets were constructed below the 11.2 million.

MR. BOB PETERS: Good. Thank you very much for that. The one (1) reserve fund that we had talked about, I think we saw it on your overhead slides, was the aqueduct rehabilitation reserve fund,

which was sun-setting, if I recall.

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And it's -- it's not shown on page 64, or on page 124 or 129, is it?

MS. MOIRA GEER: On page 64, the aqueduct reserve would also be part of the other category.

MR. BOB PETERS: Do you know what the balance is in that fund?

MS. MOIRA GEER: Two hundred and ninety-eight thousand (298,000) at the end of 2010.

(BRIEF PAUSE)

MR. BOB PETERS: Before we leave the environmental projects reserve fund that is sitting at \$38 million as a balance at the end of 2010, that fund was created as a result of transferring monies to the fund out of the sewer revenues.

Is that correct?

MS. MOIRA GEER: The reserve is funded through the sewer rate.

MR. BOB PETERS: And looking at note 11 on page 110 at Tab 2 of the Board counsel book of documents, that transfer out of the sewer rates was to also include 10 percent of sewer services revenues going to the general reserve fund, correct?

That was a -- that was the policy but in 2010 if you continue reading the note, the utility transferred 13.4 million to the general revenue fund to support the land drainage program. So it was not -- it was to the -- the transfer was for the cost of the land drainage program.

MR. BOB PETERS: And the amount of the transfer was relatively consistent to what had been transferred in previous years.

MS. MOIRA GEER: That would be correct.

MR. BOB PETERS: And in previous years, the land drainage program was -- was a discrete program funded under the general revenues of the City, not under the -- the sewer revenues.

MS. MOIRA GEER: The funding has -- has in the past been general revenue fund and sewer, and now it's completely funded by the -- by the sewer fund.

MR. BOB PETERS: We noted when Mr. Patton was presenting the capital budget that for 2011 the capital budget for the land drainage and flood

control was around \$6 million.

Do you recall that?

MS. MOIRA GEER: That would be right.

MR. BOB PETERS: And does that mean that in -- do you know what -- what amount was spent on that program in 2010?

MS. MOIRA GEER: No. The -- just -- just as one (1) point. The -- the transfer, which I should maybe clarify. The transfer to the general revenue fund for the land drainage program was for the operating cost. It does not relate to the capital program.

MR. BOB PETERS: All right, thank you.

(BRIEF PAUSE)

MR. BOB PETERS: Ms. Geer, your lawyer better have her hand near the microphone on this, but when we talked yesterday under Tab 18 of the book of you had told the Board that the principles of operation for the setting of the rates was a document that although may have been prepared by administration, it was approved by the elected officials.

Would that be a correct understanding of yesterday's evidence?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And if you could, on one (1) hand, keep your -- keep page 608 open. There's some statement of principles of operation. And also have open page 629 also under Tab 18. There are some more principles of operation.

You've got them both?

MS. MOIRA GEER: Yes, I do.

MR. BOB PETERS: Which one (1) is more current, can you tell?

(BRIEF PAUSE)

MS. MOIRA GEER: I -- I would have to take those away and look at them to answer that question.

MR. BOB PETERS: All right. And when you -- I'll accept an undertaking for you to advise the Board as to which principles of operation identified under Tab 18 are the most current approved version from the elected officials.

--- UNDERTAKING NO. 5: The City to advise the Board as

to which principles of operation identified under Tab 18 are the most current approved version from the elected officials

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: You will note, Ms. Geer, that under point number 7 on those two (2) documents there's a difference between -- between the two (2) documents?

MS. MOIRA GEER: The -- the most recent one, we can -- we can look at that at the break and let you know which it is.

MR. BOB PETERS: All right, thank you for that. And, Ms. Geer, you were telling the Board members that when it came time for the water main renewal project you had an idea of the ongoing program from Mr. Patton's development of it. And you could, therefore, conclude what you would need to include in your budget for such expenses, correct?

MS. MOIRA GEER: Based upon established service standards and -- and condition of the infrastructure as in an asset management program.

MR. BOB PETERS: Yes. Can you, on the same high level, explain to the Board how you include in your budget the item under -- on page 608, item 7, transfers to the general revenue fund, additional general provisions to meet the City's financial targets?

(BRIEF PAUSE)

MS. DENISE PAMBRUN: Can you repeat the question, please, Mr. Peters.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Yes. In -- in the same high level discussion as we've had about other projects in which the budgets are prepared for the water and sewer utilities, how, in general terms, do -- does the City budget for "additional general provisions to meet the City's financial targets"? Without giving me the amounts or specifics, but how -- how does that -- how does that transpire process-wise?

(BRIEF PAUSE)

MS. DENISE PAMBRUN: I think we might like to have a discussion about -- to determine which

-- if this is a current document or not --

MR. BOB PETERS: That's a fair --
that's a fair comment.

MS. DENISE PAMBRUN: -- before we can
answer the question.

MR. BOB PETERS: That's a fair
comment, Ms. Pambrun. So --

THE CHAIRPERSON: I wonder if we
should take a break at this point, or what do you
think, Mr. Peters?

MR. BOB PETERS: I'm at the Board's
pleasure. I was going to turn to a new topic of
capital expenditures, so this could be an appropriate
time. Or, I can start on to --

THE CHAIRPERSON: Well, you know, I
was thinking we'd break at 10:30. But we're so close
to that and since, you know, we need -- I guess, the
answer and you want to get it to us. Maybe this is a
good time for us to take a fifteen (15) minute break
and come back at twenty (20) to 11:00?

MR. BOB PETERS: Thank you.

MS. DENISE PAMBRUN: That's fine,
Madam Chair.

-- Upon recessing at 10:24 a.m.

-- Upon resuming at 10:44 a.m.

THE CHAIRPERSON: Now, Mr. Peters, did
we find out which was the more current of these page
220 -- 629 and 608? Is that what that answer was?

MR. BOB PETERS: I think we might be
just -- I'm not sure if Ms. Geer is needed for that
answer, or Ms. --

THE CHAIRPERSON: Oh.

MR. BOB PETERS: -- Pambrun can assist
us. But maybe we'll just wait an extra minute or two
(2). Yeah.

THE CHAIRPERSON: Okay. We'll wait.

MS. DENISE PAMBRUN: I can advise that
the document at page 629 of the Board counsel book of
documents is the more current.

THE CHAIRPERSON: Okay. So now we're
all back and we know that 629 -- that page 629 is the
current -- most current document. What -- we'll
proceed from there.

We still had one (1) unanswered
question and it -- Mr. Peters, do you want to
reiterate your question regarding -- it was the
additional provisions to meet the City's financial

targets. You wanted to know how that shakes out. Where the money comes from?

MR. BOB PETERS: Yes, I had asked how -- how that got incorporated into the budget that's before the Board. And I'm not sure if they've had an opportunity to consider that further.

MS. MOIRA GEER: The -- the budget decisions are made by council, is essentially how the budgets are set at the City of Winnipeg.

MR. BOB PETERS: All right. Does that mean it's -- it's a top-down type approach? Where the budget would come down to the -- the water and waste department and you would then implement it?

MS. MOIRA GEER: There is, within the municipal government, the administration -- the public service will make recommendations and the elected officials make the decisions.

MR. BOB PETERS: The final decision on the budget is by the elected officials?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: Madam Chair, I want to turn to -- to capital expenditures. And I'm not sure if this will give Ms. Geer a rest, or whether -- whether she just wants to answer all the questions today. But, I'll start with my questions. And, Mr. Patton, if they -- if you're comfortable with them and can provide the Board the information, you are most welcome to assist.

Madam Chair and Board members, at Tab 3 of the book of documents from Board counsel -- and I know we've been jumping a little bit all over the place. There are extracts from the City's 2011 capital budget.

That would be correct, Mr. Patton?

MR. GEOFFREY PATTON: That is correct.

MR. BOB PETERS: And just before I get there, maybe I haven't finished with Ms. Geer. My under -- Mr. Patton, you -- you -- maybe you can help us out here. I was understanding that the money transferred from the sewage revenues to the City's general fund went for land drainage expenses, for the land drainage program.

Have I got that right?

MS. MOIRA GEER: For the land drainage operating costs.

MR. BOB PETERS: Right. And -- and Ms. Geer has highlighted the very point I was next going to ask, and that is operating costs only and not capital.

Is that correct?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And in terms of capital plans on that specific item, Mr. -- Mr. Patton, where does the City budget for the capital plans related to the land drainage program?

MR. GEOFFREY PATTON: In the -- in the budget document there's a -- a land drainage and flood control summary of capital projects, and that is where the land drainage program is funded by capital.

MR. BOB PETERS: And I'm looking on page 148 at Tab 3 of the book of documents. And that number 148, Mr. Patton, appears in the top right-hand corner of the page.

MR. GEOFFREY PATTON: Yes.

MR. BOB PETERS: Is this the summary to which you just referred?

MR. GEOFFREY PATTON: In the counsel's book of documents, 148 is one (1) individual project. There is a summary on 142 of land drainage and flood control capital projects -- starting.

(BRIEF PAUSE)

MR. BOB PETERS: And if we're looking at page 142 together, Mr. Patton, all of those items then that are on this summary page get accumulated into -- into approximately \$45 million over six (6) years, which is going to be funded through the sewer system rehabilitation reserve?

(BRIEF PAUSE)

MR. GEOFFREY PATTON: That is correct. The -- the combined sewer flood relief program is financed by the sewer system rehabilitation reserve in the six (6) year forecast of \$45 million.

MR. BOB PETERS: And the flood relief sewers as a separate item are a \$1.8 million program, and that may in some ways relate to what Ms. Wiebe was telling the Board yesterday about the combined sewer operation?

MR. GEOFFREY PATTON: That is correct.

(BRIEF PAUSE)

MR. GEOFFREY PATTON: Yep, that is for sep -- for separate sewers, yes.

MR. BOB PETERS: And when you say

"separate sewers," that's meaning installation of -- is it the replacement of a combined sewer with now separate sewers, or is it a different program?

Ms. Wiebe, can you help us?

MS. CYNTHIA WIEBE: It's a separate program. It's looking at upgrading the separate areas for areas that need more flood relief.

MR. BOB PETERS: All right. Thank you for that. And I want to step back a little bit with you, Mr. Patton, and the Board, and turn to page 144 of the Tab 3 of the book of documents. And on page 144 it follows -- it follows a lengthy list on 143 of all of the water works capital projects that are planned.

Is that correct?

MR. GEOFFREY PATTON: That's correct.

MR. BOB PETERS: And the Board can see about a third of the way down on page 144 at Tab 3 of Board counsel's book of documents that there's approximately \$79 million over six (6) years intended to be spent on capital projects related to the water works, correct?

MR. GEOFFREY PATTON: That's correct.

MR. BOB PETERS: And in addition to that \$79 million, there are also water main renewals of about \$92 million planned in the next six (6) years, and the capital cost for that will come out of the capital reserve fund, designated water main renewals.

MR. GEOFFREY PATTON: That's correct.

MR. BOB PETERS: Now, when we -- when the Board looks at the capital expenditures of \$79 million related to waterworks, would the Board be correct in concluding that all of those projects are going to be financed by the retained earnings of the waterworks fund?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: There is no debt for that. Mr. Patton is running on cash.

MS. MOIRA GEER: It's retained-earnings-fin -- financed programs, yes.

MR. BOB PETERS: Well, he's -- he's running -- incur -- he's not incurring any debt for his capital projects related to the waterworks system?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: However, when we turned to sewage disposal, on page 145 of Tab 3 of the book of documents, we again can see that there's a summary of expenditures, and it's close to the bottom

of the page,

A total sewage disposal system for regional capital expenses in the next six (6) years comes in at \$815 million, Mr. Patton?

MR. GEOFFREY PATTON: That's correct.

MR. BOB PETERS: And in addition to that amount, there's also another 90 million -- for the sewer system rehabilitation reserve contributing \$90 million.

MR. GEOFFREY PATTON: That is correct

MR. BOB PETERS: And if the Board goes through this and looks at the -- the methods of financing of the sewage system capital projects, would the Board be correct that debt financing is limited to the biosolids and the nutrient removal programs, those two (2) programs?

MR. GEOFFREY PATTON: That is correct.

MR. BOB PETERS: And so \$124 million will be -- of debt will be incurred for the biosolids disposal program.

Have I got that right?

MR. GEOFFREY PATTON: Yes, in -- in the forecast, yes.

MR. BOB PETERS: And this is a six (6) year forecast?

MR. GEOFFREY PATTON: That is correct.

MR. BOB PETERS: And another \$365 million will be spent on nutrient removal?

MR. GEOFFREY PATTON: That is correct.

MR. BOB PETERS: All other capital projects related to the sewer system will then be again funded through the retained earnings of the sewer fund?

MR. GEOFFREY PATTON: Retained earnings and the environmental reserve.

MR. BOB PETERS: All right. Help me with the environment reserve. And -- and Ms. Geer had told the Board, from page 64 of the book of documents, that it's sitting at \$38 million currently.

That number will grow over the years, Mr. Patton, do you expect?

MS. MOIRA GEER: The -- I -- I will answer that question. The -- I think the first question was the environmental reserves funding within the six (6) year capital budget.

So if you look at page 145, we have the environmental reserve showing as a funding source. There's the public hearings. We've got seven (7) -- the six (6) year forecasts, there's seven hundred

(700) there. We've got environmental reserve forecast of 87 million towards the CSO program. We've got the biosolids of 25.56 million. And we're also showing sort of the -- the total over those years.

So what happens with the upgrades to the -- the biosolids and the upgrade -- the nutrient upgrades to the plants are the financing strategy. It's a combination of environmental reserve and debt to fund all of those upgrades.

And that's where you see different funding sources for individual projects.

MR. BOB PETERS: Why is the City using different funding sources, Ms. Geer?

MS. MOIRA GEER: The -- the program is -- there's a very large capital program in the sewer utility, and it's -- without getting into a whole rate discussion, there's a very strong principle of inter-generational equity. So what we try to do is that not one (1) generation's paying for the entire upgrade.

MR. BOB PETERS: So you're financing some of those major expenditures with -- with retained earnings so that the current generation pays a share, and then also finance it over a number of years so that future generations pay for it.

Is that the theory?

MS. MOIRA GEER: Of inter-generational equity?

MR. BOB PETERS: Of -- of why you financed it to avoid inter-generational inequities.

MS. MOIRA GEER: To avoid inter-generational inequities and also to manage and -- and mitigate the impact on customers.

MR. BOB PETERS: In terms of the debt financing for the biosolids and the nutrient removal, will either of those categories face further debt financing requirements after the end of the five (5) or six (6) years?

MR. GEOFFREY PATTON: These items have -- work is just beginning on some of these items, so these are -- are forecasted amounts for the capital needs for these programs. So as work unfolds, the cost will become more accurate.

MR. BOB PETERS: Meaning there may be more requirements for debt, going forward?

MR. GEOFFREY PATTON: There may be.

MR. BOB PETERS: Ms. Geer, just briefly, can you indicate to the Board what type of debt is used by the City and over what term?

MS. MOIRA GEER: The -- the type of

debt that -- that is used by the City is determined by the -- through the office of the chief financial officer and the treasury function.

But if -- if you -- if I could refer you to the financial statements that you would have, the detailed financial statements, where we have long-term debt note disclosure, that will give you some indication of what we -- what we do have.

We have some serial debt. We have some sinking-fund debt and some debenture debt primarily. And the length of the borrowing period is really dependent upon for what the borrowing is occurring.

MR. BOB PETERS: In terms of the current rate structure, Ms. Geer, will these borrowings -- are -- are they already accommodated in what the rates recover, or is there an expectation that there will be an additional amount required to be recovered in rates to fund the capital projects that Mr. Patton has told us about?

MS. MOIRA GEER: The rate report, which is in the book of documents, and it was also supplied by the City, has our rate report, which gets approved by council. And council approves a one (1) year rate.

But we do supply a ten (10) year forecast for transparency and to have a look forward. And within those documents, we incorporate the capital and the operating plans. And -- and there is a ten (10) forecast in there, including borrowing projections. And everything that would be included in our capital and operating budgets primarily is incorporated into our rate plans.

MR. BOB PETERS: And when we looked at those yesterday, we saw the ten (10) year rate plan was increasing over the next ten (10) years in terms of combined sewer and water rates.

Is that correct?

MS. MOIRA GEER: The forecast shows the rate increasing over time, yes.

MR. BOB PETERS: And you're telling the Board that that takes into account the capital expenditures that the City forecasts it will need to make during that period?

MS. MOIRA GEER: Correct. It incorporates operating and capital.

MR. BOB PETERS: And when it incorporates the capital, in terms of the capital program that's financed by debt, it would include the financing charges or the interest charges that have to

be paid on an annual basis?

MS. MOIRA GEER: The debt servicing costs are incorporated into the rate projections.

MR. BOB PETERS: And does the City take a depreciation expense as well?

MS. MOIRA GEER: There's no depreciation expense in the rates, as we do it on a cash basis.

MR. RAYMOND LAFOND: Are some of these major capital projects going to be entitled to some provincial grants? Or not necessarily determined in advanced, but is it usual to be able to apply and receive some grants for some of these major projects?

