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MANITOBA PUBLIC UTILITIES BOARD

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

Before Board Panel:

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

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
November 23, 2010
Pages 961 to 1076

APPEARANCES

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LIST OF EXHIBITS

Exhibit No.	Description	Page No.
INAC-12	Table entitled "INAC Manitoba Region Approved Tariffs Diesel Multipliers"	

1	LIST OF UNDERTAKINGS		
2	NO.	DESCRIPTION	PAGE NO.
3	26	INAC to provide an aggregate of the amounts that INAC is currently committed to fund through funding arrangements to the diesel First Nations, a sample, or blank funding arrangement that will illustrate the terms and conditions of the funding, and a breakdown of the aggregate amounts by program area	
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1 --- Upon commencing at 9:08 a.m.

2

3 THE CHAIRPERSON: Okay. Good morning,
4 everyone.

5

6 INAC PANEL:

7

FRED MILLS, Resumed

8

9 THE CHAIRPERSON: Mr. Peters, are you
10 going to begin your cross of Mr. Mills?

11 MR. BOB PETERS: Yes, I will. And before
12 I do that, Mr. Chairman, I should indicate as I've been
13 requested by Mr. Anderson to indicate that he offers his
14 regrets for not being here at the start this morning.
15 His expectation is he will be along later this morning.

16 He does want to provide the assurance that
17 his work is related to preparation of Band counsel
18 resolutions, as well as, I believe, MKO executive
19 resolutions related to the matters that were discussed
20 yesterday, which, as you will recall, on the public
21 transcript referred to the tentative settlement
22 agreement, and the progress that's apparently been made
23 with respect to that document.

24 In terms of Mr. Anderson, and providing
25 presenters, it is still his hope that he will have a

1 presenter for after lunch today, but at this point in
2 time, Mr. Chairman, other than the two (2) professors
3 from the University, we have no confirmed presenters
4 today, so.

5

6 CROSS-EXAMINATION BY MR. BOB PETERS:

7 MR. BOB PETERS: I will start, Mr. Mills,
8 you recognize you're still under oath, sir?

9 MR. FRED MILLS: Yes.

10 MR. BOB PETERS: And Mr. Mills, I read
11 your resume, which was Appendix B of your pre-filed
12 evidence, and you're not trained as a lawyer, correct?

13 MR. FRED MILLS: That's correct.

14 MR. BOB PETERS: And you're not here to
15 give legal opinions.

16 MR. FRED MILLS: That's correct.

17 MR. BOB PETERS: You've got both Ms. Hart
18 and Ms. Thompson to assist you in that regard, should any
19 be needed, correct?

20 MR. FRED MILLS: Correct.

21 MR. BOB PETERS: As I understand your
22 evidence, sir, you're here to explain INAC's involvement
23 with First Nations in the diesel zone.

24 MR. FRED MILLS: To explain our funding
25 methodology in hopes that the PUB understand how we fund

1 First Nations.

2 MR. BOB PETERS: All right. And so the
3 Board won't take what you say to be a legal opinion, but
4 will take it as INAC's understanding as to what happens
5 with respect to funding in the diesel First Nations in
6 Manitoba.

7 MR. FRED MILLS: Correct.

8 MR. BOB PETERS: A point is made in the
9 evidence of yours, sir, that INAC is not a customer in
10 the diesel zone, correct?

11 MR. FRED MILLS: That's correct.

12 MR. BOB PETERS: And your -- your reason
13 you make that point is that you first of all have no
14 physical premise, and you don't get a monthly bill from
15 Manitoba Hydro on account of electricity consumption in
16 the diesel zone.

17 MR. FRED MILLS: That's correct.

18 MR. BOB PETERS: Have you been to the
19 diesel zone, sir?

20 MR. FRED MILLS: Yes, I have.

21 MR. BOB PETERS: Have you been to each of
22 the four (4) communities?

23 MR. FRED MILLS: Yes, I have.

24 MR. BOB PETERS: And how recently is
25 that?

1 MR. FRED MILLS: The most recent was
2 Northlands, and that was just last week.

3 MR. BOB PETERS: And in the last year,
4 have you been to all four (4) of them?

5 MR. FRED MILLS: No, I have not.

6 MR. BOB PETERS: How long since you've
7 been the -- all of them?

8 MR. FRED MILLS: Probably four (4) or
9 five (5) years.

10 MR. BOB PETERS: Now, while INAC is not a
11 customer of Manitoba Hydro in the diesel zone, INAC funds
12 the customers in the diesel zone, correct?

13 MR. FRED MILLS: We provide funding to
14 the First Nations under a funding formula that take into
15 account the diesel electrical rates.

16 MR. BOB PETERS: Okay. We'll come to
17 that. The way you -- the way -- when I say, "you," Mr.
18 Mills, I don't mean you personally, I mean INAC. You
19 understand that?

20 MR. FRED MILLS: Yes.

21 MR. BOB PETERS: And INAC's funding of
22 the First Nations in the diesel zone comes out of
23 different funds, or different pockets, or different
24 cheque books, does it not?

25 MR. FRED MILLS: The region gets a --

1 what's called a core budget. And then we also get
2 targeted funding from headquarters, as well as the core
3 budget. And the O&M, education, and social programs all
4 come out of the core budget. So we have to divide that
5 core budget amongst those three (3) major pro --
6 programs.

7 There's also smaller programs within the
8 core budget that we have to factor in such as Indian
9 Government Services, which is money to First Nations to -
10 - as a government to operate, as a government, and that
11 sort of stuff. But the three (3) main ones are
12 education, social, and the operation and maintenance and
13 capital facilities.

14 MR. BOB PETERS: Maybe just on that
15 point, you mentioned that part of the core budget
16 contains an amount for internal government by the First
17 Nations?

18 MR. FRED MILLS: Yes.

19 MR. BOB PETERS: What -- what did you
20 call that?

21 MR. FRED MILLS: Well, it's called --
22 it's -- the program's called Indian Government Support
23 Services. Within that is Band support funding, which is
24 money that's directly related to the cost of running a
25 government, hiring an admin -- Band administrator, paying

1 for, you know, the telephones, and that sort of stuff
2 within the facility. Then there's a -- another
3 subprogram of that called Band employee benefits.

4 That's to pay the employer's share of the
5 cost of benefits to the First Nations' employers. And
6 then there's travel council funding, which is part of
7 that, which we fund to travel councils to provide
8 advisory services in five (5) main areas.

