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of the

Legislative Assembly of Manitoba

Standing Committee

on

Public Utilities

and

Natural Resources

Chairperson

Bonnie Korzeniowski

Constituency of St. James



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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

MONDAY, JUNE 18, 2001

TIME – 10 a.m.

LOCATION – Winnipeg, Manitoba

**CHAIRPERSON – Ms. Bonnie Korzeniowski
(St. James)**

**VICE-CHAIRPERSON – Mr. Gregory
Dewar (Selkirk)**

ATTENDANCE - 11 – QUORUM - 6

Members of the Committee present:

Hon. Mr. Selinger

Messrs. Dewar, Gilleshammer, Jennissen,
Ms. Korzeniowski, Messrs. Loewen,
Maloway, Reid, Reimer, Schellenberg,
Tweed

APPEARING:

Hon. Jon Gerrard, MLA for River Heights,

Mr. Robert B. Brennan, President and Chief
Executive Officer, Manitoba Hydro

MATTERS UNDER DISCUSSION:

The Annual Report of the Manitoba Hydro-
Electric Board for the year ended March 31,
2000.

Madam Chairperson: Will the Standing Committee on Public Utilities and Natural Resources please come to order. This morning, the committee has before it the Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 2000. Prior to consideration of this report, are there any suggestions as to how long we should sit this morning?

Mr. Daryl Reid (Transcona): If I might make a recommendation to this committee to sit until 12 noon today.

Madam Chairperson: Is it the will of the committee we sit until 12 noon today? *[Agreed]*

We will now proceed with consideration of the Annual Report of the Manitoba Hydro-Electric Board for the year ended March 31, 2000. I would ask the honourable Minister responsible for Hydro to please introduce the officials in attendance from the Manitoba Hydro-Electric Board.

Hon. Greg Selinger (Minister of Finance): Good morning. We have with us the Chairperson of the Manitoba Hydro Board, Vic Schroeder. We have the President and Chief Executive Officer, Bob Brennan. I think we have some support staff with him. We also have the Deputy Minister of Finance, Pat Gannon; my special assistant, Shaun Loney; and the gentleman with the technology in his hand is Randy Ptosnick. Also, Gerard Jennissen is the M A appointed to the board of Manitoba Hydro as well.

Madam Chairperson: Thank you. Does the minister have an opening statement?

Mr. Selinger: What we have is an opening presentation, which we would like to offer to the committee.

Madam Chairperson: Does the official Opposition critic have a statement to make?

Mr. Harold Gilleshammer (Minnedosa): Thank you, Madam Chairperson. We are anxious to hear the presentation from the corporation. We certainly have some questions on some of the issues before it. We would like to

Was this a decision made by management and staff at Manitoba Hydro?

Mr. Brennan: I think I have been doing this for twenty years, and I still do it. This was a decision at that point that we thought we would have to go through; in the fact, we thought that the legislation required it. So we did apply at that particular time.

Mr. Gilleshammer: This is consistent with the legislation, The Crown Corporations Public Review and Accountability Act and a process that Hydro has been through many times; that is, to submit to the Public Utilities Board any application for variance of rates.

Mr. Brennan: I am sorry.

Mr. Gilleshammer: Some two weeks later, you wrote a letter to Mr. Forrest of the Public Utilities Board, indicating that you wanted to cancel this process, that the Government, in fact, was going to override the process and go straight to legislation instead of the public process that is in place. Was this a decision made by the board, or was this directed by the minister?

Mr. Brennan: It was a Government decision that was relayed to both the chairman and president of Manitoba Hydro.

Mr. Gilleshammer: When was the last time, then, that Hydro was before the Public Utilities Board?

Mr. Brennan: I believe the last time we had a rate increase, a rate adjustment was, which would have been a rate increase, would have been 1996.

Mr. Gilleshammer: So this rate change directed by the Premier, Cabinet and Government to override the Public Utilities Board flies in the face, then, of providing hydro at cost for customers.

Mr. Brennan: I certainly do not want to get into any kind of political debate over it, but from my point of view, I think if legislation is there, it is something that Manitoba Hydro does not have to do.

Mr. Selinger: As we have discussed in the Legislature, it was the Government's decision to proceed by legislation for uniform rates, and that is because it is a change, not an adjustment to the existing rate structure. It is a change, a policy-driven change to the rates themselves, to go to a uniform or universal rate for all Manitobans. That decision was made by the Government in the election run-up as one of their promises and recommitted to in the Throne Speech and followed through by legislation.