MS. MOIRA GEER: We -- within our rate report, Board Member Lafond, we have -- we have included what our best estimates are right now of -- of provincial and federal funding, and we certainly look forward to further cost sharing with the other levels of government. And -- and that's part of -- that's part of the look going forward. But we -- we have received some funding and, you know, we -- we hope there will be more in the future.

MR. RAYMOND LAFOND: But these capital cost estimates are gross, I assume?

MS. MOIRA GEER: The estimates --

MR. RAYMOND LAFOND: This is -- this is not a net amount after grants? This is a gross amount --

MS. MOIRA GEER: That is a gross amount.

MR. RAYMOND LAFOND: Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: The biosolid capital program, that's still in the formative stages, is it not, Mr. Patton?

MR. GEOFFREY PATTON: Yes, it is.

MR. BOB PETERS: And, I think we heard yesterday that the City perhaps wasn't sure where -- where that program would end up.

It would depend on some feedback from the Province as to whether there can be continued spreading of biosolids under the windrow program, or -- or it had to go to landfill or some other composing site?

MR. GEOFFREY PATTON: I'm sorry. Just -- I'll ask for help from Mr. Permut on -- on answering the question. But there are options for the biosolids program.

MR. BOB PETERS: And -- and, Mr. Permut, this biosolids program is still in its infancy, if I've understood your evidence yesterday?

MR. ARNOLD PERMUT: Yes, that is -- that is correct. I -- I am the project manager on that program on the City's side.

In terms of the disposition or final project, it depends on the engineering reports that we receive. It will also depend on, possibly, public hearings -- clean environment commission hearings, depending on the nature of the proposed plan.

So there's a lot of ifs right now, in terms of the final -- what the final program will look like and what it'll cost.

MR. BOB PETERS: And so, Mr. Patton, with all of those caveats then, the amount shown for the biosolids capital program at this point is -- is fairly high-level conjecture?

MR. GEOFFREY PATTON: The class of the estimate is -- is, you know, is -- is variable and, yes, it is an estimate of what the program will cost, from the knowledge we have now.

MR. BOB PETERS: Are the water main renewals that are shown in the materials -- and I don't want to dwell on too many specific ones, but I think it's on page 200 of the Tab 3. There's a water main renewals project.

Are those actual, planned renewals at this point in time?

MR. GEOFFREY PATTON: The program is -- is based on a gross amount, and -- and the specific projects for any given future year are -- are determined in the -- the year prior. So these are estimates of -- of the future needs for the program. But there are level service discussions, coordination of work with public works, that determine the specific projects in a given year.

MR. BOB PETERS: What -- what's the gross amount for the water main renewals project?

MR. GEOFFREY PATTON: The -- the gross amount is shown in -- in page 200. Those are the gross amounts for the program needs in the forecast.

MR. BOB PETERS: But -- but that's only showing over six (6) years, correct?

MR. GEOFFREY PATTON: That's correct, yeah. There is a total backlog of water main renewals in the order of \$200 million, in terms of an infrastructure deficit.

MR. BOB PETERS: So in five (5) years'

time, the water main renewals project isn't going to come to an end? It's going to continue on?

MR. GEOFFREY PATTON: No, this is a -- an ongoing program for -- for the future. We will move from one (1) -- dealing with one (1) set of water mains to the end of another life cycle of another class of water mains, and so on and so forth. So it'll be an ongoing program for the future.

MR. BOB PETERS: And in terms of -- I think we see it on page 236, last page in Tab 3 of Board counsel's book of documents, the sewer renewal capital expenditures.

Again, are those actual, planned expenditures, as opposed to contributions to the -- to a reserve?

MR. GEOFFREY PATTON: Those are the planned expenditures for the sewer renewal program in those given years.

MR. BOB PETERS: And again, is there a master infrastructure plan for the sewer renewal with a price tag on it?

MR. GEOFFREY PATTON: There is. We do have, through a condition assessment and through our asset management program, there is in -- in the order of about \$300 million worth of backlogged sewer renewals within the City of Winnipeg. To note, some of these renewals are -- are forecasted, you know, twenty-five (25) years from now, to be needed.

So -- but that is part of our backlog that we currently have in our sewer management system.

(BRIEF PAUSE)

MR. BOB PETERS: Just to focus on one (1) specific page, on page 235, we see the North End water pollution control centre nutrient removal project that Mr. Kjartanson spoke of yesterday.

And is that \$365 million expenditure still -- still current?

MR. GEOFFREY PATTON: I'm going to ask Mr. Permut to -- to help out as well on that question.

MR. ARNOLD PERMUT: Thank you, Madam Chair. I'm project manager for the City on that one too. I'm a busy guy these days.

In response to the question, we are currently reviewing plans for the expansion and upgrade of the North End treatment plant. These plans are at a very preliminary phase right now. There's a lot of issues that have to be dealt with and thought

through carefully before we finalize the plan.

So the short answer to your question is that's the preliminary, very preliminary, number and likely subject to change, depending on what plans we come up with and agree to proceed with.

MR. BOB PETERS: Mr. Permut, looking at page 235 in Tab 3, if you have that handy.

MR. ARNOLD PERMUT: Yes, I do.

MR. BOB PETERS: It appears though that a little over a week from now, you're going to embark on spending \$150 million of -- of money on -- on the nutrient removal program.

So I'm just wondering how high level it still is or whether there are some details?

MS. MOIRA GEER: Excu -- par -- pardon me. You know what, maybe I -- I -- I'll answer that question.

MR. BOB PETERS: Sure.

MS. MOIRA GEER: The way the City's capital budget is put forward is we have budget authority, like we cannot commence work without having council approval. And to have a budge doesn't mean that we actually start constructing and will spend \$150 million next year.

That's the budget authority that allows us to start the work to -- to start the studies, et cetera. So it doesn't mean that we necessarily plan to spend that all next year, but we get the authority to start the work.

MR. BOB PETERS: All right. Thank you for that. The PowerPoint presentation yesterday from Mr. Kjartanson on that nutrient removal suggested to me that there were still, as I understood, ongoing negotiations with the Province, or at least discussions.

Would that -- did I hear that correctly?

MR. KELLY KJARTANSON: That is correct.

MR. BOB PETERS: And are those discussions related only to the total nitrogen removal?

MR. KELLY KJARTANSON: We'll probably be discussing a number of aspects of licensing, but in our mind, that's one of the major things that we want to talk to the Province about.

MR. BOB PETERS: Phosphorus and ammonia are matters in which you and the Province have agreement?

MR. KELLY KJARTANSON: I think we're basically agreed on phosphorus and ammonia.

(BRIEF PAUSE)

MR. BOB PETERS: Does the capital expenditure plan that's before the Board today contain capital expenses for the total nitrogen removal in accordance with the Clean Environment Commission Report, Mr. Patton or Mr. Permut?

MR. ARNOLD PERMUT: Firstly, without - with all due respect to Mr. Kjartanson, I just want to add a little more information on the nitrogen issue with the Province.

We're currently discussing with them, as Mr. Kjartanson indicated, the total nitrogen limit in our licence. We're also under discussion with them on the ammonia limit, in the context of we would like it to be a thirty (30) day rolling average, or a monthly average, ammonia limit, as opposed to a daily limit never to exceed.

And you may recall from my presentation that the consequence of a daily, never to exceed limit would cause us to construct a significantly larger wastewater treatment plant, increase our capital and operating costs accordingly, and would also give us a treatment plant that would be extremely difficult to operate under normal conditions. So I'll just clarify that.

Now having said that, could you repeat your first question? I'm sorry.

MR. BOB PETERS: I'm going to change it. I'd like an order of magnitude as to the additional cost that the City concludes would be needed to meet the Clean Environment Commission or the licence requirement for the not to exceed ammonia --

MR. ARNOLD PERMUT: I think --

MR. BOB PETERS: -- limit.

MR. ARNOLD PERMUT: -- I think at this stage we cannot give you that number because we're not far enough along with our engineering design. The cost would be very contingent on the types of technologies that we might select to -- to achieve those limits.

MS. DENISE PAMBRUN: To be fair to the witness, I think the original question though had to do --

MR. BOB PETERS: Well --

MS. DENISE PAMBRUN: -- I'm sorry, I'm

not -- it's not meaning to be derogatory -- had to do with the capital budget as it appears in the book of documents.

I think your question had to do with does that budget contain everything needed to meet the requirements of the province as set forth in the -- in the licence.

Is that fair?

MR. BOB PETERS: We can ask that question --

MS. DENISE PAMBRUN: Well, okay.

MR. BOB PETERS: -- sure.

MS. DENISE PAMBRUN: I'm sorry then.

MR. BOB PETERS: I -- I'm good with that.

MS. DENISE PAMBRUN: I'm sorry if I didn't say that correctly.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: No, no. Mr. Permut, can you help us on -- on that question, as to whether -- the Board is looking at \$365 million on page 235 of the Tab 3 of the book of documents as a -- as a budgeted amount, or a forecast, rather, amount. And we're heard from Ms. Geer that you've got budget authority up to 150 million already. Where does this top out, is what my question, and I think the -- the point that your counsel wanted you to have an opportunity to -- to address.

MR. ARNOLD PERMUT: I -- I go back to my statement previous. We are not far enough along in the design to give you a definitive answer to that question. I -- I could only guess that it's going to top out at a higher number but that's only a guess right now. And obviously good engineering is to create the most economical, cost effective solution possible. And that's what we're looking at.

MR. BOB PETERS: So the two (2) variables are not only the technology but to what limit the City has to -- to remove nutrients.

MR. ARNOLD PERMUT: That's correct. The total nitrogen limit would cause us to put in another step in the process that if we did not have to meet the total nitrogen limit we would not put in. We would go through a process called nitrification, which reduces ammonia, and we're in com -- we're in agreement that that has to be done for the protection of aquatic life.

We're not in agreement that we have to

go the next step of reduce -- changing ammonia to nitrogen gas and reducing total nitrogen. But it would involve a significant extra step, and in addition to concrete and steel it would also involve power costs on the long term, and possibly chemical costs, as well.

MR. BOB PETERS: You're not going to ballpark that for the Board today?

MR. ARNOLD PERMUT: I'm not in a position to give you a credible number today, no.

MR. BOB PETERS: Okay. And so the \$365 million number that's before the Board on page 235, it at best is a placeholder at this point in time.

MR. ARNOLD PERMUT: That probably is a good description for now, yes. As I said, it's subject to a lot of refinement, and we are moving along as quickly as possible to fine-tune those numbers, but we're not there yet today.

We held a workshop earlier at a very preliminary -- the consultants are working towards a preliminary design, but we're -- we have not completed by any stretch of the imagination far enough along to give you a definitive answer of the cost.

MR. BOB PETERS: Mr. Permut, you were -- you were trying to provide some clarification to an answer from Mr. Kjartanson about the ammonia.

Would it -- would the ammonia daily limit that is presently prescribed effectively result in the nitrogen removal to the regulatory requirements of the province?

MR. ARNOLD PERMUT: The ammonia limit is -- is -- although they both have nitrogen consequences, the reduction of ammonia does not specifically relate to the total nitrogen removal.

The ammonia, if we do -- not if we do. We will be changing ammonia and -- and treating it, but whether we do it to a daily or a monthly never -- or a monthly never to exceed, the implication is that the ammonia gets converted to nitrate, and the nitrate would still be in the effluent if we do not go to the next step of total nitrogen removal.

I don't know if I've -- I hope I've explained that to your satisfaction.

MR. BOB PETERS: I'm -- I'm taking from that a two (2) prong approach, is that while the ammonia daily limit that's prescribed would add some additional costs to meet it --

MR. ARNOLD PERMUT: Yes.

MR. BOB PETERS: -- even if you met it, that doesn't mean you would meet your total nitrogen limit that is again prescribed?

MR. ARNOLD PERMUT: That's correct, unless we design for an additional process step to do -- to achieve that total achieve nitrogen limit.

MR. BOB PETERS: Recognizing we are on the public record here, Mr. Permut, the -- the message that you may be leaving with this Board is that the City and the province are still on speaking terms on this nutrient removal program?

MR. ARNOLD PERMUT: That's correct.

MR. BOB PETERS: And that's even though the Clean Environment Commission has issued not one (1), but two (2) orders or -- or reports related to nutrient removal?

MR. ARNOLD PERMUT: I'm not privy to all of those discussions, but my understanding is they're ongoing.

MR. BOB PETERS: And are you privy to discussions to provide this Board with what the process is to reach a resolution on those issues?

MR. ARNOLD PERMUT: No, I'm not. I believe it's handled at a political level right now.

MR. BOB PETERS: And are you able to provide this Board with any indication of what timelines may be -- may be at play here in terms of when this nutrient removal issue will be resolved?

MR. ARNOLD PERMUT: No, I'm not. Again, that's something that I'm not privy to. Hopefully we have resolution quickly so we can move forward with a design, but I couldn't give you a timeline.

MR. BOB PETERS: Mr. Permut, it may have been you yesterday who suggested that with the nutrient removal limits that are being prescribed you would have to do major renovations to the North End Water Pollution Control Centre, correct?

MR. ARNOLD PERMUT: That's correct.

MR. BOB PETERS: But in addition to that, you would also have to do some significant work at the South End Water Pollution Control Centre?

MR. ARNOLD PERMUT: That's correct. There would be an additional process step at the South End as well to meet the total nitrogen limit, which is currently in the licence for the South End treatment plant.

MR. BOB PETERS: The limit that's in the -- the licence for the South End plant will be the

same as the limit for the North End plant, correct?

MR. ARNOLD PERMUT: As it currently stands, the licence for the North End treatment plant was passed through the legislature under Bill 46, Save the Lake Winnipeg Act. And it was entrenched in that legislation. And it -- it too has the total nitrogen limit of 15 milligrams per litre on a thirty (30) day rolling average.

MR. BOB PETERS: And --

MR. ARNOLD PERMUT: However, I'm advised by some good advisors behind me here that the ammonia limit for the North End plant that was entrenched in the legislation, Bill 46, is different than that for the South End plant. The South End plant is based on a thirty (30) day limit. The North End plant as entrenched in Bill 46 is on a daily limit never to exceed.

I stand corrected. It's -- they're both on a daily limit.

MR. BOB PETERS: And the South and the North End empty into the Red River, correct?

MR. ARNOLD PERMUT: That's correct.

MR. BOB PETERS: The West End enters into the Assiniboine River?

MR. ARNOLD PERMUT: That's also correct.

MR. BOB PETERS: And you haven't mentioned that there will be some capital upgrades needed on nutrient removal for the West End plant?

MR. ARNOLD PERMUT: No, the West End plant upgrades are completed.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Patton, what was the capital cost of the new water treatment plant that we saw on the video yesterday?

MS. MOIRA GEER: Three hundred million.

MR. BOB PETERS: And where did that money come from, Ms. Geer?

MS. MOIRA GEER: It was a combination of water treatment plant -- there was a reserve fund, a capital reserve fund, and external borrowing.

MR. BOB PETERS: And I know the borrowings are set out in the financial statements. But, again, it's got some long-term debt attached to it?

MS. MOIRA GEER: That's right.

MR. BOB PETERS: Do you recall what

the ratio was of how much was debt, how much was through the reserve fund?

MS. MOIRA GEER: I don't have that information at hand, but we certainly do have that information. How it was funded, I -- you know, what -- it might have been 50:50 or some -- somewhere along those lines with the concept of the intergenerational equity. But I don't know the exact split. But we could get that for you.

MR. BOB PETERS: Do you know if the exact split is the same as what's proposed for the sewer nutrient removal debt?

MS. MOIRA GEER: No, I don't know if that would be the same.

MR. BOB PETERS: And you won't know what the sewer nutrient removal debt structure will be until the program is better finalized?

MS. MOIRA GEER: There's a number of variables that we'll take into play. It's sort of what the -- what the cost will be, what the timeline will be, what other levels of government funding may materialize. All of those things play into the financial plan for the upgrades.

MS. DENISE PAMBRUN: Would you like the undertaking, Mr. Peters?

MR. BOB PETERS: No. No, thank you. Unless the Board is curious as to the ratio of debt versus retained earnings used on the -- the water treatment plant that has been on stream since 2009, I think.

MR. RAYMOND LAFOND: When I look at the financial statements, note 8 on the water department. Debt that was incurred in 2006, was 60 million. And then in 2008, a hundred million. I would suspect the -- these both -- both these amounts were for the water treatment plant?

MS. MOIRA GEER: That would be correct. The recent borrowing in the water utility would have been for the water treatment plant. Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: I'd like to turn to a new topic. And, Ms. Geer, I think your name might be beside this one (1) as well, so I can either apologize or warn you. I'm not sure which.

And that is the extension of the water and sewer services to other municipalities. That's a topic you spoke on yesterday in the PowerPoint to the

Board. And, specifically, on slides 136 and following.

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And we learned -- or if we didn't already know, we learned that the City already has an existing arrangement with East St. Paul?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And is that for both water and for sewer?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: Can you tell the Board whether residents of East St. Paul pay the same sewer and water rates as do people inside the perimeter?