9 MR. BOB PETERS: Perhaps timely, perhaps
10 not, sir, but the media this morning was reporting
11 certain payments made for government on First Nations.
12 Is that funded by INAC out of the Indian Government
13 Support Services fund?

14 MR. FRED MILLS: Salaries for political
15 bodies and the Band administrator are part of the Band
16 support funding. As to where the report and all pie --
17 and where they get all the money to pay the Chiefs and
18 councils' salaries I'm not fully aware whether or not
19 some of that is own source revenues or whether it's all
20 INA -- Indian Affairs funding.

21 MR. BOB PETERS: INAC doesn't do any
22 accountability audits to find out --

23 MR. FRED MILLS: No.

24 MR. BOB PETERS: -- where its money goes?

25 MR. FRED MILLS: The Band support funding

1 is provided as a -- as a grant, which means there is no
2 accountability on it. The bands just have to provide us
3 the information that we need on an application to access
4 that money. And it's provided as a grant for them to use
5 as they see fit. Our expectations are that they would
6 use it to -- to operate their government as they see fit.
7

8 That's part of, you know, the self-
9 government -- moving towards more of self-government
10 strategy as opposed to meddling in everyday lives, the
11 First Nations' people.

12 MR. BOB PETERS: Is the money that INAC
13 pays sufficient to pay the salaries of the First Nations
14 Chiefs as reported in the media or is -- are -- is -- is
15 there additional funds must be coming from someplace
16 else?

17 MR. FRED MILLS: I wouldn't know that off
18 the top of my head. It would depend on how they use
19 their grant and each one is individual. There is no
20 salary amount in the allocation for Chiefs and councils.

21 It's -- we don't -- we don't divvy the
22 budget up by saying this much is for salaries, this much
23 is for telephone, this -- we -- we give them a block of
24 money under that program that they -- they manage as they
25 see fit.

1 MR. BOB PETERS: But this Band support
2 grant that you've mentioned to the Board comes out of the
3 core budget, as I understand it?

4 MR. FRED MILLS: That's right.

5 MR. BOB PETERS: Now, is it possible that
6 First Nations are using some money from other areas of
7 the core budget to support government or leadership
8 payments?

9 MR. FRED MILLS: Without reviewing the
10 audits I'm not sure and I don't review the audits.
11 That's not part of my job, but I would think that there
12 may be, but I can't say for certain.

13 MR. BOB PETERS: And you say "audits"
14 there are annual audits that are done?

15 MR. FRED MILLS: Annual audits that are
16 provided. Yes.

17 MR. BOB PETERS: And who performs the
18 audits?

19 MR. FRED MILLS: Outside auditors. The
20 Band hires an auditor every year.

21 MR. BOB PETERS: What we do know from
22 your evidence, Mr. Mills, is that INAC funds
23 approximately eight hundred and forty-six (846)
24 recipients of income assistance, looking at the INAC
25 Exhibit 8, which was the 22nd undertaking answered by

1 INAC in this case, is that correct?

2 MR. FRED MILLS: Yes. Subject to check.

3 MR. BOB PETERS: And that funding for the
4 income assistance, does that come out of the core budget
5 or does that come out of a different budget?

6 MR. FRED MILLS: No. That comes out of
7 core budget.

8 MR. BOB PETERS: All right. So as I
9 understand then we're -- we're left with core budget and
10 then we're left with targeted funds, two (2) different --

11 MR. FRED MILLS: Two (2) different pots
12 of money. Yes.

13 MR. BOB PETERS: All right. That's easy
14 for me to understand. Thank you for that. At some point
15 it was brought up that INAC is not the only funder of
16 First Nations in the diesel zone.

17 Is that your understanding?

18 MR. FRED MILLS: That's -- yes, that's
19 correct.

20 MR. BOB PETERS: Who else would fund?

21 MR. FRED MILLS: I believe the province
22 provides tobacco and gas tax rebates to the First Nation
23 unconditionally. I also believe that First Nation Inuit
24 Health Branch provides funding to the First Nations.
25 Solicitor General provides funding for policing services.

1 Those are the main ones that I'm aware of.

2 MR. BOB PETERS: Are you aware as to
3 whether any of those other funders have any aspect of
4 electricity rates built into their funding?

5 MR. FRED MILLS: No, I'm not sure how
6 they manage their funding or their formulas or if they
7 use formulas or not.

8 MR. BOB PETERS: To your understanding,
9 there's no electricity costs included in their funding
10 formulas.

11 MR. FRED MILLS: I don't know whether
12 there is or there isn't.

13 MR. BOB PETERS: I'm just going to give
14 your counsel a heads up that they might want -- want to
15 have their hands near the buzzer on this one (1). But I
16 want to ask you a question as to why does INAC provide
17 any funding for diesel First Nations. And I don't want
18 you to tell me any legal opinion or otherwise, but what
19 is INAC's understanding as to why do you have these two
20 (2) funds of money every year that -- that you distribute
21 to the First Nations?

22 MR. FRED MILLS: It's a policy decision
23 of the Government of Canada to provide resources to
24 assist these First Nations.

25 MR. BOB PETERS: We'll wait until

1 Wednesday's oral submissions from your counsel, but when
2 you say "policy", that, to me, means it's a decision made
3 by others other than INAC itself.

4 MR. FRED MILLS: That's correct. The
5 Government of Canada has made a decision to provide
6 resources to the First Nations.

7 MR. BOB PETERS: And the Government of
8 Canada provides that funding. Would it be through the
9 Treasury Board?

10 MR. FRED MILLS: Yes, it would be,
11 through annual budget appropriations.

12 MR. BOB PETERS: And the amount the
13 Treasury Board appropriates for funding to First Nations
14 in general then is a matter of the will of the Treasury
15 Board and those who --

16 MR. FRED MILLS: It's --

17 MR. BOB PETERS: -- are on it.

18 MR. FRED MILLS: Yeah, it's a -- it's a
19 matter of the parliament. They have to approve the
20 appropriations.

21 MR. BOB PETERS: Each and every year
22 that's done?

23 MR. FRED MILLS: Each and every year it's
24 done, yes.

25 MR. BOB PETERS: And when is that done

1 during the calendar year, do you know, sir?

2 MR. FRED MILLS: Usually in February.
3 The budget speech; I'm sure we're all aware of the
4 federal budget speech. That's the process for approvals
5 of all our budgets, including our core and non-targeted -
6 - or targeted I should say.

7 MR. BOB PETERS: And while the budget may
8 indicate some intentions and plans, it's not until
9 February of a calendar year that those plans get reduced
10 to dollars and cents.