I would just like to remind the Hydro critic that election promises are something that are debated through the election period and understood by Manitobans and voted on accordingly. Similarly, throne speeches signal the intentions of government. I would ask him to imagine the following: What if Hydro had submitted to the Public Utilities Board a new rate structure to increase rates on rural residents in Manitoba? I think the Opposition would have asked for that to be debated and discussed in the Legislature, because it would not be just an adjustment to an existing rate, but a new rate structure. That is exactly what is going on here. We are proposing a new rate structure, a uniform rate structure, a single rate structure, if you will. It is a policy change the Government is taking responsibility for in the pre-election period and in the post-election period through legislation.

Mr. Gilleshammer: The rates that have been established for Manitoba Hydro reflect the cost of providing the service. Public Utilities Board rulings in the past have respected that and now what we are going to see is a cross-subsidization of rates. I am wondering if Mr. Brennan could confirm that.

Mr. Brennan: There is no doubt if you have three rate zones: Zone 1 and 2 as a cost of service is always relatively close; there was the odd year where Zone 2 provided more revenue to cost than Zone 1, but Zone 3 has always had a greater revenue subsidy than the other two.

Mr. Gilleshammer: In previous discussions with the Public Utilities Board, it is my belief that they have always opposed cross-subsidization. I wonder if Mr. Brennan could confirm that.

Mr. Brennan: By rate zones, they certainly have and they have by classification. They always wanted all rate zones to be closer to equity than what we had, and certainly, Manitoba Hydro would have tried to get there. In previous rate increases, we did try to influence the run-off rate in the block structure such that subsidy would have been minimized or become smaller.

Mr. Gilleshammer: Given that the Government now seems to believe in the cross-subsidization of rates, I am wondering if the minister would indicate whether they would follow a similar pattern with other Crown corporations.

Mr. Selinger: Well, first of all, I think we have to understand that the ability to offer a uniform rate to all Manitobans is one that is provided by the fact that we have strong export sales. Export sales are allowing all Manitobans to benefit by having lower energy rates, regardless of what classification they are in. Secondly, we have to understand that we would have never had electrification in Manitoba if the ability of some consumers was not there to support other consumers, and that was before export sales occurred.

So we are not back in the situation where government proceeded to electrify the rural areas through cross-subsidization of existing domestic customers within Manitoba. **We are in the fortunate situation where we can bring forward a universal, uniform rate because we have the benefits of surpluses generated through export sales, so we are not asking other Manitobans to pay more to provide this uniform rate.** We are moving the rate to the lowest level already provided to all Manitobans. So, we are in a better situation than we were when electrification occurred, which was a government decision at that time. It seemed to be in the public interest to treat all Manitobans fairly, to allow all Manitobans to have the economic opportunities that electricity provides. We are doing a similar thing today but with the advantage of not having to ask anybody to pay more but moving the top rate or the higher rates to the lowest rate and paying for that through the surpluses we generate through export sales.

That was an election promise that was made and was followed through on with this legislation.

* (11:00)

Mr. Gilleshammer: The same argument could be made at MPIC, where the excess revenue is generating substantial revenue for the corporation, and they would have that same ability. The fact of the matter is the Public Utilities Board would not agree with cross-subsidization. I think the Government discovered between February 22 and March 9, when this application was revoked, that their election promise would not be kept by the Public Utilities Board, thus they had to override the process and go the legislative route.

My comments have nothing to do with lower rates. I think all Manitobans are looking forward to that. But it is process, and the fact is there is an established process. Your legislation is overriding that because you know the Public Utilities Board would not agree with the cross-subsidization and the lowering of rates the way you want them to be lowered.

Mr. Selinger: I think the Member for Minnedosa is making an assumption there, that that would be the outcome of the Public Utilities Board. It is purely hypothetical and speculative on his part and has no basis in fact or evidence.

The reality is that there is a difference between MPIC and Manitoba Hydro. The difference is Hydro generates revenues off export sales. It does not require any domestic ratepayers to carry an additional burden to lower the rates for northern and rural members. MPIC, if they were to go to some form of uniform rate structure between different classifications of vehicle owners and operators, would have to look at equity issues related from one customer class to another customer class internal to the Manitoba consuming public. This is not the situation with Manitoba Hydro. It is a different set of circumstances. It is an opportunity we have as a government promised in the election to deliver uniform rates to all Manitobans to create a greater sense of inclusiveness and fairness and equal treatment for all Manitobans.

Mr. Gilleshammer: The reality is that the minister and his Government could not rely on