MS. MOIRA GEER: They -- they are within our billing system and they pay the same rates as City customers.

MR. BOB PETERS: What you explained yesterday, and I think there was also some -- has been some media coverage on it of late, is the City now is prepared to entertain providing services to other municipalities, correct?

MS. MOIRA GEER: Council approved a -- a service sharing policy last week at the -- at their council meeting.

MR. BOB PETERS: And is that service sharing policy on the City's website?

MS. MOIRA GEER: It -- it would be on the City's website in the City clerk's decision making information system for the -- for the council agenda.

MR. BOB PETERS: And the City hasn't finalized any other arrangements at this point in time. Would that also be correct?

MS. MOIRA GEER: That would be correct.

MR. BOB PETERS: And I -- I suspect that West St. Paul is one (1) of the ones that is -- is of current interest. Is that correct?

MS. DENISE PAMBRUN: We're not in a position to disclose any negotiations in which the City might be entering.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: All right. That's fair. But there's no other signed and approved arrangements, other than with East St. Paul at this point in time?

MS. MOIRA GEER: That is accurate.

MR. BOB PETERS: And in terms of other communities, does the service sharing policy include both the water and the sewer services?

MS. MOIRA GEER: Yes, it does.

(BRIEF PAUSE)

MR. BOB PETERS: Can you explain to the Board how it came for East St. Paul to be connected to the City's water and sewage services?

Are you aware of that?

MS. MOIRA GEER: I -- I had indicated in my presentation that was the mid '70s, and that was long before I'd been working at the City of Winnipeg so I cannot answer that question.

MR. BOB PETERS: I wasn't trying to get at your age, but just the -- the -- the corporate knowledge or the corporate history. You're not aware as to whether the capital costs were paid by the municipality, or by the City?

MS. MOIRA GEER: I don't have that information.

MR. RAYMOND LAFOND: Were the -- are these services only for one (1) street, or all of East St. Paul? I think it's only for one (1) street if I recall correctly from yesterday's presentation.

MS. MOIRA GEER: Yes, Board member, Lafond, you're correct. It's -- there's a bor -- there's a boundary street, it's Glenway. And the street runs east to west. And on the north side of the street are East St. Paul residents, and on the south side of the street are City of Winnipeg residents. So it's like a city street, but the north side is -- is another municipality.

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: In terms of the water and sewer extensions out into Rosser, is that -- we -- we heard there was project -- CentrePort project out by Saskatchewan Avenue.

Has that -- has that been concluded yet?

MS. DENISE PAMBRUN: My understanding is that agreement -- there's no concluded agreement.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Is that another

example, Ms. Geer, of -- of a -- of a residential -- or sorry, of a rural municipality that would need to have an arrangement with the City before water and sewer services are extended out to the CentrePort project?

MS. DENISE PAMBRUN: There's no agreement, so I'm not in a position to answer that question.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: In terms of the final decision on whatever agreement is reached, as I understood your evidence yesterday, Ms. Geer, the -- the City's Chief Administrative Officer would have authority to negotiate a -- an agreement and that agreement would have to come back for approval by the City's elected officials?

MS. DENISE PAMBRUN: The actual motion says that:

"The EPC concurred on the recommendation, and that the motion itself is that the basic terms for service sharing agreements attached be approved, and the CAO will be authorized to negotiate and finalize service sharing agreements in accordance with the policy and the terms together with such of the terms and conditions deemed necessary and to protect -- to meet the intent and to protect the interests of the City."

And council concurred on that.

MR. BOB PETERS: And, Ms. Pambrun, just for the record, the service sharing agreement that you referred to would be annexed to those minutes?

MS. DENISE PAMBRUN: The policy is annexed to the minutes.

MR. BOB PETERS: Thank you.

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, related to the expansion of the City's water and sewer, are there disputes or issues arising with First Nations in the Shoal Lake region?

MS. DENISE PAMBRUN: I'm sorry, Mr.

Peters, I'm advised that the EPC recommendation was amended by council, so what I've given you is not accurate. I'll have to get you that accurate one.

MR. BOB PETERS: Maybe as an undertaking you could file the -- the council motion together with the attachments, which would include the service sharing policy.

MS. DENISE PAMBRUN: I will do so.

MR. BOB PETERS: Thank you.

--- UNDERTAKING NO. 6: The City to file the council motion together with the attachments, which would include the service sharing policy

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And, Ms. Geer, the intake for the aqueduct in Shoal Lake, that's located in the Province of Manitoba? Have I got that right from those maps that were on the PowerPoint?

MS. MOIRA GEER: That's right.

MR. BOB PETERS: And there's been some media attention from First Nations in the region claiming they have a -- an arrangement with the City of Winnipeg, and that's correct in that there is a -- an agreement between one (1) of the Shoal Lake First Nations and the City?

(BRIEF PAUSE)

MR. KELLY KJARTANSON: Yes, there is an agreement with one (1) of the Indian First Nations.

MR. BOB PETERS: And that agreement is that the City has put \$3 million into a trust fund back in 1989, Mr. Kjartanson, and I think the province likewise. And I'm getting that, I think, from Tab 2, page 86. It was a note to one (1) of the financial statements that I saw.

Are you aware of that?

MR. KELLY KJARTANSON: I'm not aware of the details, but I do know -- I do know there is an agreement in place with respect to development, et cetera.

MR. BOB PETERS: Well, we can source -- if -- if that's -- maybe we should just take a minute to see if I'm right here.

(BRIEF PAUSE)

MR. BOB PETERS: Just for the Board's edification, I'm looking at Tab 2 of the book of documents, note 1(e) on page 86, dealing with the Shoal Lake agreement.

MS. DENISE PAMBRUN: I have no reason to dispute the -- what's contained in that note, Mr. Peters.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Right, and as a result of -- of that, are further negotiations required, Ms. Geer, if the City is going to enter into arrangements with municipalities outside the City limits?

MS. MOIRA GEER: I have no answer to that question.

MR. BOB PETERS: You're not aware as to whether that's a requirement or not?

MS. MOIRA GEER: I don't know.

MR. BOB PETERS: Okay. While note 1(e) refers to Shoal Lake Indian Band number 40, there's also Indian Band First Nations number 39 in that vicinity that has recently commented on the City's plans.

Does the City have another other agreements with First Nations in the Shoal Lake region, other than First Nation number 40?

MS. DENISE PAMBRUN: Not that I'm aware of.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, do you know if the City will run an economic feasibility test before they extend services, or at least use that as a tool in deciding what the economic cost will be?

MS. MOIRA GEER: I -- I believe an undertaking for the City was to supply a copy of the -- the council approved service sharing policy, which I think will -- will outline that for you.

MR. BOB PETERS: All right. Thank you. We'll -- we'll look further at that. And would it be correct, Ms. Geer -- perhaps Mr. Griffin and Mr. Patton can also chime in, that the -- the ability of the City to enter into these agreements is -- is certainly as a result of the lower consumption by Winnipeg residents?

MS. MOIRA GEER: The City -- the City would have the ability to enter into agreements

because of capacity in our systems.

MR. BOB PETERS: And that's perhaps a nicer way of putting it, Ms. Geer. The -- without that capacity, that may lead to a different decision as to whether to extend services because there would be additional costs.

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And as a result of the additional capacity that the City has related to the water aqueduct as we saw yesterday, that's not a finite capacity though, is it?

There's going to be a time when that has -- when -- when capacity has -- will -- will equal or exceed the aqueduct?

MS. MOIRA GEER: I will ask Duane Griffin to answer that question.

MR. DUANE GRIFFIN: From the best of our -- our knowledge right now, our plans are just showing that we will be within the capacity, but at some point in time, whether it's expanded population or expanded service, that may change.

But right now we have no indication to -- on my plate that would suggest that we would be going outside the aqueduct capacity.

MR. BOB PETERS: The demand -- the peak demand, Mr. Griffin, on -- on the system, doesn't that approach capacity now?

MR. DUANE GRIFFIN: No, it doesn't.

MR. BOB PETERS: The daily peak demand doesn't -- doesn't approach the aqueduct capacity or the plant capacity to produce clean water?

MR. DUANE GRIFFIN: The da -- daily demand is made up by the pumping stations and the reservoirs within the City of Winnipeg.

MR. BOB PETERS: So it's not related to the aqueduct?

MR. DUANE GRIFFIN: The aqueduct will supply the reservoirs, the Deacon Reservoir, and they'll provide a balancing storage for a thirty (30) day average.

MR. BOB PETERS: I wasn't going to go here, but let's quickly flip, Mr. Patton, so I don't confuse the Board. On Tab 13 of the book of documents, on page 513, there's just a table that might help the Board understand and -- and the record understand the discussion we're just having.

Have you located page 513, found at Tab 13 of Board counsel's book of documents?

MR. DUANE GRIFFIN: Yes.

MR. BOB PETERS: When I look at the --

the chart that's on that page, Table 1.0, there's a daily average consumption line item that talks about the present capacity being 386 million litres per day.

Have I got that right?

MR. DUANE GRIFFIN: That's the capacity of the aqueduct.

MR. BOB PETERS: All right. If I go down in the middle column to the maximum hour consumption, or load factor, I three (3) -- I see a number of 361 million litres a day in terms of actual values for 2011.

Have I got that right?

MR. DUANE GRIFFIN: That's correct.

MR. BOB PETERS: And so you're telling me that the -- the maximum -- the -- the 361 million litres per day is based on an actual reading taken in 2010, correct?

MR. DUANE GRIFFIN: That's correct.

MR. BOB PETERS: Does that not -- does that not come close to the present capacity of the aqueduct?

MR. DUANE GRIFFIN: That does, but there's a large volume of water between the aqueduct and the pumping stations. So we'll draw upon that volume of water if we exceed the aqueduct capacity.

MR. BOB PETERS: I see. So you'll -- you'll go into the reservoir system that you have?

MR. DUANE GRIFFIN: That's correct. That's the 8.8 billion litres of water that's sitting in this -- right out -- outside the water treatment plant.

MR. BOB PETERS: All right. And that was a thirty (30) day supply, approximately, according to your math?

MR. DUANE GRIFFIN: Yeah, that's correct.

MR. BOB PETERS: Okay. Thank you for that explanation. Sorry to divert us to -- to that at this time.

I want to turn to a topic that the -- the Chair raised in her opening comments, and that related to the municipal utility proposal discussion. And Tab 20 and maybe Tab 21 will be where I -- I may have some questions specifically.

But, Ms. Geer, that would be a matter, again, under -- under your purview, as the witness, to -- to provide information on, would it?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And is it correct

that back in '07 and '08, the City was considering a separate wastewater and water utility that would be wholly owned by the City?

MS. MOIRA GEER: That was under review by the City, yes.

MR. BOB PETERS: And the basics of that proposal, as it then was, was -- would be for the City to establish the water and wastewater utility outside of the umbrella of the -- of the City?

MS. MOIRA GEER: The -- the concept was an arm's-length municipal utility, yes.

MR. BOB PETERS: Still wholly owned by the City though?

MS. MOIRA GEER: Correct.

MR. BOB PETERS: And at that time, the City had some options to consider, in terms of what model it might go for this municipal utility proposal?

MS. MOIRA GEER: There was some research undertaken, yes.

MR. BOB PETERS: And some consultants engaged to provide some advice on that?

MS. MOIRA GEER: There were consultants that assisted the City, correct.

MR. BOB PETERS: Right. And -- and one of those consultants provided the report that I have extracted at Tab 20 of Board counsel's book of documents?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And the -- the recommendation from the consultant was essentially a design/build/finance/operate model, again, a municipal corporate utility wholly owned by the City and regulated by the Public Utilities Board?

MS. MOIRA GEER: The -- the Deloitte proof of concept report. I -- I'm not sure what exact detail that you're referring to, but we -- we can -- I can look at it at the break and comment on that.

There were, sort of, two (2) elements to that. One (1) was the procurement strategy for the major upgrades we've got to undertake at the -- at the sewage treatment plants, and also the -- the organizational structure of the utility. So there was two (2) -- two (2) subjects within that -- within that study.

MR. BOB PETERS: Do you recall that the executive policy committee recommended the plan to -- to the elected officials. I guess the executive policy committee are elected officials.

But they recommended it to the -- the

whole of City council?

MS. MOIRA GEER: I believe that in 2009, there was a recommendation by EPC and -- and council to proceed with the formation of an arm's-length utility.

MR. BOB PETERS: And at that time, there were some implications or benefits to the City that were -- were identified. And I -- I see those on page 690, at Tab 21 of Board counsel's book of documents.

(BRIEF PAUSE)

MR. BOB PETERS: The City doesn't take issue with the -- with the imple -- implement -- sorry, the implications of the recommendations does it, Ms. Geer?

MS. MOIRA GEER: That was a report approved by council.

MR. BOB PETERS: And if I understood it correctly, Ms. Geer, there was a business plan that -- that was developed. And I can perhaps draw your attention to page 758 on the top right-hand corner, at Tab 21 of the book of documents.

And here, the business plan predicted an 8 percent reduction in capital asset construction costs, 12 percent lower life cycle costs, compared to the City operating the utility on its own, correct?

MS. DENISE PAMBRUN: That's what the document says, Mr. Peters. There's no dispute.

MR. BOB PETERS: And this document was approved by the City, Ms. Geer?

MS. DENISE PAMBRUN: This -- this document was attached to the council report.

MR. BOB PETERS: And, Ms. Geer, it was approved by City council to your knowledge?

MS. MOIRA GEER: It was approved by City council.

MS. DENISE PAMBRUN: It's attached to the report that was approved by City council.

(BRIEF PAUSE)

MR. BOB PETERS: If we turn ahead to page 761...

MS. DENISE PAMBRUN: Mr. Peters, can you give me a minute?

MR. BOB PETERS: Yes.

MS. DENISE PAMBRUN: The administra --

I'm sorry, EPC recommended, but I do not believe that that is what was approved by council. I don't believe that was the recommendation approved by council. But I can confirm that this was the document that was submitted to council.

MR. BOB PETERS: Okay. Well, thank you for that clarification. And, Ms. Geer, can -- can you advise the Board that the plan, in fact, wasn't approved by City council?

Do you know that to be correct?

MS. MOIRA GEER: I -- I cannot comment.

MR. BOB PETERS: You -- you're not going to --

MS. MOIRA GEER: I -- I --

MS. DENISE PAMBRUN: I think -- I -- I think we'd better double-check on that, Mr. Peters.

MS. MOIRA GEER: Yeah.

MR. BOB PETERS: All right. I was trying to get there more eloquently. But the -- did the City not either discontinue, or put on hold, or abandon the -- the plan?

MS. DENISE PAMBRUN: The plan is not proceeding at this time, and the Province and the City are in discussion about this plan.

(BRIEF PAUSE)

MR. BOB PETERS: All right. I think that's helpful.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: The -- the City couldn't sit idly by and -- and wait though, Ms. Geer. The City had -- has entered into an alternative service delivery model.

Would that be correct?

MS. MOIRA GEER: I think the -- the -- the study and the research of a utility model was separate and apart from the procurement model for the upgrades. So they were two (2) -- they were studied at the same time, but they were two (2) separate -- separate items.

MR. BOB PETERS: And we can -- sorry.

(BRIEF PAUSE)

MS. DENISE PAMBRUN: I should indicate, Mr. Peters, if you look at number 2 in the

EPC recommendation, it indicates the Province of Manitoba requests to pass a regulation under section 212 of the charter.

There is no regulation in place, so we cannot proceed with this plan.

MR. BOB PETERS: Thank you for your assistance, Ms. Pambrun.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: The -- the indication, Ms. Geer, then is that the plan can't be proceeded with because there are some legal hurdles to get over, but there's also, as your understanding is, this is being treated then, the nutrient removal project?

MS. MOIRA GEER: The -- the study at the time and the subject matter of the -- of the report was the utility model and also a procurement model for the upgrades to the wastewater treatment system.

Ms. Pambrun has responded to the status of the utility. The procurement model proceeded, and we do have a consulting arrangement --

MR. BOB PETERS: Okay.

MS. MOIRA GEER: -- to help the City with that program.

MR. BOB PETERS: And the utility model discussions are -- are still, do I take it, at -- at a political level?

MS. DENISE PAMBRUN: Yes, I think that's fair to say.

MR. BOB PETERS: Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And -- and then in terms of the procurement -- you called it a procurement model. Is that right, Ms. Geer? Have I got that right?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: And what you're -- what are you procur -- what is the City procuring?

MS. MOIRA GEER: The City, just earlier this year, entered into a contract -- contract with Veolia. And it's a -- a consulting services contract to provide advice and expertise to the City in the delivery of the massive capital program that we have to -- to upgrade the plants and biosolids as well as help us -- give us advice and expertise on the operations of the plant.

MR. BOB PETERS: So it's for nutrient -- it's for advice on nutrient removal is one aspect. Would that be correct?

MS. MOIRA GEER: On the upgrade of the sewage treatment plants.

MR. BOB PETERS: Yes, the -- the services that have been sought externally are for the upgrades to the sewage treatment plants.

I take it from earlier discussions that -- from Mr. Permut, that that would be the North End primarily, but also the South End?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And then in addition to that, the biosolids program that we've -- we've -- we've talked a bit about, that's also something in which the City is taking advice from a consultant?