11 MR. FRED MILLS: I'm not sure how the
12 parliament, and Treasury Board, and -- and the Department
13 of Finance manages all that. But all I know is that come
14 April 1st that we end up with -- with an appropriation to
15 fund First Nations for a variety of services.

16 MS. MARY ANN THOMPSON: Perhaps, Mr.
17 Peters, if this is something that you would like us to
18 address in submissions, we can give you a briefing on the
19 appropriations process for federal governments, including
20 the Appropriation Acts annually.

21 MR. BOB PETERS: I'll --

22 MS. MARY ANN THOMPSON: It's not
23 something we would have anticipated, but we can
24 certainly give you a bit of a background on that if you
25 need.

1 MR. BOB PETERS: I think that -- if you
2 believe that would help my client, the Board, that would
3 be great if you could do that.

4

5 CONTINUED BY MR. BOB PETERS:

6 MR. BOB PETERS: I'm -- I'm working
7 backwards, Mr. Mills. April 1st you find out what amount
8 of money has been appropriated to First Nations in Canada
9 that is to be administered through Indian and Northern
10 Affairs Canada.

11 MR. FRED MILLS: That's when we get the
12 exact amount.

13 MR. BOB PETERS: And once you get the
14 exact amount you then have to divide that into regions.

15 MR. FRED MILLS: Yes, it's the -- this is
16 actually all done prior to April 1st, obviously, because
17 it is time consuming. Maybe I'll just quickly go over
18 INAC's internal budgetary process.

19 Starting in September we are asked --
20 headquarters asks each region what their projection for
21 budget expenditures are for the next fiscal year, and so
22 we provide a preliminary projection on what that may be
23 in September, and then it's refined as we go through the
24 fiscal years, December sort of being like the last
25 refinement, also understanding that we don't have all the

1 information that we need to create final budgets at that
2 point in time.

3 We're still waiting for data re -- reports
4 coming in from First Nations and that sort of stuff, as
5 well as we're not fully aware of all the costs because
6 costs do go up and down, an example being, we don't know
7 what tuition costs for the education program are going to
8 be in December. We don't know that until a lot later in
9 the fiscal year.

10 So it starts there, and then nationally
11 it's rolled up, and then sometime between January and
12 March, March being the final decision -- the headquarters
13 obviously analyzes all the region's input, questions us
14 on why we have -- what our projections are, what have we
15 factored into it, that sort of stuff so they have a
16 better understanding.

17 Then they hold onto them until we get our
18 budgets finalized and appropriation from Parliament, and
19 then they allocate out a percentage. It may not be at
20 all, depending on what the roll up is. If the roll up is
21 certainly more than what the appropriation is, obviously,
22 we don't get everything that we've asked for, it would be
23 somewhat less.

24 And even -- even at times we don't get
25 everything we ask for at the start of the fiscal year

1 because there are pressures identified that may be
2 greater than what the overall budget is.

3 MR. BOB PETERS: I think that's helpful,
4 and thank you for that, Mr. Mills. And I'm not saying
5 you do have any say over this next question, but if you
6 had a preference as to the date this Board released a
7 hydro order related to the First Nations, would it be
8 that you would prefer the Board to render its decision,
9 say in September, to take effect in April? I'm just
10 trying to --

11 MR. FRED MILLS: Yeah, that wa -- in --
12 in terms of how it would fit with -- with our budgetary
13 process, that would be, I would consider the ideal, yes.

14 MR. BOB PETERS: All right.

15 MR. FRED MILLS: If we knew that far
16 ahead, then -- then we can start factoring it into our
17 next year's projections if we knew that there was going
18 to be a rate increase six (6) months ahead of time.

19 MR. BOB PETERS: And I'm going to get to
20 some of your fancy charts, but if you knew in September
21 or even October or November, that gives you a chance to
22 say, Hey, look it, there's a rate increase coming. We
23 now have to adjust our funding formulas and make our
24 requests a little differently than we would have but for
25 this rate increase?

1 MR. FRED MILLS: It allows us to factor
2 the rate increase into our funding formulas, and -- and
3 then into our ask from headquarters for our core budget.

4 MR. BOB PETERS: And the final ask you
5 say is done sometime between January and March?

6 MR. FRED MILLS: That's right.

7 MR. BOB PETERS: But you'd like to have
8 the information of any known adjustments, including rate
9 increases, prior to that time?

10 MR. FRED MILLS: Yeah, I misspoke.
11 Actually, the final ask is in December.

12 MR. BOB PETERS: Oh, okay.

13 MR. FRED MILLS: Headquarters does their
14 analyses between January and March and allocates April
15 1st.

16 MR. BOB PETERS: Put another way, Mr.
17 Mills, if you do not ask for it by the end of December,
18 you cannot then incorporate it into your funding formula
19 calculations and ask for it as an additional funding from
20 the Government of Canada?

21 MR. FRED MILLS: We wouldn't be able to
22 ask for it as an additional pressure if we didn't know
23 it. If -- depending on the size of the increase, I mean,
24 if it was two (2) cents a kilowatt, it's not a
25 significant increase that we may be able to fit that in,

1 right. But I think we're talking close to nine hundred
2 thousand dollars (\$900,000) on this one. While in the
3 overall context of our regional budget it's not a large
4 amount of money, when it comes down to a single program
5 it becomes a lot of money, and it means adjusting
6 programs.

7 Like if -- if this is approved for
8 September 1st of this year, chances of us getting money
9 from headquarters are really, really, really slim. And
10 so we would have to make an adjustments within our
11 current program funding to -- to try and come up with the
12 money so that we could allocate it. Either that, or we
13 don't make the adjustment until the following fiscal
14 year, which means the First Nations would be short funded
15 --

16 MR. BOB PETERS: All right.

17 MR. FRED MILLS: -- for six (6) months.

18 MR. BOB PETERS: I -- I thank you for
19 that answer, sir. What I'm taking your answer to say is
20 that if you do not build in any hydro electric rate
21 increases into your ask of the Government of Canada, you
22 will either have to find the money somewhere else in the
23 core budget, or you will have to wait for a year to bed -
24 - to embed it back into the core budget?

25 MR. FRED MILLS: That's correct.

1 MR. BOB PETERS: You've also made it
2 clear in your evidence that a funding assistance is not a
3 blank cheque. Isn't that what you said?

4 MR. FRED MILLS: Subject to check, I
5 don't recall those exact words.

6 MR. BOB PETERS: I -- I note it here at
7 page 31 of your evidence if you think you need to check
8 that, but you always say that -- you say that funding
9 assistance is always related to a program that defines
10 the funding available.