MS. MOIRA GEER: Yes, biosolids is part of sewage treatment.

MR. BOB PETERS: And in addition to those upgrades, there's also some advice needed with respect to the operations of the -- what will become new equipment, if and when procured?

MS. MOIRA GEER: We -- yes, we've -- we've -- for new equipment or just in general, providing advice to the City on its overall operations and working in collaboration with the City.

(BRIEF PAUSE)

MR. BOB PETERS: The City will remain the owner of the assets?

MS. MOIRA GEER: The City has 100 percent ownership and control of all of the assets.

MR. BOB PETERS: And the -- who's going to operate the -- the City's facilities?

MS. MOIRA GEER: The City operates its facilities.

MR. BOB PETERS: And so the external consultant, Veolia, is that how you say it?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: They're going to assist the City in the operation?

MS. MOIRA GEER: They are going to provide advice and expertise to the City.

MR. BOB PETERS: And for what period of time will the City need Veolia's advice?

MS. MOIRA GEER: The City has entered into a thirty (30) year agreement with Veolia.

(BRIEF PAUSE)

MR. BOB PETERS: Is the agreement with Veolia then related solely to the sewage treatment -- the sewer services of the City, not related to the water services?

MS. MOIRA GEER: It has absolutely nothing to do with the water systems, just the sewage treatment systems.

MR. BOB PETERS: And at Tab 23 in the book of documents, there was a summary of some information that the City had, I believe, put on its website.

This is a summary of the document to which you've been referring, Ms. Geer?

MS. MOIRA GEER: Yes, this is a summary of the -- of the agreement with Veolia that is posted on the City's website.

(BRIEF PAUSE)

MR. BOB PETERS: Can you just assist the Board in explaining the compensation that will go to Veolia? It appears that there's three (3) ways. I'm looking on page 804 in the top right-hand corner found in Tab 23 of the Board counsel book of documents, Exhibit PUB-3.

Is that correct, Ms. Geer? There's three (3) ways Veolia can -- will be compensated?

MS. MOIRA GEER: There are three (3) ways that Veolia can be compensated under this agreement.

MR. BOB PETERS: Yes, and did I take from your bio, as brief as it may have been, perhaps a disservice to you, but one (1) of the points was that you assisted in the negotiation of this agreement?

MS. MOIRA GEER: That is correct.

MR. BOB PETERS: And in terms of the remuneration for Veolia, can you explain the first one (1), which is called earned margins that were competitively bid applied to costs of the City's construction and operations?

MS. MOIRA GEER: Yes. There's -- there are -- there are three (3) ways in which Veolia earns compensation, and -- and I think before I describe the first one I -- I think it's an important -- it's an important concept to understand that the contract and the compensation is very much performance-based.

So the earnings and the compensation for Veolia are -- are at risk over the long term of the contract, so I think that's an important concept which I'm sure you -- you may have some questions about, but there are three (3) ways for them to earn compensation.

And the first one, which you --
MR. BOB PETERS: I'm going to interrupt you, if your lawyer lets me, but just to talk about the performance-based.

Is the performance based -- based on subjective -- sorry, on subjective or objective measurement?

MS. MOIRA GEER: The performance will be based upon objective measurement.

MR. BOB PETERS: And this is the kind that Mr. Kjartanson would be able to -- to tell us in terms of millilitres per litre and those types of measurements?

MS. MOIRA GEER: A performance contract -- you cannot have a performance contract without having means of measurable performance.

MR. BOB PETERS: Fair enough. And -- and are the terms of the performance set based on the Clean Environment Commission's report or on some other criteria?

MS. MOIRA GEER: The -- the work that has to be done by the City is -- is directed by the province. The province of Manitoba directs what we have to do for compliance purposes.

Once we have the -- once we know that we're doing the -- what we're doing, then that is the objective of the program, is to deliver what the province mandates the City to do.

MR. BOB PETERS: So the performance ultimately is directed by the province.

MS. MOIRA GEER: No, the -- the program -- what we actually have to do is directed by the province. The performance -- the performance comes in the form of the operability of the plants.

It could be in the -- in the cost that the program is delivered upon and generating some savings. It can also be based upon -- you know, and performance targets of -- of -- I mean, the performance of the plant absolutely is measured by what the licence requirements are, but it is measurable. The performance will be measurable.

MR. BOB PETERS: Thank you. Can you then get to the first term of compensation, which was

the margins that can be earned by the contractor?

MS. MOIRA GEER: Yeah, there's -- there's a margin that's applied to the cost of the -- which we -- we are referring to as the "Winnipeg sewage treatment program" is what we're calling the program, is -- pardon me. It's not an official term, but that's the terminology that we'll use.

So there's a margin that -- that is applied to the costs of the program. And Veolia is entitled to a margin on those costs, and that is at risk. The competitively bid margin refers to a public procurement process that we undertook where there was a competitive bidding process. And that's what the reference is to the competitively bid margins.

MR. BOB PETERS: I'm still not quite conceptually understanding, Mr. Geer. That if the -- if the City has a competitive bid on -- on something for a hundred dollars and Veolia can come in and provide it at ninety-eight dollars (\$98), does that mean they earn the -- the two dollar (\$2) difference?

MS. MOIRA GEER: No. What a competitively bid margin -- and I suppose maybe one (1) of the different aspects of this competitive process -- in a more typical bidding competitive process you bid on a price. And in this particular contract it was a formula. So we've -- we've got a compensation framework which is described in the three (3) ways that they -- they earn under the contract. So we did not reveal what the margins were that bid because that was commercially confidential information.

MR. BOB PETERS: But does the -- does Veolia then know what they're -- what they're up against in terms of what their margin has to be to earn?

MS. MOIRA GEER: They -- they bid a margin. It was part of their -- their competitive bid. It was a better than two (2) year procurement process from start to finish to -- with all the various phases the City went through to engage the services of the private sector to help us.

MR. BOB PETERS: Are you telling the Board that -- that the lowest bid margin was from Veolia?

MS. MOIRA GEER: I'm saying that from a competitive process Veolia was the successful proponent from those that were in competition to enter into an arrangement with the City.

MR. BOB PETERS: Based on the lowest

margin?

MS. MOIRA GEER: The -- if you -- if you wish -- to the City -- the City has certain evaluation criteria for competitively bid processes and the evaluation framework is contained within the City's request for a proposal document. So your statement is not accurate.

MR. BOB PETERS: All right. The second source of compensation was savings during the construction?

THE CHAIRPERSON: Before Ms. Geer goes into that one I just want to make sure I'm on the same page here, Mr. Peters. I -- this earned margins, is this -- I'm looking at page 813 and I'm looking under "compensation," and I'm just reading that the share percentage of cost savings that Veolia can earn is calculated, this is in the first paragraph on page 11, on a sliding scale that starts at 50 percent but reduces their share as savings grow.

Is that what we're talking about when you talk about an earned margin or is that something different? Is that a different form of compensation?

MS. MOIRA GEER: Madam Chair, you're correct, that's a different form of compensation. We are --

THE CHAIRPERSON: So we haven't gotten to that --

MS. MOIRA GEER: This --

THE CHAIRPERSON: -- one yet?

MS. MOIRA GEER: This is the -- yeah, as described, as -- as Mr. Peters is requesting the second form of compensation.

THE CHAIRPERSON: Right. Oh, the one that he's going into?

MS. MOIRA GEER: I believe so.

THE CHAIRPERSON: Okay. All right.

Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, you were going to explain to the Board how the contractor can be compensated through the savings during construction?

MS. MOIRA GEER: Yes, the second -- the second form of compensation for Veolia is generating savings to the program. And, essentially, a team of -- of City and Veolia representatives will come up with target costs for capital projects and for operations. These -- these costs will be

independently verified when they're established and ultimately get approved by the -- by the directors.

So if the -- if the program is delivered, and the project is delivered below the target cost, and there are savings, then Veolia and the City share in those savings. But, conversely, if something would happen that the costs would be higher than the target cost, Veolia and the City share the pain.

MR. BOB PETERS: Is the formula for sharing the cost savings the same as the formula for sharing in the cost overruns?

MS. MOIRA GEER: Yes, and it's on a sliding scale.

MR. BOB PETERS: And that's the point that the Chair had -- had brought to your attention to, on page 813?

MS. MOIRA GEER: That's correct.

MR. BOB PETERS: And the third method of receiving compensation?

MS. MOIRA GEER: The -- the third method for receiving compensation is for key performance indicators. And those would be to drive excellence within the program, that would not be primarily financially driven.

And those, too, will be set by the program team and ultimately approved by the director. And it may be -- you know, it might be things that -- exceeding certain minimum targets for other aspects of the business. But, just things that really drive excellence in -- in all that we do within the sewage treatment program.

THE CHAIRPERSON: And I'm reading that those things would include health, safety, waste reduction, and greenhouse gas mitigation. That's in the page 11 paragraph?

MS. MOIRA GEER: Yes, that would be --

THE CHAIRPERSON: Those kinds of things?

MS. MOIRA GEER: -- that would be correct as an example of the -- the types of things that may be included in that area of compensation.

THE CHAIRPERSON: Thanks.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Ms. Geer, is -- is this -- is this the first time the City has entered into an arrangement with a consultant for such a program?

MS. MOIRA GEER: That's accurate.

MR. BOB PETERS: Is this arrangement that the City has with Veolia -- has it been signed and documented?

MS. MOIRA GEER: The -- the City actually entered into the agreement -- the agreement was signed earlier this year.

MR. BOB PETERS: Okay and -- and at page 803, it talks about a -- a program agreement signed on April 20th, of 2011? And that would be -- that would be the document you're talking about? The -- the date of the contract?

MS. MOIRA GEER: Yes.

MR. BOB PETERS: Has that contract been put on the City's website?

MS. MOIRA GEER: No.

MR. BOB PETERS: Why not?

MS. DENISE PAMBRUN: We normally don't disclose copies of docu -- signed agreements, because they're confidential.

MR. BOB PETERS: Okay. And is the City subject to a confidentiality agreement with -- with Veolia?

MS. DENISE PAMBRUN: That I couldn't tell you. I -- I've not read the original contract.

MR. BOB PETERS: Okay. And on that line then, would the City be prepared to file it with this Board, either on the public record or in confidence, pursuant to the Board's rules?

MS. DENISE PAMBRUN: I'd have to get instructions on that, Mr. Peters. I don't know.

MR. BOB PETERS: All right. Then I'll make the request for you to undertake and get back to the Board as to whether the City will file the -- I'll call it the Veolia contract, I believe it's dated April 20th of 2011, with the Public Utilities Board, either on the public record or pursuant to the Board's Rule 13, which provides for filings in confidence.

MS. DENISE PAMBRUN: I'll undertake to get instructions.

MR. BOB PETERS: And thank you.

MS. DENISE PAMBRUN: Thank you.

--- UNDERTAKING NO. 7: The City to indicate if it will file the Veolia contract, dated April 20th of 2011, with the Public Utilities Board, either on the public record or pursuant to the Board's Rule 13, which

provides for filings in
confidence

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Madam Chair, in light of the hour, this might be an appropriate time for the -- the lunch break?

THE CHAIRPERSON: Okay. We've reached after 12:00, so we'll take the hour and be back at 1:00. Thank you.

--- Upon recessing at 12:07 p.m.

--- Upon resuming at 1:01 p.m.

THE CHAIRPERSON: I think we're approaching one o'clock, and if I continue talking to Monica about plans over Christmas, we -- we could go past the one o'clock.

So I will -- I will proceed. Now, the first thing was we were talking about the Veola -- Veolia contract, Ms. Pambrun. And we're just wondering if you determined whether you are in -- instructed -- over the noon hour, did you get some information on how you could file that contract?

MS. DENISE PAMBRUN: I'm not going to be able to get those instructions on such short notice, unfortunately.

THE CHAIRPERSON: Okay. Well, it appears to me that this contract is intricately linked to the major capital expenditures and upgrades required at the North End and at the South End Water Pollution Control Centres.

It is sewer related. It's not water related, as the Board members and counsel in this room are well aware, but the sewer utility of the City has been declared to be a public utility and is therefore under this Board's jurisdiction.

Now, the required upgrades are obviously an important issue, as they seem to represent the single biggest capital expenditure on the water and sewer services that the City has faced in recent times. And, as I understand it, Veolia will be integral in helping the City meet its requirements, and the relationship with this company will be a long term one.

Given those factors, the Board is persuaded that it needs to review the contract, not just at a very high level summary that is before it. So the summary was helpful, but it certainly doesn't

give us all the details that we need.

The Board thus has to determine whether it will receive the contract in confidence, or require it to be put on the public record. If the document is to be filed in confidence, our default requirement would be that it would be -- all information would be placed on the public record. That would be our default requirement.

However, under Section 13 of the Board's Rules and Practice, which Mr. Peters referred to, in our practice and procedure the Board could receive the information in confidence. If the Board is of the opinion that the disclosure of the information could be reasonably be -- could reasonably be expected to a -- number 1, result in undue financial loss or gain to a person directly or indirectly affected by the proceeding; or, number 2, to harm significantly that person's competitive position or b) if the information is personal, financial, commercial, scientific, or technical in nature. And point number 2, the information has been consistently treated as confidential by a person directly affected by the proceeding. And, number 3, the Board considers that the person's interest in confidentiality outweighs the public interest in the disclosure of the information.

And, in this case, the Board is persuaded that the contract is commercial in nature and that the financial details consistently be -- have been treated as confidential by the City and Veolia. This does not bring the analysis to an end as the Board still has to determine whether the interest of the parties in maintaining confidentiality outweighs the public interest in disclosure.

The Board is mindful that this is an informational hearing. There is no actual application from the City before the Board given the informational nature of this hearing. The Board is of the opinion that, at this point, the need for confidentiality outweighs the public interest in disclosure. And so the Board will accept the Veolia contract in confidence.

And now I -- on a different note, Mr. Lafond has another question that rises out of some of our discussion this morning.

MR. BOB PETERS: No, I -- I think there is an undertaking outstanding from Ms. Pambrun, and when I spoke about it this morning I had alluded to the -- the two (2) options in terms of filing. One

(1) would have been on the public record and one (1) would have been in confidence. And I think Ms. Pambrun is still going to be seeking instructions when she gets out of these hearings.

And, to that end, the Chair has, I believe, indicated, according to my notes, in their discussions determined that the document should not be put on the public record but rather the Board will be seeking it in confidence. And we're waiting to hear back from Ms. Pambrun on that. So there's no additional undertaking.

THE CHAIRPERSON: So can we proceed? I think the question probably is to you, Ms. Geer, but it's coming from Mr. Lafond.

MR. RAYMOND LAFOND: My question -- it's a series of questions but on the same subject. In -- in reading the financial statements we see at different places allocation of costs by the utility -- or -- or by the City to the utilities, the two (2) utilities, wastewater and water.

And the first one, more specifically, I -- I read that the water utility pays \$2.2 million in property taxes to the City and -- and the wastewater division pays something like \$7.9 million in property taxes.

Is that correct?

MS. MOIRA GEER: The water and sewer utilities do pay property taxes to the City of Winnipeg. That is correct.

MR. RAYMOND LAFOND: Is this the case for all departments and divisions? Like what is the -- the logic behind this?

MS. MOIRA GEER: The -- the water and sewer utilities are self-supporting, fully costed utilities, so we do -- we do include the property taxes. I cannot speak to how other programs or departments that are sort of within that property tax afforded general revenue fund are treated, but in the utilities we do -- we do have property taxes.

MR. RAYMOND LAFOND: Is it fair to -- to assume that with the recent construction of the new water treatment plant and the foreseeable major upgrades in the wastewater division that these -- these numbers will -- should go up substantially?

MS. MOIRA GEER: The -- with the expansion of the plants the -- the assessed value could go up which could increase property taxes and the -- the actual water treatment plant, which is -- resides in the RM of -- of Springfield. So the taxes

that are actually paid on that facility are not City of Winnipeg property taxes. It's a grant in lieu for the RM of Springfield.

MR. RAYMOND LAFOND: Thank you. The other thing I see is that, I mean, the -- the -- due to the general division -- or general fund is \$56 million in the water division, and last year it was 70 million. And in the wastewater division it's 70 million for a total of about \$125 million. The interest rate used is point nine (.9) of 1 percent using the Bank of Canada rate rate.

Is there a logic for using the Bank of Canada rate, rather than, for instance, the bank prime rate because the City's borrowing costs are certainly much more than the .9 percent?

MS. MOIRA GEER: The -- the rate that is used to accrue interest on the -- the general revenue fund account is a decision that's made by the office of the chief financial officer and the city treasurer. So I'm -- I'm not sure exactly how that rate is determined.

MR. RAYMOND LAFOND: When it comes to office use, I -- I read in the statement that there's a -- a figure of \$1.1 million paid to the general fund for use of office. Do you know how this is determined? Is it on a square -- per square foot basis, cost, market value, or...?

MS. MOIRA GEER: There is a -- within the City of Winnipeg the departments are charged through the civic accommodations branch for space that -- that you occupy, and it is based upon square footage of occupied space. I cannot say how they -- they actually determine the rate per square footage, but we are billed on a per square footage basis.

MR. RAYMOND LAFOND: Would it be possible to get this rate at a point in time?

MS. MOIRA GEER: The -- I'll just ask Denise. Yes, that would be an undertaking.

--- UNDERTAKING NO. 8: The City to indicate the rate per square foot charged to the Utility for office space

MR. RAYMOND LAFOND: And finally, in terms of allocations, I would imagine that internally you do have a -- a schedule of allocations to the -- the division of different costs of the City to these two (2) utilities. And would it be possible to give

us these allocations and the rationale behind them?

MS. MOIRA GEER: We -- we do have allocations because the -- the department has a number of lines of business in different funds. And we do have an allocation schedule, yes. We could -- we could supply that.

MR. RAYMOND LAFOND: Thank you.

MS. DENISE PAMBRUN: Yes, it is.

--- UNDERTAKING NO. 9: The City to provide a schedule of allocations to the division of different costs to Water and Sewer and advise the rationale behind the allocations

MS. DENISE PAMBRUN: I can indicate, Mr. Lafond, that other City departments do not pay taxes to the City of Winnipeg.

MR. RAYMOND LAFOND: Thank you.

THE CHAIRPERSON: All right. Go ahead, Mr. Peters.

MR. BOB PETERS: Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: I'd like to start this afternoon discussing combined sewer operations and -- including some of the overflow matters.

Madam Chair, I think the best way to perhaps follow, is on -- starting on page 62 of the PowerPoint that was marked as City Exhibit 3 yesterday when -- when Ms. Wiebe was presenting the materials. And, to some extent, I may -- I may have questions and -- from Tab 15, of the blue book of documents as well. But we'll -- we'll see how we make out with this first of all.

Ms. Wiebe, when we look at page 62 of the PowerPoint presentation, that was the map of the City that was subdivided into forty-three (43) combined sewer districts, correct?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: And the point of dividing the City into combined sewer districts is an internal administrative decision?

MS. CYNTHIA WIEBE: Each of these districts has its own connection to the interceptor sewer. So it's sort of -- there's like a little mini sewer system for each of these districts.

MR. BOB PETERS: And of these forty-

three (43) combined sewer districts, six (6) of them are getting the sewer separated from a combined system into individual sewers for -- one (1) for storm and one (1) for sanitary sewers?

MS. CYNTHIA WIEBE: Six (6) districts are currently undergoing partial separation, yes.

MR. BOB PETERS: And that was what you told Board member Lafond, that it would be as much as ten (10) years to complete those projects?

MS. CYNTHIA WIEBE: That's currently what we're estimating, yes.

MR. BOB PETERS: All right. And just on that point, does that in and of itself suggest that to tackle this problem of combined sewer systems, it's a generational problem that the City has no short-term solution for.

Would that be fair?

MS. CYNTHIA WIEBE: It is a long-term project that we're going ahead with. And the sewer separation is one (1) tool to tackle CSOs.

MR. BOB PETERS: All right. And, it's -- is it the most effective tool?

MS. CYNTHIA WIEBE: I don't think I could really answer that. It's a tool. There's a number of different tools that, together, will make the most cost effective solution for CSOs.

MR. BOB PETERS: When the chart on -- or the map on page 62 of the PowerPoint presentation talks about relieved and partially relieved and unrelieved districts --

MS. CYNTHIA WIEBE: M-hm.

MR. BOB PETERS: -- what -- what is the -- what does it mean to have a relieved combined sewer district?

MS. CYNTHIA WIEBE: A relieved combined sewer district, when we do our relief that we're targeting it -- we call it a one (1) in five (5) year level of relief. So what that means is the type of rainfall event that we would expect to see once every five (5) years, so that magnitude of event will not result in basement flooding for those districts.

And -- so that's our -- our mandate is to provide relief to a one (1) in five (5) year level. That will later be upgraded to one (1) in ten (10).

MR. BOB PETERS: If it -- once you reach one (1) in five (5) you then will -- once all of the districts become one (1) in five (5) year events, that's when the upgrade will start over again to go one (1) in ten (10)?

MS. CYNTHIA WIEBE: Yes.

MR. BOB PETERS: So again, that's going to be decades in the planning and -- and coming to fruition?

MS. CYNTHIA WIEBE: It's not a immediate solut -- it's not something that can be done in a couple years, no.

MR. BOB PETERS: And if a district has a relieved CSO, or combined sewer operation, does it still qualify for the separation of the sewer lines?

MS. CYNTHIA WIEBE: Just to clarify, the relief is for basement flooding, not for CSO.

MR. BOB PETERS: I -- I did see your - - if we turn to -- to slide 63, you did say in your presentation that basement flooding could happen whether it's a combined sewer or separate sewers, correct?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: But the basement flooding relief that is targeted on -- on slide 62, that's mostly for the combined sewer districts?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: And so if a combined sewer district has basement flooding relief, that's still not enough, there still will be plans to either separate the sys -- the sewers, or to upgrade the relief so that it can withstand a one (1) in ten (10) precipitation event?

MS. CYNTHIA WIEBE: Ultimately, yes.

(BRIEF PAUSE)

MR. BOB PETERS: Just help the Board understand, when you have separate sewers as you depict --

MS. CYNTHIA WIEBE: M-hm.

MR. BOB PETERS: -- on page 63 of the PowerPoint, how is the separate sewer system as like - - it's not as likely to have basement flooding as is the combined sewer.

Would that be fair?

MS. CYNTHIA WIEBE: Generally speaking, yes.

MR. BOB PETERS: And what events would have to happen under the separate sewer system for basements to flood?

MS. CYNTHIA WIEBE: There's a couple different things that can come into play. It is related to wet weather inflow. So the -- we basically

started constructing separate sewers in 1960.

And until 1998 when we had the sump pump bylaw, weeping tiles were connected into a house's -- a home's plumbing, which feeds the wastewater sewer. Over time we have found, in terms of weeping tiles contributions, one (1) of the biggest factors is lot grading. So houses that have a negative grading where you get a lot of ponding of water, you can have a very significant inflow of water from rain events that get to a wastewater sewer.

In newer areas we also find there is a number -- there are a number of people that do connect their sump pumps illegally back into their home plumbing, and these -- these districts, the wastewater sewers were not sized to take weeping tile flow. So that again is another source of inflow that can result in basement flooding for unprotected basements.

(BRIEF PAUSE)

MR. BOB PETERS: The City hasn't designed a program about the lot grading, has it? Ha -- had -- is there any preventative measures related to that that you're aware of?

(BRIEF PAUSE)

MS. CYNTHIA WIEBE: Sorry, can you repeat your question?

MR. BOB PETERS: Well, I -- I was looking at all of the potential illustrative programs to relieve the problems from combined sewers, and I don't recall reading one about a lot grading initiative where -- where citizens are told that they better take care of the ground that settled around their house and make everything flow away from their house.

MS. CYNTHIA WIEBE: We do strongly encourage citizens to do that, and we do provide information about that and other things they can do to protect their homes from basement flooding a number of times a year.

But we do not have any specific program encouraging people or mandating that citizens modify their lot grading.

MS. DENISE PAMBRUN: Mr. Permut can add to this answer, I think.

MR. ARNOLD PERMUT: Just one (1) additional thing. There is, within the City of

Winnipeg, a lot grading bylaw. And I don't administer that, so I can't speak to all of the detail. But I do know one of the components is that you cannot drain your water off of your lot onto your neighbour's lot to alleviate your problem and cause one for your neighbour, so.

And as Ms. Wiebe pointed out, we do have many educational programs out there, including the home show in the spring at the convention centre, where we provide significant information to people who will ask us questions about it.

MS. DENISE PAMBRUN: I can provide a copy of the lot grading bylaw, if you'd like one.

MR. BOB PETERS: I think we're fine with that, Ms. Pambrun, but if -- if I do need it and I can't find it, I'll come back to you on that.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: The -- the occurrences on page 64 of your slide, PowerPoint slides, indicates that on average, the overflows occur about twenty-two (22) times a year?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: And -- and that's a different number than I recall reading in other materials, where I think it referred to eighteen (18) times a year during open-water season.

MS. CYNTHIA WIEBE: That's correct.

MR. BOB PETERS: So the extra six (6) times a year happens with, what, snow melt or during the winter?

MS. CYNTHIA WIEBE: In the shoulder season. So the recreation season, I believe, is May through September. So that could be snow melt, or, for example, Oct -- you know, October or November, if we wound up with unseasonable rain.

MR. BOB PETERS: Is there any of the environmental projects reserve fund currently given to you to administer some of your CSO projects?

MS. CYNTHIA WIEBE: I believe all our CSO is funded through the environmental reserve.

(BRIEF PAUSE)

MR. BOB PETERS: If you can flip back to Tab 3 of the blue book of documents to page 145, I just want the Board to understand your last answer, Ms. Wiebe.

I'm looking on page 145, just below

halfway down the page, and there is a combined sewer overflow management strategy and miscellaneous mitigation line item.

Do you see that?

MS. CYNTHIA WIEBE: Yes.

MR. BOB PETERS: And underneath that, it indicates environmental reserve. So when the Board follows that over and sees that in the next six (6) years there'll be \$87 million allocated for combined sewer overflow management strategy and miscellaneous mitigation, all of that will be coming out of the environmental reserve?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: And when the Board looks at page 159 of the same tab, there is a specific program that's detailed in -- under your capital plans, and it has to do with the combined sewer flood relief.

MS. CYNTHIA WIEBE: Yes.

MR. BOB PETERS: This is a separate program from what was referred to as the combined sewer management strategy?

MS. CYNTHIA WIEBE: It is. This was -- when I've been referring to a basement flood -- basement flood relief projects, this would be our combined sewer flood relief.

MR. BOB PETERS: And that program is financed though through the -- the sewer system rehabilitation reserve?

MS. CYNTHIA WIEBE: It is, yes.

(BRIEF PAUSE)

MR. BOB PETERS: As the combined sewer infrastructure continues to age, Ms. Wiebe, is it in the plans of the City to replace that infrastructure with separate sewers?

MR. GEOFFREY PATTON: I can answer that. Right now, with the -- the combined sewers, they're being re -- rehabilitated with trenchless technology using a pipe-within-a-pipe system.

So they still remain combined sewers but are structurally rehabilitated.

MR. BOB PETERS: I think what you've -- what -- what I understand from your answer on that, Mr. Patton, is that as a combined sewer starts to fall apart, instead of dig -- digging it out and putting in something new, you just insert a pipe within the old pipe?

MR. GEOFFREY PATTON: Essentially correct. We're -- we're rehabilitating it using the -- the trenchless technologies, a cured-in-place pipe within a pipe.

MR. BOB PETERS: And so it still remains a combined sewer, even though you've rehabilitated it?

MR. GEOFFREY PATTON: That's correct.

MR. RAYMOND LAFOND: I want to be clear on this. Is this a new pipe within the storm sewer one? So effectively, they're combined, but they're really separate?

MR. GEOFFREY PATTON: No, these are -- these are combined sewers within the older districts that are identified as carrying combined flow. And the rehabilitation is a -- is a resin-impregnated felt liner that actually is a structurally -- can stand alone without the host pipe. So this is a structural rehabilitation of the -- of the combined sewer.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Not to sound in any way diminishing the value or importance of that rehabilitation, Mr. Patton, but what you're really doing is you're replacing a combined sewer with a combined sewer solution?

MR. GEOFFREY PATTON: That is -- that is correct. The programs must work in -- in concert, in terms of basement flooding relief. The combined sewer -- rehabilitation sewer system rehabilitation, they all have to work together to provide the most cost-effective solution to rehabilitate our sewers.

MR. BOB PETERS: Well, on the -- on the business of cost effective, you've got an old inner city combined sewer that's in disrepair, and the best way to deal with it at this time is to put a new lining inside of it to keep it functional as a combined sewer.

How many more years of life does that -- does that fix give it?

MR. GEOFFREY PATTON: The -- the structural rehabilitation has a service life of fifty (50) years.

MR. BOB PETERS: And so rather than spend the money on separating the sewers at this point in time, that will have to wait until a later date?

MR. GEOFFREY PATTON: That's correct. The -- the cost effective -- the benefits of the sewer rehabilitation, very small amounts of money. We can

line the sewers very cost effectively, versus digging up the entire roadway and replacing with a dual-pipe system. So the -- the benefits are -- are, in terms of the rehabilitation program, are -- are quite large.

MR. BOB PETERS: Ms. Wiebe, back on page 64 of your PowerPoint presentation, you indicate that:

"Typically, only 1 percent of the total annual sewage is lost to overflows."

What is that 1 percent in terms of volume? Can you quantify that?

MS. CYNTHIA WIEBE: I don't know that number offhand, but we can undertake to get that number.

MR. BOB PETERS: All right. I think that would be helpful if -- if we had an understanding of that.

--- UNDERTAKING NO. 10: The City to indicate what the 1 percent of the total annual sewage lost to overflows is, in terms of volume

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: And what you've indicated is the primary impact is that the fecal coliform levels increase, or at least spike, for the days that there is around the combined sewer overflows?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: And does the nutrient discharged due to the overflow get included in the national pollution release inventory that Mr. Kjartanson told us about yesterday?

MS. CYNTHIA WIEBE: It does. We do have an MPRI report for CSOs that we put out annually.

MR. BOB PETERS: And so that's an estimate?

MS. CYNTHIA WIEBE: It is, yes.

MR. BOB PETERS: There's no way you quantify that?

MS. CYNTHIA WIEBE: Not currently, no.

MR. BOB PETERS: I understood from slide 66 in your presentation yesterday, Ms. Wiebe, that in response to some Clean Environment Commission hearings and recommendations, the City began a management strategy study.

Has that actually been completed?

MS. CYNTHIA WIEBE: It was completed in 2002, yes.

MR. BOB PETERS: All right. And that's the one on which the monies that we identified earlier, the capital funds, are being spent?

MS. CYNTHIA WIEBE: Sorry, can you repeat that?

MR. BOB PETERS: Okay. If the combined sewer overflow management strategy study was completed in 2002, it's that strategy, that combined sewer overflow management strategy, that is driving the capital expenditures that we talked about a few minutes ago?

MS. CYNTHIA WIEBE: Somewhat, yes.

MR. BOB PETERS: What's the rest -- what else is this study driving, then?

MS. CYNTHIA WIEBE: Well, that -- that study was a conceptual plan, and we have been advancing some of the conceptual plans.

MR. BOB PETERS: And when you say "conceptual," nothing has been accepted as a long-term solution? They're still pilot projects?

MS. CYNTHIA WIEBE: We do have some pilot projects underway, and we are initiating -- we do have a request for qualifications out for the development of the master plan.

So the 2002 study was always meant to predate forming -- or, predate the actual master plan, which we'll be undertaking in 2012.

MR. BOB PETERS: And I think you told the Board yesterday that, that master plan -- you expect that to be provided by way of outside consultants?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: And that just went out for request for proposals or otherwise, earlier this month?

MS. CYNTHIA WIEBE: Request for qualifications, yes, earlier this month.

MR. BOB PETERS: Okay. Is that the precursor of the request for qualifications, is the precursor step to the --

MS. CYNTHIA WIEBE: It is.

MR. BOB PETERS: -- request for proposals?

MS. CYNTHIA WIEBE: It is. It will short list consultants.

MR. BOB PETERS: And when will the RFP

go out?

MS. CYNTHIA WIEBE: If you give me one moment, I can...

(BRIEF PAUSE)

MS. CYNTHIA WIEBE: We're hoping sometime in spring.

MR. BOB PETERS: Okay. In terms of the -- the Clean Environment Commission recommendations, you identified on page 67 that they wanted the -- the City to come up with a plan to reduce the CSOs within twenty (20) to twenty-five (25) years.

But there were no hard targets set by CEC, were there?

MS. CYNTHIA WIEBE: We currently do not have a licence, no.

MR. BOB PETERS: No, but I meant, even in the recommendation, they -- they weren't prescribing any limits or suggesting any limits be met?

MS. MOIRA GEER: They -- the CEC recommended a -- a period of time to undertake it, with no specific dates.

MR. BOB PETERS: Thank you. Ms. Wiebe, you told the Board yesterday, as well, about the public notification system and the steps that have been taken related to that.

That related only to the combined sewer operations, did it not?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: So the -- and there's supposed to be a public notification when there was, I guess, up to twenty-two (22) times a year on average, when there's a release of raw sewage into the -- into the rivers?

MS. CYNTHIA WIEBE: That's correct.

MR. BOB PETERS: And that -- that public notification system, then, has -- had no bearing on what, I think, Mr. Kjartanson told us about as being the South End pollution control centre's recent upset, or release of -- I'm not sure how engineers call those things, but -- upset of raw sewage into the Red River?

MS. CYNTHIA WIEBE: That wasn't a collection system spill, so we don't report that. And actually, I think I did misspeak. We also have a notification system for sewer service interruptions,

which also include not-combined sewer districts.

MR. BOB PETERS: But -- but what happened at the Winnipeg South Plant wasn't a sewer interruption?

MS. CYNTHIA WIEBE: That wasn't a collection system, no.

MR. BOB PETERS: No. No.