11 MR. FRED MILLS: Yeah, it's not a blank
12 cheque for diesel related costs, I guess, putting it in
13 context. I mean, you just said funding assistance is not
14 a blank cheque, so I didn't understand the context of the
15 question.

16 MR. BOB PETERS: All right. Well, you --
17 your evidence meant to suggest that you don't give a
18 blank cheque on account of diesel electric costs and say,
19 Here, here's the money, pay it over to Hydro.

20 MR. FRED MILLS: Yeah. When it comes
21 down to the O&M program, we fund based on the assets that
22 the community has in place, and we factor in a variety of
23 things, such as the size of the population, as you see,
24 for what we consider volume in the -- when you get into
25 the fancy charts I produced, as you stated, and diesel is

1 part of that allocation.

2 MR. BOB PETERS: All right, but from your
3 earlier answers to me, you talk about your core budget,
4 and your Band support grant.

5 Wouldn't you consider that to be a blank
6 cheque in the sense that you don't have any strings
7 attached to it? You cut a cheque for the money, and how
8 it's spent you have no say over how it's spent?

9 MR. FRED MILLS: On Band support funding?
10 It's a grant, yes, but your question was related to
11 diesel costs.

12 MR. BOB PETERS: I appreciate -- I
13 appreciate the -- the distinction you've made --

14 MR. FRED MILLS: Yes.

15 MR. BOB PETERS: -- is that on diesel
16 related costs, you don't have a blank cheque.

17 MR. FRED MILLS: That's correct.

18 MR. BOB PETERS: And we'll go through
19 some of that funding. One (1) question I didn't ask you
20 about was, you've told us about the core budget, and the
21 O&M program, the education program, the social program,
22 and the Band support grant all under the core budget.

23 You also mentioned a second source of
24 funds called the targeted funds, correct?

25 MR. FRED MILLS: That's correct.

1 MR. BOB PETERS: Perhaps its name gives
2 it away, but targeted funds, who decides what it's
3 targeted towards?

4 MR. FRED MILLS: Nationally. It's --
5 we're -- we're told what it's targeted for. Treasury
6 Board will target money for specific things. The
7 government of Canada will target money for specific
8 things.

9 MR. BOB PETERS: Can you give me
10 examples?

11 MR. FRED MILLS: An example will be the -
12 - the Canadian action plan, economic action plan. Money
13 was targeted out of that program for infrastructure
14 upgrades. Okay. That's something the government of
15 Canada put money in. Indian Affairs received some money
16 for infrastructure upgrades, and I believe also some
17 money for housing upgrades.

18 Another one is that Child and Family Service Program was
19 all funded under targeted funding, and that's something
20 that the government of Canada has set aside out of our --
21 said that this money must go towards Child and Family
22 Services. You can't use it for other things.

23 Special needs under the education program
24 is targeted funding. These are all things that are just
25 -- that are approved by the par -- parliament and the

1 Treasury Board as specific funds for specific things.

2 MR. BOB PETERS: Does the targeted
3 funding for housing upgrades allow INAC and Manitoba to
4 work cooperatively with Manitoba Hydro on the energy
5 management, or demand side management aspects that we've
6 heard about the last few days?

7 MR. FRED MILLS: I don't know a lot about
8 the program, but I don't believe it's any different than
9 our current housing program.

10 And under our current housing program,
11 First Nations can work with Manitoba Hydro to upgrade the
12 insulation, that kind of stuff, within -- within the
13 home. Upgrade weather stripping, and that kind of stuff.
14 Replace windows. There's nothing in our programs that
15 stop them from work with Manitoba Hydro, and their demand
16 side management program.

17 MR. BOB PETERS: To your knowledge,
18 there's been no coordination of that housing upgrade
19 program, together with the provincial utilities energy
20 management, or demand side management programs?

21 MR. FRED MILLS: I don't know that off
22 the top of my head, whether there was or there wasn't.

23 MR. BOB PETERS: If there wasn't,
24 wouldn't that be something that might be meritorious to
25 follow up on to see if they can harmonize those two (2)

1 groups working together?

2 MR. FRED MILLS: Yes, it may be. Again,
3 we provide our capital funds to the First Nation. They
4 decide how they're going to -- to spend it, and tell us
5 how that's being done.

6 I mean, it is accountable funding, and we
7 have to make sure due diligence is done, but again we're
8 -- we're not day to day overseers of the funding of First
9 Nations. That's not part of what we do.

10 First Nations do have some autonomy.
11 They're the ones in the community that know best, what
12 needs to be done with -- which homes need to be upgraded
13 as opposed to INAC going in and saying, You should
14 upgrade this home, or upgrade that home, or you need to
15 build five (5) new homes versus four (4) new homes that
16 you've chosen to build. We don't make those decisions.

17 MR. BOB PETERS: You mentioned in answer
18 to Ms. Bowman on the -- on the transcript on page 651
19 that INAC is no longer -- we're -- we're no longer like
20 mom and pop -- mom and dad, do you remember --

21 MR. FRED MILLS: That's correct. I
22 remember that.

23 MR. BOB PETERS: And -- and I noted that
24 as well, and you've made that comment essentially twice
25 this morning to me in the sense that you say INAC is not

1 involved with the day-to-day aspects of the First
2 Nations.

3 MR. FRED MILLS: That's correct.

4 MR. BOB PETERS: And INAC used to be
5 involved with the day-to-day aspects of First Nations?

6 MR. FRED MILLS: Well, I think
7 historically we used to have Indian agents in each
8 reserve, which were basically First Nations couldn't do
9 anything without permission of the Indian agents.

10 They couldn't leave the reserve, they
11 couldn't sell things, they came to the Indian agent to
12 virtually anything that was needed in the community. And
13 we're no longer there like that and we -- we --

14 MR. BOB PETERS: The Indian agent was an
15 INAC representative?

16 MR. FRED MILLS: Was a Government of
17 Canada representative. I don't know which department it
18 was under. We've been under several departments
19 historically.

20 MR. BOB PETERS: All right. And when did
21 the -- the Indian agent appointments -- when -- when were
22 they discontinued?

23 MR. FRED MILLS: I don't know. Probably
24 in the -- I would think some time around -- the last one
25 was probably some time around in the '60s, I would think,

1 or late '50 -- '50s or somewhere in there.