MR. ARNOLD PERMUT: If I could just offer a correction. It was not raw sewage. The sewage was 50 percent treated prior to release. There was -- there was some level of treatment.

MR. BOB PETERS: Thank you for that clarification. Since we're on that topic, the -- the public notification of it, did that -- did that lag after the -- after the event occurred?

MR. KELLY KJARTANSON: The City voluntarily notified the public sometime after we determined that the plant was malfunctioning.

MR. BOB PETERS: How many days after?

MR. KELLY KJARTANSON: I believe it was around November 1st that we notified the public.

MR. BOB PETERS: When did it malfunction?

MR. KELLY KJARTANSON: According to our records for the South End plant, the process malfunction occurred on or around October 7th.

MR. BOB PETERS: And so for the intervening three (3) or four (4) weeks, was the City expecting someone other than the City to notify the public?

MR. KELLY KJARTANSON: No, the City was not expecting that.

MR. BOB PETERS: So when you say you voluntarily notified the City and the residents of the release of partially treated sewage.

Is that something that the City doesn't feel it had an obligation to do?

MR. KELLY KJARTANSON: Morally, perhaps we had an obligation to do it. And if we could turn the clock back, we would have notified the public sooner. But legally, under our licence, we were not required to do same.

MR. BOB PETERS: Going forward, has the City changed its protocol in any way, related to releases of either untreated or partially treated sewage, in terms of public notification?

MR. KELLY KJARTANSON: Hindsight being 20/20, I think we would undertake an earlier notification if a similar event happened.

MR. BOB PETERS: Thank you. I want to turn to, with Ms. Wiebe, on the provincial regulation status on the combined sewers.

And you've indicated, Ms. Wiebe, that you are awaiting a combined sewer licence from the provincial regulators?

MS. CYNTHIA WIEBE: Correct.

MR. BOB PETERS: On -- I'm on Tab 68, by the way. And which provincial regulator are you expecting that CSO licence from?

MS. CYNTHIA WIEBE: I believe it's Manitoba Conservation.

(BRIEF PAUSE)

MR. BOB PETERS: What is the City's expectation as to what such a licence should contain?

MR. KELLY KJARTANSON: That would be pure speculation on that. We had had some discussions a number of years ago on the matter, but we haven't had any recent discussions.

MR. BOB PETERS: Oh, I see. So -- so what -- what the Board's being told on -- on slide 68 is that the preliminary discussions, those aren't current discussions?

MR. KELLY KJARTANSON: No.

MR. BOB PETERS: So you're in -- the answer's in the negative? I don't know if the recorder got that.

MR. KELLY KJARTANSON: We've had some discussions, but not specifically related to licensing conditions. We're expecting to get into that, hopefully, during the coming year.

MR. BOB PETERS: Well, there's an indication on slide 68, Ms. Wiebe, that the licence will be coming shortly.

MS. CYNTHIA WIEBE: We've been -- that's what the Province has told us, yes.

MR. BOB PETERS: And the last time you talked to them about the licence is three (3) or four (4) years ago?

MS. CYNTHIA WIEBE: No, we have spoken with them since, but not in terms of objectives, where -- where we've been given -- spoken to them about a specific objective.

MR. BOB PETERS: Do you know if -- if, as a result of what the City has been talking to the Province, the Department of Conservation about, whether there will be additional capital expense such

that Mr. Patton's going to have to find room for it on his statements?

MS. CYNTHIA WIEBE: We currently have an approved capital budget, and I am unaware of any other additions at this time.

MR. BOB PETERS: So you don't know though if the -- if the Province is going to drive some more capital expenses as a result of the CSO licence?

MS. CYNTHIA WIEBE: Guess we'll have to -- we'll have to wait and see what the Province --

MR. BOB PETERS: All right. And that's expected in 2012, is that as narrow as you can bring it?

MS. CYNTHIA WIEBE: Our recent discussions, they've said that it should be coming shortly.

MR. BOB PETERS: Well, so is Christmas, but -- but -- but I'm just trying to -- is it -- is it -- that's their words, I take it, and you have no idea whether that's a week, a month, a year?

MS. CYNTHIA WIEBE: I do not, sorry.

MR. BOB PETERS: Okay. No. On the same slide, Ms. Wiebe, you say that the goal is to work collaboratively with the regulator.

But I'm taking from your answers that that collaboration ended three (3) or four (4) years ago?

MS. CYNTHIA WIEBE: No. Again, we have been speaking with the Province and have -- you know, let them know -- we've let them know that we are proceeding with our CSO master plan and some of the work that we've been undertaken -- taking and have expressed to them that we would like to work collaboratively, in terms of developing a risk-based approach to CSO control.

MR. BOB PETERS: But even though you've said that, they're going to come out with a licence soon?

MS. CYNTHIA WIEBE: We anticipate a licence shortly, yes.

MR. BOB PETERS: And it may have nothing to do with what you want, in terms of a risk-based approach?

MS. CYNTHIA WIEBE: Correct.

(BRIEF PAUSE)

MR. BOB PETERS: From the City's

perspective, does -- is there any ability of the City to comply with a licence -- and I appreciate this is hypothetical -- that just says you can only have overflows 'X' number of times a year?

MS. CYNTHIA WIEBE: Sorry, can we comply with that?

MR. BOB PETERS: Yes.

MS. CYNTHIA WIEBE: If that's the licence, we would be obligated to, yes.

MR. BOB PETERS: But -- but my point is, that's dependent on the weather conditions.

MS. CYNTHIA WIEBE: It's -- it's done on -- based on an average year.

MR. BOB PETERS: Is the average number of combined sewer overflows decreasing over the years?

MS. CYNTHIA WIEBE: Currently...

It'd be staying the same. Our long-term average would be about the same.

MR. BOB PETERS: Does that suggest that the efforts expended on combined sewer overflow relief haven't been successful?

(BRIEF PAUSE)

MS. CYNTHIA WIEBE: We have been undertaking a variety of capital projects, but at this point, we haven't had a way of quantifying what the change has been.

MR. BOB PETERS: Okay.

(BRIEF PAUSE)

MR. BOB PETERS: I just want to quickly flip to the disconnection and reconnection. I think Ms. Burns was helpful yesterday, both in her presentation and also in some questions that followed from it. Your presentation started at page 106 in the PowerPoint.

But also in Tab 14 of the book of documents, there's the City's disconnection procedures, correct, Ms. Burns?

MS. WANDA BURNS: That is correct.

MR. BOB PETERS: And you gave us statistics yesterday. But of those statistics, can you tell the Board what percentage of past-due customers that are disconnected end up reconnecting?

MS. WANDA BURNS: I couldn't give you a specific -- specific statistic, but probably 98/99

percent.

MR. BOB PETERS: Would it be fair to say that those disconnections and reconnections are done on terms that are satisfactory to the City, and their probable lawyer -- their -- probably their legal department?

MS. WANDA BURNS: That would be a fair statement, yes.

MR. BOB PETERS: And can you indicate to the Board on average how long does -- does a disconnection stay in place?

MS. WANDA BURNS: I could go -- not give you a mathematical average. The majority of instances are one (1) day.

MR. BOB PETERS: M-hm.

MS. WANDA BURNS: There have been some that have lasted weeks.

MR. BOB PETERS: As a result of any of the City's disconnections, is the City aware of any physical or medical problems that have been caused to the occupants of the premises as to which the water has been disconnected?

MS. WANDA BURNS: No, I'm not.

MR. BOB PETERS: Is the City aware that on the gas side of -- of this Board's regulatory jurisdiction, there's actually a moratorium on disconnections of natural gas?

MS. WANDA BURNS: My understanding is that that is during the winter months only.

MR. BOB PETERS: Right. Water, to that end then, isn't seen, at least by the -- the legislators then, as being perhaps as an essential service. But how do people -- how is -- what's the City finding people do when the water is disconnected?

Do they go get water from the neighbours? Do they buy it? Do they -- what do they do?

MS. WANDA BURNS: We have heard anecdotally from customers in indenture that they will go to family or friends for their, I guess, higher-volume water needs, and buy what they need from the store for the consumption.

MR. BOB PETERS: Would the City -- again anecdotally, but would the City ever reconnect without financial terms being resolved, based on the City's understanding that there may be some -- some exceptional hardship to the residents?

MS. WANDA BURNS: I would say that it's possible that that has occurred. I'm not aware

of a specific instance where it has.

MR. BOB PETERS: Does the City have any appeal mechanism where a resident for some reason disputes the ability of the City to disconnect them?

MS. WANDA BURNS: Concerns by customers who have been disconnected are handled by our customer-service centre. Typically, a customer who has been disconnected would be looking for payment arrangements to extend the length of time to pay, or they may be disputing the bill itself, that it's -- if it has been estimated.

Occasionally, their water will be reconnected, pending resolution of those concerns.

MR. BOB PETERS: Is there any opportunity for that appeal to happen before the disconnection occurs?

MS. WANDA BURNS: If the customer is in contact us -- with us prior to disconnection, certainly we would attempt a resolution, and we would withhold disconnection, pending resolution.

MR. BOB PETERS: And so the -- what -- what I asked about was an appeal process. But you're telling me that that appeal process would go through the customer-service branch of the City?

MS. WANDA BURNS: That is correct. And they consult with our division, the Finance and Administration Division, with any concerns if they are uncertain how to proceed.

MR. BOB PETERS: And if -- if the customer-service branch of the City says, Reconnect them, then that's an order that City waterworks takes at face value?

MS. WANDA BURNS: Actually, the customer-service centre is part of the waterworks division. But, no, that is in collaboration with the Finance Division that makes those decisions.

MR. BOB PETERS: So it be -- it wouldn't be a stretch to say that it's largely driven by financial arrangements by the defaulting ratepayer?

MS. WANDA BURNS: That would be correct.

MR. BOB PETERS: Is there any part of the process, Ms. Burns, that includes any face-to-face discussion with the resident, or is it all done by letter and perhaps over the telephone?

MS. WANDA BURNS: The majority of communications are done via letter or over the telephone. If a customer requests a face-to-face meeting, that is done as well.

MR. BOB PETERS: All right. And there's no requirement that the -- that there be a phone conversation with the person responsible for the water bill, is there?

MS. WANDA BURNS: No, we do not have a requirement in our process to do that. Quite often, we find we do not have a current phone number for the residents. With the world of cell phones --

MR. BOB PETERS: M-hm.

MS. WANDA BURNS: -- turning over quickly, that's not a reasonable request.

MR. BOB PETERS: And there's no simultaneous reporting to any social agencies the City's intention to disconnect the water?

MS. WANDA BURNS: No, there is not.

MR. BOB PETERS: Is that a database that resides within the City, in terms of social services, whether they may -- they may be funding occupants of a certain address to which disconnection is intended?

MS. WANDA BURNS: The only way we would be aware that a residence is requiring financial -- or, receiving financial assistance is if their water bills are being paid directly by us, at which point, hopefully, they would not be disconnected.

MR. BOB PETERS: A fair comment. And -- and that request -- that request can be -- how -- how does that happen for the -- for the tenant or the property owner? How do they have social services directly pay their account?

MS. WANDA BURNS: Manitoba Family Services contacts our department and requests to receive the bills directly. So the customer in question would have to make a request to them for that to happen.

MR. BOB PETERS: And ultimately, if -- if the discussions with the -- the customer who is renting a premises doesn't yield term satisfactory to the City, the City will disconnect and, at that point, add it onto the tax bill?

MS. WANDA BURNS: Following disconnection, if payment is not received by the customer, it could ultimately end up on the tax roll for the property owner, correct.

MR. BOB PETERS: Do you still try to collect from the resident even after you've disconnected from a tenant?

MS. WANDA BURNS: We would, yes, continue to attempt collection. If the resident

leaves the property, we may or may not have a forwarding address and may have no way of receiving collection of those amounts.

MR. BOB PETERS: Does the City ever have to manage freezing water pipes in a disconnection situation?

MS. WANDA BURNS: I'm not aware of those two (2) occurring simultaneously.

MR. BOB PETERS: It may counterintuitive, but I also have understood that sometimes the measure to prevent pipes from freezing, if they've been identified as susceptible, is that there's a deliberate tap -- or a deliberate leaving of the tap dripping or running?

MS. WANDA BURNS: Yes. Where a customer has had their service frozen, it is often recommended that they leave it running pencil thin, I believe is the term, to prevent freezing.

MR. BOB PETERS: Is that part of the unaccounted for water at the end of the year that the customer doesn't have to pay for, or is there -- is that on the customer's bill?

MS. WANDA BURNS: If the frozen property is on the customer's side, then it is on the customer's bill. If it is on the City side, then the City provides compensation to the customer. But in either event, it is metered and, therefore, not unaccounted for.

MR. BOB PETERS: Sorry, in either event, it is?

MS. WANDA BURNS: It is metered --

MR. BOB PETERS: Okay.

MS. WANDA BURNS: -- because it is running through the customer's taps --

MR. BOB PETERS: Okay.

MS. WANDA BURNS: -- and, therefore, through their meter.

MR. BOB PETERS: Yes. Okay. Thank you. Perhaps you've raised a quick point that we can address. In Tab 4 of the book of documents, there was a annual customer seminar. And I think this one had Mr. MacBride's fingerprints all over it; maybe not.

But in any event, the -- the part that I want to talk about wasn't included. It was -- I left it out by accident and I did try to hand out some colour copies called Tab 4. And -- and it's just a few extracts.

Madam Chair, I don't know if the Board has located that? Okay. Have you enough, Ms.

Pambrun, to -- to address what will amount to relatively few questions?

(BRIEF PAUSE)

MR. BOB PETERS: Ms. Burns, you raised it. I'm not sure it's your question to -- to answer, but let me start with you.

On page 40 of this document that was to be inserted at Tab 4, it's a -- it's a PowerPoint slide talking about maintaining your private service. Have you located that page?

MS. WANDA BURNS: Yes, I have.

MR. BOB PETERS: And on page 40, if one compares that to page 41, it is evident that the property owner's responsibility for the water line only, is different under certain circumstances.

MS. WANDA BURNS: That is correct.

MR. BOB PETERS: And under the -- under where -- when it says fire service or combined fire potable service, does that fire service mean like a standpipe in an apartment block or an office building?

MS. WANDA BURNS: I would like to refer to Mr. Patton for that question.

MR. BOB PETERS: All right. He was waiting for that. Yeah.

MR. GEOFFREY PATTON: The -- the -- the fire service could be a standpipe within a building or a sprinkler system within certain buildings.

MR. BOB PETERS: And then if we turn the next page, Mr. Patton, to the -- to a building that doesn't have a fire service or a standpipe or sprinkler service. The responsibility for the water line stops at the property line.

Would that be correct?

MR. GEOFFREY PATTON: That's correct.

MR. BOB PETERS: Can you explain to the Board why there's a distinction between the two (2), that seems premised on the having or not having of a fire service on the premises?

MR. GEOFFREY PATTON: Yes, the -- with -- with a fire service, under the national and Manitoba building codes, including fire safety, the responsibility of the maintenance and the control over the -- the fire service is the responsibility of the building owner. Therefore, the extension of the building owner's responsibility up to the City main.

THE CHAIRPERSON: Can I -- can I --
MR. GEOFFREY PATTON: This is a
condition -- sorry. This is a condition of their
occupancy.

THE CHAIRPERSON: Just an aside here,
but these lines, whether they be the property owner's
responsibility or the City's responsibility. This big
line that goes from the dwelling to the -- the big
City water main. How deep should that line be in
Manitoba?

MR. GEOFFREY PATTON: The City of
Winnipeg has construction standards. The minimum
depth of those -- of those services should be around
2.5 metres in depth.

THE CHAIRPERSON: And that would be
more than 8 feet, right?

MR. GEOFFREY PATTON: Approximately 8
feet.

THE CHAIRPERSON: Eight feet. Okay.
Thanks.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: So, you're -- you're
indicating that the -- that the owner of the building
will know in advance that they have responsibility for
the water pipe right up to the City main, because they
do have a fire protection system in their -- in their
premises?

MR. GEOFFREY PATTON: Yes, they should
know, it's their responsibility and it's a condition
of their occupancy. But we include it in educational
materials just to remind people about that. Because,
you know, people are not always reading their
occupancy permits or their responsibilities as -- as
building owners.

MR. BOB PETERS: When it comes to
maintaining the sewer pipe, that is the building
owner's responsibility, regardless of whether it has
any other feature such as fire suppression ability?

MR. GEOFFREY PATTON: That's correct.

MR. BOB PETERS: And again, why is it
that the homeowner is responsible for a sewer pipe
that extends past their property line on to City
property.

MR. GEOFFREY PATTON: The building
owner has -- has control over what materials they --
they send down the sewer. That can affect its service
life and its performance. And, therefore, since they
are in control of those materials, they have the

responsibility to maintain that sewer. But the City of Winnipeg, under our sewer bylaw, Section 37, has a financial assistance program for the sewer laterals within the road right of way under certain conditions.

MR. BOB PETERS: What does that -- what does that provide, that financial assistance provide?

MR. GEOFFREY PATTON: Should the conditions in the bylaw be met, the City would arrange and pay for a repair of the sewer service within the road right of way.

MR. BOB PETERS: And what are the conditions required for the City to pay for it as opposed to the home owner to pay for it?

MR. GEOFFREY PATTON: In the bylaw there are a number of cleaning occurrences that may -- that may be met over a certain period of time. There also could be video evidence of a collapse. Typically, they would come to us as an interruption of sewer service and then investigation that would follow.

MR. BOB PETERS: So is the rationale for treating water and sewer separately only because of the home owners, or the building owner's apparent control over what is put through the sewer system?

MR. GEOFFREY PATTON: On the sewer system that's essentially correct, is that they have control over what they're -- over what they're sending down the sewer and therefore responsible for the maintenance on the -- the fire protection service.

Again, that's a condition of the occupancy, and the domestic is -- is the City's responsibility up to the private property line.

MR. BOB PETERS: All right. Thank you for that. In terms of development agreements and the construction of new infrastructure in new subdivisions, can you tell the Board who is responsible for the payment of the capital costs related to that infrastructure?

MR. GEOFFREY PATTON: Yes, the -- the developers are responsible for the -- the local water distribution and sewer collection and land drainage functions within a proposed subdivision.

(BRIEF PAUSE)

MR. BOB PETERS: So I'm not sure if it'll help the Board to -- I often pick on Waverley West in some other questioning I do, but I don't know

if that's topical or not.

But if that's a -- a fairly -- it's a vacant land and there's no services whatsoever provided, does the City go in and provide any mains, or any -- any infrastructure, or is it all left to the private developer?

MR. GEOFFREY PATTON: The -- the large diameter feeder mains that may be required to service the area, along with interceptors that may be required to collect the local sewage in that area are extended through the City's capital program.

MR. BOB PETERS: Okay. So -- so that's extended throughout the development area at the City's expense?

MR. GEOFFREY PATTON: To -- to a point in the development area where -- where it's determined that's where we should leave off and -- and construction of the local networks would con -- would -- would follow on.

MR. BOB PETERS: And the local networks is then paid for by the developers?

MR. GEOFFREY PATTON: That is correct.

MR. BOB PETERS: And is it -- but it's maintained by the City once the development is complete?

MR. GEOFFREY PATTON: After a one (1) year warranty period on the infrastructure, a certificate of total performance is provided and -- and the City will accept it into its inventory.

MR. BOB PETERS: Does the City have to pay for that?

MR. GEOFFREY PATTON: No. No, the -- the -- the transfer occurs and -- and we accept the assets at that point pending a certification of total performance and -- and a warranty inspection.

MR. BOB PETERS: And, therefore, the developer that installs it would recover their money from the people to whom they sell the lots?

MR. GEOFFREY PATTON: That is what is expected, yes.

MR. BOB PETERS: And in that intervening one (1) year, who owns that infrastructure that's in the community?

MR. GEOFFREY PATTON: The -- the developers have ownership of those assets until they are transferred to the City of Winnipeg.

MR. BOB PETERS: So if there's a -- a water service failure, or a water main failure, or a sewer main failure, that's for the developer to fix.

MR. GEOFFREY PATTON: That is correct.

MR. BOB PETERS: And do they utilize City services, or do they do that privately?

MR. GEOFFREY PATTON: City services may be engaged if the system has been turned on to control the system. We have the certified operators to -- to control the system, reduce leakage, or property damage, say, from a broken water main, therefore allowing the contractor or developer to -- to facilitate the repair.

MR. BOB PETERS: Does the developer pay the City back for any assistance during that first year?

MR. GEOFFREY PATTON: I'm not aware of any charges that the -- that the City would -- would levy to the developer for the control.

MR. BOB PETERS: Ms. Geer, I was trying not to talk to you this afternoon but I apologize, back in Tab 2 -- and nothing personal about it -- but there was revenues in-kind in the financial statements, and I can draw them to your specific attention if I need to.

But could you explain what are developer contributions in-kind?

MS. MOIRA GEER: Yes. As I -- as I -- pardon me, as I indicated earlier, the City capitalizes its assets now. And that's exactly what Mr. Patton was just describing, that upon substantial performance and -- and acceptance of the asset we record those assets into the City's accounts. And the developer in-kind is sort of the offset for how those become part of our asset records.

MR. BOB PETERS: Well, I noted in my notes here that in 2010 there was 6.2 million developer -- dollars of developer in-kind contributions related only to water. And here was another 5.2 million for sewers, also in 2010.

You wouldn't disagree with those numbers, subject to check?

MS. MOIRA GEER: No, I wouldn't disagree with those numbers.

MR. BOB PETERS: Is that typical, kind of an average number that you would expect to see year over year, those kind of numbers coming in on development?

MS. MOIRA GEER: Well, I think the -- the development numbers are really dependent upon what activity is ongoing in the City. And those can vary year to year depending upon -- you know, when -- when

things are -- are completed, or the level of development.

MR. BOB PETERS: And if the City takes them as -- as developer contributions in-kind, Ms. Geer, does that get added to the City's rate base essentially, and -- and their capital -- their capital assets?

MS. MOIRA GEER: The developers in-kind, that's how the asset becomes part of -- of the asset base of the utility, and part of the accumulated surplus in investment and capital assets, yes.

MR. BOB PETERS: But it's not something that you actually shelled out \$6.2 million for in terms of the water infrastructure that came from a developer.

MS. MOIRA GEER: No, it was -- it was the transfer of ownership of that asset from the developer to the City water/sewer utility.

MR. BOB PETERS: And how do you affix the value of \$6.2 million in a particular year?

MS. MOIRA GEER: We -- we have methods of doing that where we look at the type of work that is done within a development area based upon recent experience that we have, an actual cost data that we have, and -- and apply -- apply an esti -- estimate to it, which is then subject to external audit, of course, with our year end. And that's basically based upon our own experience from working in the business. We apply estimates and capitalize it accordingly.

MR. BOB PETERS: And then it goes in at what you would essentially put in as a net book value?

MS. MOIRA GEER: At the estimated cost of it.

(BRIEF PAUSE)

MR. BOB PETERS: That estimated cost would only be one (1) year old, Ms. Geer, so there really is no depreciation against it?

MS. MOIRA GEER: The -- it would be as if you bought an asset that year, so there would be no depreciation, or partial year depreciation depending on when it was acquired.

MR. BOB PETERS: All right. Thank you. Mr. Patton, perhaps just a thought. If the City -- or if a developer was going to put in a brand new building, condo, office building, in an area where Ms. Wiebe had combined sewers, is there any charges

against the owner of that building to upgrade the combined sewer at that time? Or do they have to -- have to take whatever the City has available as underground infrastructure in that location?

MR. GEOFFREY PATTON: I -- I think I'll ask Ms. Wiebe to -- to help out, but just -- I think the -- the premise will be that -- that, you know, no harm is done to the new development in terms of additional flows and loads, and they'll have to be accommodated within the development.

But Ms. Wiebe could follow on with that.

MS. CYNTHIA WIEBE: Essentially before there's any deve -- new development or redevelopment, we do require that the proponent submit a storm water management plan.

And the -- essentially the runoff from the development or redevelopment cannot exceed the runoff from existing site conditions, so that's how we ensure that we're not exacerbating CSO situation or basement flooding from new development.

MR. BOB PETERS: So you're relying on the developer of the building to come up with a plan as to how that's not going to exacerbate the existing situation?

MS. CYNTHIA WIEBE: They do, and it needs to be stamped and signed by a qualified engineer in Manitoba.

MR. BOB PETERS: Okay. What would be some of the examples of what those buildings would do so as not to make the -- the combined sewer operation worse?

MS. CYNTHIA WIEBE: In some -- many situations they provide some -- they might do some roof storage with restriction. We have had some proponents oversize some storage on site, provide some on site storage. Larger -- larger industrial developers might include some sort of larger retention system.

We really leave it up to the developer to determine their plan. It just has to -- you know, the outcome of what we see on the City side is -- is what we're concerned about.

MR. BOB PETERS: Ms. Geer, a loose note I had here in my -- I think you had told the Board yesterday that the fees charged for the water and sewer service in the City are -- are essentially postage stamp rates. That is it's the same rate for everybody no matter -- they may be different rates but

they're all contained in your fee schedule so that there's no one-off deals?

MS. MOIRA GEER: That's correct. We have the rates as established by council.

MR. BOB PETERS: All right. Mr. Griffin, I'll talk to. You're the one (1) who's saving money it looks like. Everybody else is spending it. So I'll just have a few words with you if I can.

When I went and looked at the capital budget, does the City ever do a calculation of the opportunity cost savings that are being generated as a result of not having to up-size the aqueduct or up-size the water treatment plant any more as a result of conservation efforts?

MR. DUANE GRIFFIN: Those -- the -- what you're talking about was done in assessing options as far as looking at water supply in the future, but we haven't done anything to -- to say that we're looking at those kind of things on additional development or anything like that.

MR. BOB PETERS: Well, but -- but for your conversation efforts, and when I say "your," of course I mean the City's and -- and all those who are related to that. But but for the City's conversation efforts the residents would be looking at potentially higher rates to cover a new aqueduct from some lake in eastern Manitoba or some new upgrade to water treatment facility.

Wouldn't that be correct?

MR. DUANE GRIFFIN: The aqueduct upgrading has been paid for. That's all been in the capital budget, and that was alluded to earlier. We spent approximately \$60 million. And so there's nothing in the water capital to build a second aqueduct on the books. And the water treatment plant has been built and the costs have been incurred.

MR. BOB PETERS: But for your conversation efforts, the \$60 million on the aqueduct upgrade and the \$300 million on the water treatment plant wouldn't be enough.

Isn't that also foreseeable by the graphs you showed -- you showed to the Board?

MR. DUANE GRIFFIN: Could you expand on your question? I...

MR. BOB PETERS: Sure.

MS. MOIRA GEER: May -- maybe...

MR. DUANE GRIFFIN: If you're -- if

you're just saying that if we didn't conserve water our costs would be higher, that would be correct.

MR. BOB PETERS: All right. And how does that get factored into the capital planning that is now done? Because you've seen on -- on the chart on page 116 of the -- of the PowerPoint that there was a projection made previously for presumably starting anytime soon you would need alternate groundwater sources to provide water to the citizens of Winnipeg, correct?

MR. DUANE GRIFFIN: Yes, if we didn't have a -- a water conservation program or intervening factors, we would have had to look at -- at additional groundwater.

MR. BOB PETERS: And all of those costs would be -- again, flow through the rates to the customers of the City?

MR. DUANE GRIFFIN: That's correct.

(BRIEF PAUSE)

MR. BOB PETERS: Mr. Griffin, not a big point, but yesterday I think you and one of the Board members were talking about conservation, and one of the pie charts showed unaccounted-for water.

Do you remember that?

MR. DUANE GRIFFIN: Non-revenue water?

MR. BOB PETERS: Non-revenue water. I think it was -- sorry, I was calling it unaccounted-for water. But -- the non -- the non-revenue water seems to have, in these -- in the figures, decreased as a per -- as a percentage over the years.

Do you agree with that?

MR. DUANE GRIFFIN: It fluctuates from year to year. And then --

MR. BOB PETERS: It's not -- it's not trending downward?

MR. DUANE GRIFFIN: Very slightly.

MR. BOB PETERS: All right. Are there any initiatives for the non-revenue water to either better identify its -- its origins or to contain its -- its losses?

MR. DUANE GRIFFIN: Yes, I spoke to the Chair yesterday, that we are -- have a current study in place. And we are implementing the recommended ba -- best-management practices of the AWWA association on identifying the non-revenue potentials within your utility.

And we have just undertaken this study, just shortly. And so we anticipate something in the

next year to year and a half to bringing that to fruition.

THE CHAIRPERSON: Would that -- would that include some leak-detection surveys or bringing in some kind of -- I'm not an engineer, but I know they've got ways of discovering where it's happening. Do you plan on any of that?

MR. DUANE GRIFFIN: That will be a part of the recommendations. So we do have leak tech -- technology equipment within the water utility, and it's used to identify leaks now.

Generally, that is done when water is either surfacing or in -- showing up somewhere unexpectedly. And the leak equipment and the professionals that run it come to site and identify, to the best of their abilities, where it's -- it's leaking from.

But in the future, when we go through the analysis, there is a component in there which identifies leaks as -- as a best-management practice within the non-revenue model. And then you assume that to start with, and then as you collect data year after year, upon doing your studies and your pilot testing, then you can better define that for your city.

THE CHAIRPERSON: And I would imagine, just from our experience throughout the Province, that you're not challenged like some others are by sandy soil and the impossibility of seeing the surface water.

With the clay that you've got, you probably see the leak pretty quick, do you?

MR. DUANE GRIFFIN: Generally, they -- they come to surface. Where we have found where they have not come to surface is if they get into a -- the sewer system before coming to the surface through, like, a sewer service pipe or a crack in a manhole riser or something like that.

THE CHAIRPERSON: Thank you.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: Mr. Griffin -- and I'll alert My Friend opposite that her hand may want to be near the microphone. And I -- I did try to get at this a different way yesterday. So I'm stubborn.

In one of your slides --

MS. DENISE PAMBRUN: Thank you for the warning, Mr. Peters.

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: In one of your slides, you had -- well, is water use an elastic commodity amongst consumers, or is it inelastic?

MR. DUANE GRIFFIN: There -- there is a portion that is elastic.

MR. BOB PETERS: And what portion is that?

MR. DUANE GRIFFIN: Well, from our work we've seen, roughly about a 10 percent rate increase will reduce water consumption by about 2 percent. So it's a -- it's a smaller portion.

MR. BOB PETERS: You're saying to the Board that there's a direct relationship, but it's not -- it's not one (1) for one (1)?

MR. DUANE GRIFFIN: That's correct.

MR. BOB PETERS: What portion of water use, though, by your customers is the source of that elastic supply that they can do without when the rate increases go up?

MR. DUANE GRIFFIN: The rate increases motivate a customer to upgrade their facilities within their premises. So if I'm looking at the continual rate increases and my washing machine may only have another year of life left in it, I will purposely look at a WaterSense label to reduce the water use.

Once I've made that investment in that product, then I'm -- I'll live with it for the -- for the balance of the -- the life of that project. There's also the incentives that the City provides for upgrading your toilet. So again, there's another little lever for customers to change their water use. But once they've installed that fixture they're -- they're fixed with it until the point again where they make another decision in the future.

So it's not like everybody does it simultaneously, and that's why it's not a situation where every time the rate increases, everybody conserves water.

THE CHAIRPERSON: So on that note, does appliance lifespan have any impact? For example, toilets, once in, tend to last a long time, like probably forever if you keep them -- the flapper maintained and -- I mean, you can kind of fix them.

But on the other hand, the high-efficiency washers are currently at a six (6) year life, a lot of them. So would a customer sort of say, Oh, maybe I should keep going with the old washing machine that I bought a while ago, because it's not computerized and it's got a longer life than some of

the new ones.

What -- what are your takes on that?

MR. DUANE GRIFFIN: Again, that would be a -- a personal preference for whoever's making that decision. But at some point in time, the -- the cost of maintenance will be a deterrent, and people will then continue to upgrade.

And yes, a varying lifespan on appliances will affect the water use in the future as well. And we've seen that with toilets, for example. I alluded to that in the presentation. Prior to 1973, we had people installing the 23 litres per flush. In the '90s, that went down to 13 litres per flush. Now you're starting to see 6 litres becoming common.

So, yes, appliance life does have an influence on water demands.

(BRIEF PAUSE)

CONTINUED BY MR. BOB PETERS:

MR. BOB PETERS: I'd like to turn, Madam Chair, to probably the last general area of my questioning. And it'll be mostly, I believe, with Mr. Kjartanson on some of the licensing and statutory requirements. And I will try to keep it as interesting as I can. Mr. Kjartanson, your help will be appreciated.

But we talked earlier about the National Pollutant Release Inventory, and you're familiar with that, sir?

MR. KELLY KJARTANSON: Yes.

MR. BOB PETERS: I'm just not sure if they -- you can pick up your voice if you sit too far back from the mic.

MR. KELLY KJARTANSON: Yes.

MR. BOB PETERS: Thank you. And can you confirm to the Board that the NPRI reporting is the only requirement imposed on the City through the Canadian Environmental Protection Act?

MR. KELLY KJARTANSON: We also have greenhouse gas reporting.

MR. BOB PETERS: How does the City Water and Waste Department calculate its greenhouse gas creation?

MR. KELLY KJARTANSON: Those are primarily based on engineering estimates.

MR. BOB PETERS: And is it primarily the methane that is from your closed-in system?

MR. KELLY KJARTANSON: That's one of

the areas. That would be re -- in relation to our waste disposal utility, solid was -- our solid waste utility.

MR. BOB PETERS: Can you just identify for the Board what other areas of greenhouse gases arise from the water and waste services?

MR. KELLY KJARTANSON: I'll just look at our submission.

(BRIEF PAUSE)

MR. KELLY KJARTANSON: I've checked with our binder, and it's carbon dioxide and methane.

MR. BOB PETERS: Do you have a total number that -- that you can put on the record, in terms of what the City releases of greenhouse gases as a result of that?