2 MR. BOB PETERS: Is that when --

3 MR. ROBERT MAYER: They were sort of like
4 governors of the Hudson Bay Company.

5 MR. FRED MILLS: Probably.

6

7 CONTINUED BY MR. BOB PETERS:

8 MR. BOB PETERS: Is -- is the -- the '60s
9 is that the time frame at which time the philosophy of
10 INAC changed such as instead of direct control over the
11 funding it became more block funding?

12 MR. FRED MILLS: I've -- if memory serves
13 me correct, in the '60s we didn't provide a lot of
14 funding to First Nations. I believe -- I believe it was
15 the late '60s. I could be wrong. Late '60s -- I think
16 it's late '60s, early '70s. Actually, it came about when
17 Jean Chretien was the Minister of Indian Affairs that we
18 started getting in to providing contributions to First
19 Nations.

20 I believe a lot of it was under what was
21 called the white paper at the time, if I remember
22 correctly. The Liberal white paper. So that's when we
23 got into providing contributions to First Nations. And
24 we got out of the business -- at one time Indian Affairs
25 -- they went from the Indian agent to districts where we

1 had employees in -- I believe we had employees in
2 Brandon, we had some out in Sagkeeng, some in Peguis.

3 Just speaking of Manitoba there's a
4 district office in Thompson where most of it was managed
5 out of -- most of the programs were managed out of those
6 districts as opposed to individual Indian agents in each
7 community. And we actually managed the programs, we paid
8 the social assistance, we paid the education bill, we
9 hired the teachers, we built the schools, we were doing
10 everything on their behalf.

11 And in the '70s all that changed. We got
12 -- started getting out of the business of being directly
13 involved. We still provided funding, but we were no --
14 getting out of the business of being directly involved.
15 Schools were turned over to First Nations, social
16 programs was turned over to them to manage, the
17 facilities that were in the community were turned over to
18 them to manage, and all that sort of stuff.

19 And as time progressed we stepped further
20 and further back, whereas today we have a single regional
21 office as opposed to having district offices now. And
22 that was I believe some time in the middle '80s that the
23 last district office closed in Thompson. I could be
24 wrong in there, but I'm not -- somewhere around that time
25 frame.

1 MR. BOB PETERS: In terms of funding the
2 First Nations and First Nations' peoples on and in the
3 diesel zone is it INAC's position that INAC seeks to
4 provide on-reserve members basic services which are
5 comparable to other Canadians living in similar
6 locations?

7 MR. FRED MILLS: Yes.

8 MR. BOB PETERS: I took that from your
9 answer to PUB/INAC-2C.

10 MR. FRED MILLS: Yes.

11 MR. BOB PETERS: So when you say:

12 "You want to provide basic services
13 which are comparable to other Canadians
14 living in similar locations."

15 Has that been accomplished in the diesel
16 zone in Manitoba?

17 MR. FRED MILLS: I believe it has.

18 MR. BOB PETERS: Does that answer mean
19 then that the basic services that are provided to the
20 diesel zone in Manitoba are comparable to what other
21 Canadians receive living in similar locations?

22 MR. FRED MILLS: Yes. As an example, I
23 think Brochet is probably the best one (1) to use. That
24 has a large Metis community next to it. We believe our
25 services we provide are comparable to what the Brochet

1 non-First Nation community receives.

2 MR. ROBERT MAYER: How -- how about
3 comparing to the remote community of Jasper, Alberta?

4 MR. FRED MILLS: I don't know what they
5 get in Jasper, Alberta.

6

7 CONTINUED BY MR. BOB PETERS:

8 MR. BOB PETERS: Are the communities that
9 are now on the north central transmission line comparable
10 to the communities in the diesel zone?

11 MR. FRED MILLS: All the services
12 provided are comparable, inclusive of electrical power.
13 The only difference is is the source of that power.

14 MR. BOB PETERS: And the amount or
15 limitation that exists in the diesel zone that doesn't
16 exist in the north central communities.

17 MR. FRED MILLS: The quantity of power is
18 limited, yes.

19 MR. BOB PETERS: When you say they are
20 comparable, well, I suppose anything is comparable or
21 comparable, but is it the same or similar? Is it -- is
22 it -- are you striving to become the same or similar to
23 other -- other areas?

24 MR. FRED MILLS: I don't know that --
25 that we can become exactly the same. And that's why the

1 term, if you were even to look on our website, we -- we
2 talk about we're comparable to other First Na --
3 comparable to other communities in similar locations.
4 And -- and we strive to try to be comparable to the
5 community next door as opposed to comparing Northlands
6 with Garden Hill. It would make -- because that doesn't
7 make sense because Northlands has diesel power, as you
8 say, and then -- because they have a limited power no --
9 Garden Hill doesn't; they're on the grid.

10 It would make more sense to compare two
11 (2) remote communities who are on the grid as opposed to
12 a diesel to a remote if you're doing comparisons. So we
13 co -- if you compare Brochet on reserve to Brochet off
14 reserve, we believe we're comparable.

15 MR. BOB PETERS: To what do you compare
16 Shamattawa? What community do you compare Shamattawa to?

17 MR. FRED MILLS: I don't know that we
18 have an exact community for there. They're treated the
19 same as -- as Brochet, so I would think that maybe we're
20 comparing it to the non-First Nation and Brochet.

21 MR. BOB PETERS: In terms of the -- the
22 many demographics and characteristics of the communities,
23 Mr. Anderson had the Board mark as exhibits MKO-7, 8, 9,
24 and 10 some extracts from INAC's website. Do you recall
25 that yesterday?

1 MR. FRED MILLS: Yes, I do.

2 MR. BOB PETERS: Have you seen that
3 information that comes off the INAC website before?

4 MR. FRED MILLS: No, I haven't.

5 MR. BOB PETERS: Did you have a chance to
6 look at the --

7 MR. FRED MILLS: I had a quick look at it
8 yesterday.

9 MR. BOB PETERS: Is there any reason to
10 suspect that this information isn't accurate?

11 MR. FRED MILLS: Not to my knowledge. It
12 comes -- it's actually a derivative of Stats Canada's
13 information.

14 MR. BOB PETERS: And so, as far as INAC's
15 concerned, the year in which it -- the data is sourced is
16 -- is an accurate depiction of what's happening on the
17 four First Nations in the diesel zone.

18 MR. FRED MILLS: I don't know that we
19 would categorize it as that. I don't know the accuracy
20 of Stats Canada's data gathering.

21 MR. BOB PETERS: Is there any better data
22 out there that you're aware of?

23 MR. FRED MILLS: No, not that I'm aware
24 of. Not that would produce that kind of information.

25 MR. BOB PETERS: I want to turn to INAC's

1 funding and the residential electricity costs in the
2 diesel zone in particular. And as a starting point, Mr.
3 Mills, INAC does not fund residential electricity bill
4 payments, does it?

5 MR. FRED MILLS: Not directly.

6 MR. BOB PETERS: Rather, for residential
7 customers, INAC has a Social Development Program under
8 its core budget.

9 MR. FRED MILLS: That's correct.

10 MR. BOB PETERS: And for those residents
11 that are under INAC's Social Development Program funding
12 is provided for employment and income assistance.

13 MR. FRED MILLS: Through the Employment
14 and Income Assistance funding is provided for a
15 recipient's share of a hydro bill, whether that's 100
16 percent or part of a hydro bill.

17 MR. BOB PETERS: The funding provided by
18 INAC includes support for electric bills for eligible
19 income assistance recipients?

20 MR. FRED MILLS: Correct.

21 MR. BOB PETERS: And if a person is an
22 eligible income assistance recipient, then the funding
23 that is embedded in the income assistance payments is
24 calculated as what the electric bill would be for that
25 person?

1 MR. FRED MILLS: That's right, minus any
2 back charges for the bill being overdue and that sort of
3 stuff. We don't pay that. We -- we pay the bills --
4 because if -- if somebody chooses not to pay their hydro
5 bill and we funded them for it, we're not going to pay
6 the back charges on the bill.

7 MR. BOB PETERS: Your monthly funding
8 includes an amount that INAC says is sufficient for
9 payment of the electricity bill in full?

10 MR. FRED MILLS: For the recipient of the
11 funds, so it may not be the full hydro bill. An example
12 is, as you know, many First Nations have more than one
13 (1) family living in the house. And if one (1) family --
14 and I'll -- I'll just -- simplistic example, a family of
15 three (3) has a working head of household, and another
16 family of three (3) is on social assistance, and they
17 live in the same house, we don't pay 100 percent of the
18 hydro bill.

19 We would pay a proportional share, which
20 would be 50 percent of the hydro bill.

21 MR. BOB PETERS: With the expectation
22 that the head of household that is employed would
23 contribute the other 50 percent?

24 MR. FRED MILLS: That's correct.

25 MR. BOB PETERS: And your data goes down

1 to specific homes in each of the diesel First Nations,
2 sir?

3 MR. FRED MILLS: I'm not sure I
4 understand the question in terms of what data you're
5 looking for.

6 MR. BOB PETERS: All right. Well, for
7 INAC to make the decision to fund this hypothetical
8 example at 50 percent of the electric bill, INAC would
9 need to know, with certainty, how many families and --
10 and individuals in each family are living in that home,
11 would they not?

12 MR. FRED MILLS: Yes, the First Nation
13 does those calculations. They have -- they are required
14 to collect what's called a tenant profile for the house,
15 which tells them who's all living in the homes. The
16 First Nation keeps that data on file. The only time we
17 see that information is when we go in to do a compliance
18 review on the social assistance program.

19 We don't receive the information within
20 our office. The First Nations keep that information.

21 MR. BOB PETERS: And so if there's any
22 late payment charges invoiced by Manitoba Hydro, those
23 would never be included in the INAC funding?

24 MR. FRED MILLS: That's correct.

25 MR. BOB PETERS: That's on the assumption

1 then that the reason that the account wasn't paid in full
2 had nothing to do with the social assistance recipients
3 being able to fund their portion of the account?

4 MR. FRED MILLS: That's correct.

5 MR. BOB PETERS: Is the funding provided
6 by INAC for residential customers on employment and
7 income assistance in the diesel zone exactly the same as
8 that provided to people elsewhere in the Province of
9 Manitoba, with the exception of the electricity account?

10 MR. FRED MILLS: If you're comparing them
11 to northern communities, the answer is, yes. They're
12 under the provincial government's soc -- employment and
13 income assistance program. There is what they call a
14 northern food allowance, which is they get additional
15 funds for purchase of food in remote communities. And
16 that's what the province has set up, and to be comparable
17 to the province's program, we fund that.

18 MR. BOB PETERS: Where does the northern
19 section of the province begin for INAC's purposes of the
20 employment assistance program?

21 MR. FRED MILLS: I don't know that you
22 can actually draw a line. I -- I think it's somewhat a
23 bit scattered. So it's -- it's normally -- I would think
24 -- and I don't know this for a fact, but I would think
25 it's mostly the MKO First Nations are within that

1 northern food allowance. Some of them may not be, such
2 as, you know, Nelson House, and Norway House, and Cross
3 Lake, Split Lake, those on the road system.

4 MR. BOB PETERS: Where's Michael when we
5 need him. Sorry, that --

6 MR. FRED MILLS: MKO, if I remember
7 correctly, or does Kathy know better.

8

9 (BRIEF PAUSE)

10

11 MR. BOB PETERS: Mr. Mills, from -- from
12 that answer, and I thank you, Thompson would be, to your
13 understanding, included though in that northern portion
14 where the provincial employment income assistance would
15 in -- would contain some adjustments for northern
16 allowance.

17 MR. FRED MILLS: I don't know that.

18 MR. BOB PETERS: Okay. The one (1)
19 difference between the provincial employment income
20 assistance, and the INAC employment income assistance
21 program for the diesel zone is the adjustment that is
22 made for diesel electric costs, correct?

23 MR. FRED MILLS: I'm not sure how the
24 province manages their hydro in -- in Brochet. I would
25 think that they would account for the hydro bill.

1 The provincial income assistance program
2 includes provisions for providing electric -- electric --
3 costs for electricity, and that varies depending on where
4 you're living.

5 If you're living in Winnipeg, it's usually
6 part of your lump sum, and it's fifteen (15) or twenty-
7 five dollars (\$25) a month, compared to if you're living
8 in a more com -- remote community, it may be the actual
9 cost of the Hydro bill, if the whole -- if it's 100
10 percent.

11 MR. BOB PETERS: What I'm taking from
12 your answer, sir, is that built into the provincial
13 employment income assistance numbers is some amount on
14 account of electricity, and because grid equivalent rates
15 are being charged in the diesel zone, there's no need to
16 make an adjustment on account of diesel electricity.

17 MR. FRED MILLS: Yes, that's -- I would
18 consider that to be a correct statement.

19 MR. BOB PETERS: This will be a
20 hypothetical questions, and I'll alert you in advance,
21 but if -- if there was a delinking of the diesel zone
22 electricity rates for residential and general service
23 customers, at least for the first 2,000 kilowatt hours a
24 month, if that was delinked from the grid rates, does
25 INAC have any ability to alter its employment income

1 assistance programs to provide additional, and greater
2 funding?