(BRIEF PAUSE)

MR. KELLY KJARTANSON: We report different amounts for our different landfill facilities, and there are thresholds involved with the reporting as well.

MR. BOB PETERS: So there's no specific amount that you report annually?

MR. KELLY KJARTANSON: We provide a report for each of our facilities, which would have a specific amount. Do you want me to read those various amounts into the record?

MR. BOB PETERS: Those are in your mater -- in your reports that you --

MR. KELLY KJARTANSON: They are in the material we've submitted.

MR. BOB PETERS: No, we'll -- we can dig those out. When it -- when we look at Tab 26 of the blue binder in terms of materials, these NPRI reports, they're done on a -- on a facility basis, as best I could determine.

MR. KELLY KJARTANSON: That's correct.

MR. BOB PETERS: And to -- to add them up, you can -- you can add up the amount of ammonia, nitrate, as well as phosphorus that is discharged, as examples, by just doing the math through the -- through what's in the -- in these reports?

MR. KELLY KJARTANSON: That's correct.

MR. BOB PETERS: And in addition to those main pollutants of ammonia, the nitrate, and the phosphorus, there also are trace minerals that the

City -- that the City can report?

MR. KELLY KJARTANSON: There are all -
- all sorts of things in wastewater coming out of our
water pollution control centres.

MR. BOB PETERS: But one of the ones
you have to keep track of are -- are trace minerals?

MR. KELLY KJARTANSON: Provincially,
we're required to do priority pollutant testing on
effluent from our water pollution control centres on a
quarterly basis. It's called Schedule A sampling
under our licences. It's not related to the
Environment Canada requirements.

MR. BOB PETERS: All right. Let's --
let's turn to the -- you made reference yesterday that
the Federal Fisheries Act was -- was one with which
the City also has to comply?

MR. KELLY KJARTANSON: The Federal
Fisheries Act requires that effluent discharged to a
water course be non-deleterious to -- to fish.

MR. BOB PETERS: And that is, you --
you're not to discharge deleterious substances without
a licence.

MR. KELLY KJARTANSON: I don't know if
we could get a licence to kill fish, but we certainly
haven't asked for one.

MR. BOB PETERS: Have you ever -- has
the City ever been prosecuted for any Federal
Fisheries Act violations?

MR. KELLY KJARTANSON: The Federal
government laid a charge against the City but later
withdrew it.

MR. BOB PETERS: When was that?

MR. KELLY KJARTANSON: That was in
relation to our North End difficulties back in 2002.

(BRIEF PAUSE)

MR. BOB PETERS: With the Federal
waste water effluent regulations, those have not yet
come into effect. Did I understand your presentation
correctly?

MR. KELLY KJARTANSON: They have been
proposed but have not come into effect at present.

MR. BOB PETERS: And when they do come
into effect, they do contain certain standards,
correct, for different items?

MR. KELLY KJARTANSON: That is
correct.

MR. BOB PETERS: Will the City have to

upgrade any of its three (3) sewer treatment plans -- plants to comply with those federal wastewater effluent regulations if they come into effect?

MR. KELLY KJARTANSON: I think -- I believe that the improvements were undertaken in relation to our provincial licences would likely be in compliance with the federal requirements. And the federal requirements will be harmonized with the provincial requirements, so there will be a joint -- my understanding is there will be a joint undertaking of the requirements.

MR. BOB PETERS: All right. For example, what you're telling the Board then is you expect the federal and provincial requirements to be the same?

MR. KELLY KJARTANSON: I didn't say the same because the federal requirements speak to CSOs as well, and we're still awaiting some direction from the province with respect to CSOs.

MR. BOB PETERS: Fair comment. But the federal standards then dealing with -- with the biological oxygen demand, the total suspended solids and the residual chlorine, you expect those numbers to be unified as between federal and provincial?

MR. KELLY KJARTANSON: We're expecting the requirements to be quite similar, yes.

MR. BOB PETERS: Such that no additional capital plans will be driven?

MR. KELLY KJARTANSON: I don't think we're expecting to have additional capital outlays based on those regulations at the present.

MR. BOB PETERS: Thank you. Are there -- and in dealing with drinking water, the guidelines are found at Tab 28 of the book of documents, and I know they are in your materials as well, Mr. Kjartanson, but are there any parameters set out in Health Canada's drinking water guidelines that the City currently cannot meet?

MR. KELLY KJARTANSON: I'm quite -- I'm quite proud to say that I don't believe there are any particular requirements that we would not meet with our new water treatment plant.

MR. BOB PETERS: Does the province of Manitoba have any similar guidelines or standards?

MR. KELLY KJARTANSON: The province has a Drinking Water Safety Act, two (2) regulations, and have issued us an operating licence for our water supply and treatment system.

MR. BOB PETERS: And under those

drinking water quality standard regulations that you referred to are there any parameters in those quality standard regulations that the City currently cannot meet?

MR. KELLY KJARTANSON: I have to say I'm quite proud to once again say that the provincial office of drinking water conducted a yearly audit of our water supply system for 2010 and found that we were 100 percent in compliance with their requirements.

MR. BOB PETERS: Turning to the sewage side of the business, Mr. Kjartanson, how many licenced operators does the City have at each of its plants?

MR. KELLY KJARTANSON: I couldn't say off the top of my head how many licenced operators we have at each of our plants. We do meet provincial requirements as laid out in the waste -- water and wastewater facility operators regulation.

MR. BOB PETERS: Do you know for how long have the three (3) wastewater treatment plants had Environmental Act licences from the province?

MR. KELLY KJARTANSON: I'm going by memory. We've submitted the licences as part of our submission. I believe the West End licence came out in 2005, and the other two (2) licences came out after that time. The licences -- copies of the licences are in our package of submissions.

MR. BOB PETERS: Right. And I -- my question was whether or not they -- there was any licences that predated those. But as far as you know, going back to '05 for the West End and I think there is -- maybe it's '06 or '07 for the other two (2)?

MR. KELLY KJARTANSON: Yes. In fact, if you go back far enough you'll find the City of Winnipeg actually had jurisdiction over their own discharges. When I worked for the province, in fact, the City had jurisdiction over their own discharges.

MR. BOB PETERS: I flip back, Mr. Kjartanson, to Tab 7 of the blue book of documents, Board counsel's book of documents, just for the environmental licence related to the South End facility. But in Section 13 of the licence found on page 377 of the documents that are listed in the Board counsel's book of documents. These all -- these are all the 2009 licences that are current, correct?

MR. KELLY KJARTANSON: Correct.

MR. BOB PETERS: And under Section 13, found on page 377, in the top right hand corner, Tab 7

of the book of documents, there was a requirement for the construction of an alternative leachate facility. Do you know if that's been done?

MR. KELLY KJARTANSON: I would correct you, in that the licence requires that we submit plans to develop an intention to undertake such a facility, not to actually construct such a facility.

But -- but, yes, we did submit an engineering report to Manitoba Conservation in accordance with that requirement.

MR. BOB PETERS: As a result of submitting your report, is there any new capital expenditures needed for the alternate leachate facility?

MR. KELLY KJARTANSON: No, we're still awaiting direction from Manitoba Conservation on this particular issue and -- and we see it as being a provincial issue rather than a City issue. We would really like to see a provincial leachate treatment facility put into place.

MR. BOB PETERS: While we're on that same licence, on the next page, on page 378, Mr. Kjartanson, there's -- it seemed Section 14 required the City to prepare and submit an engineering report on how to alter the plant to meet the effluent requirements of the licence. That report, I think, was due December of 2012. Has that been done yet?

MR. ARNOLD PERMUT: Yes, the South End plant conceptual design report was submitted to the province this year. I could get the date for you if I can turn around to my support staff behind me, who know more than I do about the topic.

MR. BOB PETERS: No, the date I don't require. But thank you for the offer. While we're on that, there was also -- in Section 23, I noted in the licence something to do with UV disinfection.

And that appeared to be a new requirement of the licence, is it not?

MR. KELLY KJARTANSON: I don't know that it's a new requirement. We have installed UV disinfection facility at South End plant. It is in operation. It is performing very well. In fact, it's producing bacteriological effluent almost as good as our drinking water. Not quite, but almost as good.

MR. BOB PETERS: Speaking of the bacteria at the South End plant, Mr. Kjartanson, did -- did the source of the problem that led to the bacteria degeneration ever get analyzed or determined?

MR. KELLY KJARTANSON: No, we have not

come to a final conclusion as to what caused our process malfunction.

MR. BOB PETERS: What are some of the hypotheses that are being considered?

MR. KELLY KJARTANSON: There's some thought it could have been something toxic, either via hauled wastewater or coming through the sewer.

Another thought is the fact that the plant was -- as you're probably aware, in addition to upgrading the plant, we're also expanding the plant. So really, it's operating, sort of, at capacity right now. It was a very dry summer. At capacity, dry summer, wastewater hauling loads coming in at a high level. The plant may have been on the edge and got pushed over by a -- a variety of factors. I -- I don't know that we'll ever come to a final conclusion as to what actually happened.

MR. BOB PETERS: Is it back to discharging a hundred percent treated sewage?

MR. KELLY KJARTANSON: I'd say our plant is back to operating as we're intending it to operate, and is back almost in full compliance with the licence requirements.

MR. BOB PETERS: Okay. So I take from that answer it's not yet compliant?

MR. KELLY KJARTANSON: When -- when I say that, I'm -- I'm speaking mainly with respect to BOD, which is a parameter that we've had ongoing discussions with the regulator about. We're in fact -- in some cases where we don't meet the requirements of the licence environment-wise, we're actually doing better than what the environment would like to see.

I don't know if that's -- so technically, we might not be meeting the licence, but we're actually producing an effluent that's better than what the licence requires.

MR. BOB PETERS: Well, on -- on that point about biological oxygen demand -- and not that I know much about that, but the federal limit was supposed to be 30 milligrams per litre. And I think the provincial licence is lower than that at 25 milligrams per litre.

Is that correct?

MR. KELLY KJARTANSON: No, the provincial licence for South End is 30 milligrams per litre for BOD.

MR. BOB PETERS: And it's -- the parameters to be achieved after December 31 of 2012, take it down to 25 milligrams per litre?

MR. KELLY KJARTANSON: Once we have an upgraded expanded plant we'll be going from a BOD requirement to a CBOD requirement, which is a carbonaceous BOD requirement. And, in fact, with our current plant we can meet CBOD. That's why I indicated on a technical basis we're not in compliance with the licence because it requires a BOD limit. But if when we're looking from an environmental viewpoint and -- and one said we require a carbonaceous BOD limit, we're actually meeting that now, even prior to the upgrade and expansion.

MR. BOB PETERS: I want to turn to the Save Lake Winnipeg Act which was legislation you referred the Board to yesterday. It's -- the actual legislation is found at Tab 29 of the book of documents, starting on page 1,063.

I won't read it again while the microphone is on, but I had understood that that Act dealt really with the removal of phosphorus and ammonia, not -- not necessarily nitrogen.

MR. KELLY KJARTANSON: The Act deals with a number of items with respect to the City of Winnipeg. It relates to upgrades required for the North End Water Pollution Control Centre including nutrients.

MR. BOB PETERS: Did it prescribe a nitrogen removal level?

MR. KELLY KJARTANSON: Yes.

MR. BOB PETERS: All right. Was that any different than the -- than the licence that you have?

MR. KELLY KJARTANSON: The level I believe is the same. The manner of treatment prescribed is different than what is in the licence currently.

MR. BOB PETERS: And this Act came into being on June 16th of 2011, you'd accept that?

MR. KELLY KJARTANSON: Yes.

MR. BOB PETERS: And there was one (1) year provided in the legislation for the City to report on the phosphorus and ammonia removals?

MR. KELLY KJARTANSON: Yes.

MR. BOB PETERS: And that report wasn't required to necessarily be -- contain any information about the nitrogen removal?

MR. ARNOLD PERMUT: I believe from discussions with our strategic partners who are developing the report with subconsultants that we will contain information in that report regarding nitrogen

removal as well as phosphorus removal. And our intent at this point in time is to meet the deadline set out for 2012.

MR. BOB PETERS: And that was a one (1) year deadline, was it not to have a -- a report filed, Mr. Permut, by June 12th of 2012?

MR. ARNOLD PERMUT: I won't argue with you about the 12th of June, but my recollection, it is in June of 2012.

MR. BOB PETERS: And this report, it's your understanding, sir, that it will go to the Minister of Conservation?

MR. ARNOLD PERMUT: That's correct.

MR. BOB PETERS: And then the Minister of Conservation would refer that to the Clean Environment Commission?

MR. ARNOLD PERMUT: I'm not sure about that.

MR. BOB PETERS: All right. And following any Clean Environment Commission involvement, you would expect if that happened it would -- there would be a report back to the minister?

MR. ARNOLD PERMUT: From the City, or from --

MR. BOB PETERS: No, from -- from --

MR. ARNOLD PERMUT: -- Manitoba Conservation?

MR. BOB PETERS: -- from -- from C -- Clean Environment Commission.

MR. ARNOLD PERMUT: I believe that's their normal practice.

MR. BOB PETERS: Are you aware as to after that point, the minister having the discretion to either approve the plan or ask the City to revise it or even refer it to the Public Utilities Board?

MS. DENISE PAMBRUN: The City is aware of that process.

MR. BOB PETERS: Do I --

MS. DENISE PAMBRUN: Mr. P -- Peters, just for your information, if you look at 4.2(2), step 4 does talk about full nitrogen -- total nitrogen removal.

(BRIEF PAUSE)

MR. BOB PETERS: Thank you. I'll have to check on that further. Thank you, Ms. Pambrun.

(BRIEF PAUSE)

THE CHAIRPERSON: Mr. Peters, while you're perusing your notes, do you think we should take a break at this point?

MR. BOB PETERS: It would be helpful, Madam Chair, and I -- I'm believing I'm right near the end, if not at the end at this point. So the -- the break --

THE CHAIRPERSON: Oh.

MR. BOB PETERS: -- the break would allow me to just go through it and make sure.

THE CHAIRPERSON: Yeah.

MR. BOB PETERS: And then --

THE CHAIRPERSON: Okay.

MR. BOB PETERS: -- if the witnesses don't mind, and the Board doesn't mind just giving me those ten (10) or fifteen (15) minutes.

MS. DENISE PAMBRUN: Yep, thank you, Madam Chair.

THE CHAIRPERSON: Well, why don't we meet back here at say five (5) to 3:00. We have enough time that we can give you a little more than fifteen (15) minutes to get through your notes.

MR. BOB PETERS: Thank you.

THE CHAIRPERSON: And -- all right. We'll be back at five (5) to 3:00.

--- Upon recessing at 2:39 p.m.

--- Upon resuming at 2:59 p.m.

THE CHAIRPERSON: We're waiting for one (1) more person, I guess, Ms. Wiebe. Is she coming back?

MS. DENISE PAMBRUN: I think we can start without her. She'll be here very shortly.

THE CHAIRPERSON: All right. Well, you were going to review your notes just to make sure that we've asked all the questions that we need to ask.

And did you find anything?

MR. BOB PETERS: I believe all of the questions that needed to be asked have been asked, although there's a few that haven't been answered. But we'll -- we'll deal with some of those --

MS. DENISE PAMBRUN: Don't look at me that way, Mr. Peters.

MR. BOB PETERS: I -- I would like to take this opportunity though to thank Ms. Geer, Mr.

Kjartanson, Mr. -- Ms. Wiebe, Mr. Patton, Ms. Burns, Mr. Permut, and also Mr. Griffin for their answers to my questions.

I'd like to thank Ms. Pambrun for her cooperation in assisting the Board in getting this matter before it. And our -- our discussions will continue on certain matters, but those do complete my questions. Thank you.

THE CHAIRPERSON: Thank you. And of course the Board would like to second the thanks that we want to extend to all of you. I know that doing this just before Christmas was difficult. I mean, this is such a busy time of year, and I'm sure all of us would like to be somewhere else.

But I have to tell you how important it was to do this. From the perspective of a Board member, who meets with so many other rural municipalities and towns, and tells them that three hundred (300) utilities are regulated in this province, and there's only one (1) exception. And it's Winnipeg. And that leaves the question: Why is that?

Now, we understand that we do not have the power to tell you what to charge. And that's in your Act, and we respect that. But one (1) of the things that we do like to do is we like to share with other utilities what's happening, you know, in the -- in this field of water and sewer. And we have learned so much today. It's been wonderful. We've learned a tremendous amount about the City of Winnipeg, and a lot of it has been very positive. And so we're going away with information that we can take to others, and that's beneficial.

And so we're hoping that this is the beginning of a relationship that we will have, and hopefully it'll be a positive relationship. So, once again, I thank you. You've been expert witnesses. And although you couldn't give us all the answers you're endeavouring to get them, and that's important. So thanks again.

MS. DENISE PAMBRUN: Thank you, Madam Chair. I'd also like to thank the witnesses for all their assistance to me in preparation, and of course thanks to Mr. Peters who's been very helpful and very cooperative. Thank you to the Board members, as well.

THE CHAIRPERSON: We stand adjourned.

--- Upon adjourning at 3:02 p.m.

Certified correct,

Cheryl Lavigne, Ms.