3 MR. FRED MILLS: I think I provided an un
4 -- not an undertaking, but a -- a response to an IR on
5 that, in that we do -- we -- the ability we would have is
6 to move money from one (1) program to another, because if
7 there was, as you say, a delinking, in other words if we
8 go to Mr. Hildebrand's doubling of the rates, it would
9 increase the revenues on the residential side, thus
10 decreasing the surcharge that's being applied to
11 government First Nations accounts, which means that
12 program, the O&M program, would -- would not have to fund
13 as much.

14 That we would be able to move those funds
15 over to increase the funding in the social program, and I
16 think the anol -- if I recall the analysis, it was some
17 sixty-one thousand dollar (\$61,000) increase.

18 MR. BOB PETERS: That's exactly my
19 recollection, sir, is that if -- if Mr. Hildebrand's
20 suggestion, or recommendation, found merit with the
21 Board, the net cost to the diesel zone residential
22 customers would be approximately sixty-one thousand
23 dollars (\$61,000), and you've agreed that's your
24 recollection?

25 MR. FRED MILLS: Yeah, that -- that would

1 -- I -- I would consider that to sort of be the first
2 year increase in cost because hopefully cost would
3 decrease over time because people would be using less
4 power.

5 MR. BOB PETERS: My question before I
6 lose the thought though, sir, is if it's sixty-one
7 thousand dollars (\$61,000) more on an annual basis for
8 residential customers in the diesel zone that are
9 supported through INAC employment income assistance
10 funding, would you be able to find that net sixty-one
11 thousand dollars (\$61,000) of additional monies from the
12 -- either the budget from Ottawa, or would you have to
13 take it out of some other core budget?

14 MR. FRED MILLS: Well, it would depend on
15 when it happened.

16 MR. BOB PETERS: And again, we get back
17 to the timing --

18 MR. FRED MILLS: We get back to the
19 timing.

20 MR. BOB PETERS: -- With sufficient
21 notice, it could happen with Ottawa granting additional
22 funds, otherwise you'd have to take it out of something
23 else.

24 MR. FRED MILLS: That's correct.

25

1 (BRIEF PAUSE)

2

3 MR. BOB PETERS: Mr. Mills, in the very
4 first Information Request posed to you on behalf of the
5 PUB we were looking to see if we could get the level of
6 O&M funding to each of the communities. And you'll
7 recall INAC declined to answer that because they felt it
8 was information that should be forthcoming from the First
9 Nations, if at all.

10 MR. FRED MILLS: Yes, if it's individual
11 First Nations information we don't normally make that
12 public information. We request the First Nation to
13 provide us authority to release it. And I believe we
14 sent you copies of letters asking for that.

15 MR. BOB PETERS: And do you have any
16 answers yet?

17 MR. FRED MILLS: No.

18 MR. BOB PETERS: So you don't have -- you
19 don't have the First Nations' approval to release the
20 specific information.

21 MR. FRED MILLS: No.

22 MR. BOB PETERS: So the information
23 you're providing this Board, you're okay providing it on
24 an aggregate basis, is that correct?

25 MR. FRED MILLS: That's correct.

1 MR. ROBERT MAYER: I'm a little confused,
2 Mr. Mills. Mr. Anderson filed four ni -- four profiles
3 of four First Nations with some pretty specific
4 information on income and how many people on assistance
5 and a series of material, and said there was a lot more
6 where that came from. I'm not understanding how it is
7 that you don't have it.

8 MR. FRED MILLS: We don't provide the
9 details.

10 MS. MARY ANN THOMPSON: Sorry to
11 intervene and perhaps render what's not really a legal
12 opinion in this forum, but part of -- of the inability of
13 INAC to respond on that is that it treads on the
14 information that is provided in the funding agreements
15 between Canada and First Nations, and it's not clear that
16 that information can be released in a public forum in --
17 to be consistent with privacy legislation for the Federal
18 Government.

19 So while MKO is in a very different
20 position representing the First Nations, INAC is not a
21 position, we don't believe, to release that information
22 under privacy legislation. That's somewhat different
23 than census data, obviously, which is treated
24 differently, but, specifically, the information about O&M
25 funding to First Nations is within their funding

1 arrangements.

2

3 CONTINUED BY MR. BOB PETERS:

4 MR. BOB PETERS: What you were prepared
5 to provide, Mr. Mills, was some aggregate funding for the
6 diesel -- the four diesel zone communities, correct?

7 MR. FRED MILLS: Yes.

8 MR. BOB PETERS: And, as I understood
9 your evidence, your pre-filed evidence, certainly from
10 page 18, if the diesel communities that are in the First
11 Nations were on the grid, their O&M funding would be
12 about \$3.1 million.

13

14 (BRIEF PAUSE)

15

16 MR. FRED MILLS: Yes, that's correct.

17 MR. BOB PETERS: And because those
18 communities are not on the grid but they have diesel
19 electric service, they receive O&M funding of about \$5.5
20 million, correct?

21 MR. FRED MILLS: That's correct.

22 MR. BOB PETERS: And of that 5.5 million
23 there's an -- there's included in that, 2.4 million for
24 diesel electric service.

25 MR. FRED MILLS: Correct.

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(BRIEF PAUSE)

MR. BOB PETERS: And as soo - if we use the O&M funding formula that we'll still talk about in a few minutes, should the PUB find approval of Hydro's application as filed, instead of \$5.5 million, INAC would need to find another nine hundred thousand dollars (\$900,000), correct?

MR. FRED MILLS: Correct.

MR. BOB PETERS: And that -- that nine hundred thousand dollar (\$900,000) increase would reflect about \$3.3 million for electricity, if this application was approved as filed.

MR. FRED MILLS: That's correct.

MR. BOB PETERS: And that, in my simple math, indicates that 52 percent of that O&M budget is attributable to electricity costs.

MR. FRED MILLS: Yes, to the diesel amount, sorry, because the grid amount of 3.1 million for O&M is inclusive of the grid electrical cost.

MR. BOB PETERS: I understand your point. And then so if -- if these communities were on the grid they'd see \$3.1 million, but if they -- because they're on the grid and this Application if it was approved you'd

1 need to go to \$6.4 million?

2 MR. FRED MILLS: That's right. Because
3 of the diesel service.

4 MR. BOB PETERS: Yes. So that's \$3.3
5 million in total because of the diesel service?

6 MR. FRED MILLS: That's right.

7 MR. BOB PETERS: Mr. Mills, do you recall
8 INAC ever not getting approval from Ottawa for increased
9 revenue because of an Order of this Board increasing
10 rates in the diesel zone?

11 MR. FRED MILLS: No, I have not.

12 MR. BOB PETERS: So to your knowledge
13 when INAC Manitoba regional office puts in a request for
14 revised funding to include additional monies for
15 electricity as a result of an Order of the Public
16 Utilities Board for a diesel electric rates, that
17 increase has been always approved by Ottawa?

18 MR. FRED MILLS: No. Not always approved
19 by Ottawa. We've always found some money within.
20 Whether it was approved by Ottawa or not approve Ottawa,
21 we've always found money within the region by cutting
22 other programs to do that.

23 MR. BOB PETERS: But does that mean that
24 the timing have been awkward or not as convenient as INAC
25 would've liked or does that mean Ottawa turned thumbs

1 down on the request?

2 MR. FRED MILLS: Sometimes it could be
3 that Ottawa's turned thumbs down on the request because
4 they believe there was higher priorities nationally, on a
5 national level. You got to remember they're working at a
6 national level not a regional level like we have to work
7 at.

8 So if the request gets turned down then we
9 need to find the money internally to make it up, which
10 means we take it out of other programs. And what we have
11 done in the past for not only the O&M program but other
12 programs where there's been price and volume increases
13 that -- for which we didn't get additional funding from
14 headquarters is we've taken it out of our capital
15 program.

16 MR. BOB PETERS: And if for any reason --
17 do you specifically recall Ottawa rejecting an increase
18 based on -- solely based on diesel electric costs?

19 MR. FRED MILLS: No, I don't, but that
20 doesn't mean that haven't. I -- I'm just -- I'm not
21 involved in all those details.

22 MR. BOB PETERS: All right. What you are
23 telling this Board is that every time the -- this Board
24 has approved rate increases that affect the diesel zone
25 INAC's funding has increased as a result of the Board

1 Order whether from some aspect of the core budget or
2 perhaps even from some aspect of a capital budget?

3 MR. FRED MILLS: Yeah. I would
4 categorize it that the O&M budget has increased as a
5 result of rate increases.

6 MR. ROBERT MAYER: Mr. Mills --

7 MR. FRED MILLS: As -- as opposed to
8 saying INAC's budget's increased because that could lead
9 people to believe that our overall budget increased
10 because of a decision of this Board, and that's usually
11 not the case.

12 MR. ROBERT MAYER: Mr. Mills --

13 MR. FRED MILLS: Yes.

14 MR. ROBERT MAYER: -- there's been a lot
15 of talk about timing. What's the best time for you to
16 get an Order from this Board? Time of the year?

17 MR. FRED MILLS: I think -- I think we
18 talked about that earlier on with --

19 MR. ROBERT MAYER: I think we may have,
20 but I'm not sure.

21 MR. FRED MILLS: It's --

22 MR. ROBERT MAYER: I don't recall.

23 MR. FRED MILLS: If we learn in September
24 for an increase in April, like six (6) months ahead of
25 time -- if you were to make an increase this year that

1 goes back to September such as the -- the one that's
2 being asked for by Hydro will mean that we will need to -
3 - if we're going to fund this increase of nine hundred
4 thousand dollars (\$900,000) we'll have to cut programs in
5 other areas, programs to First Nations to -- to come up
6 with the money.

7 And for six (6) months, or seven (7)
8 months it would be, that works out to about -- just a
9 little over five hundred thousand dollars (\$500,000) from
10 September to the end of March.

11

12 CONTINUED BY MR. BOB PETERS:

13 MR. BOB PETERS: Mr. Mills, can you tell
14 the Board what your annual funding is for your core
15 budget for Manitoba?

16 MR. FRED MILLS: I don't know the -- the
17 core budget off the top of my head. Our regional overall
18 budget is, I believe, somewhere 850 million to \$900
19 million this year. And I would say probably a minimum of
20 two-thirds (2/3) of that is made up of education and
21 social, and probably another 100 million of that would be
22 targeted towards CFS. And then the rest goes to a
23 multitude of programs.

24 MR. BOB PETERS: Do you know, aggregate-
25 wise, what your regional budget is for the four (4)

1 diesel First Nations?

2 MR. FRED MILLS: No, I don't. Not right
3 off the top of my head, I don't.

4 MR. BOB PETERS: Are you prepared to
5 provide that to the Board by way of undertaking, on an
6 aggregate basis?

7 MR. FRED MILLS: Yes, we could do that.

8 MR. BOB PETERS: Okay. Are you able to,
9 on an aggregate basis, break down that regional budget
10 into the O&M, the education, the social, and the band
11 support? Is that --

12 MR. FRED MILLS: Yeah. Yeah, I think we
13 can do that.

14 MR. BOB PETERS: All right. If -- if --

15 MR. FRED MILLS: As long as it's
16 aggregated.

17 MR. BOB PETERS: Yes, that --

18 MR. FRED MILLS: Yeah.

19 MR. BOB PETERS: -- and I'm trying to be
20 specific, that I'm not trying to get individual --

21 MR. FRED MILLS: Yeah.

22 MR. BOB PETERS: -- First Nations
23 information, but on an aggregate basis on the four (4) in
24 the diesel community.

25 MR. FRED MILLS: Yes.

1 MR. BOB PETERS: Okay, sir. We'll --

2

3 --- UNDERTAKING NO. 26: INAC to provide an aggregate
4 of the amounts that INAC is
5 currently committed to fund
6 through funding arrangements
7 to the diesel First Nations,
8 a sample, or blank funding
9 arrangement that will
10 illustrate the terms and
11 conditions of the funding,
12 and a break down of the
13 aggregate amounts by program
14 area

15

16 THE CHAIRPERSON: Mr. Peters, do you have
17 much more time? We're just thinking if, to allow them to
18 consult a bit, we'll just take our break now.

19 MR. BOB PETERS: That might be a good
20 idea, and I'll go through my notes, and --

21 THE CHAIRPERSON: Okay. We'll take a
22 break now, and we'll come back in fifteen (15) minutes.

23

24 --- Upon recessing at 10:03 a.m.

25 --- Upon resuming at 10:27 a.m.

1 THE CHAIRPERSON: How are we -- Ms. Hart,
2 are we all right to -- Mr. Peters?

3 MR. BOB PETERS: Thank you, Mr. Chairman,
4 Board members. Just before the recess, I was in
5 discussion with Mr. Mills in requesting an undertaking as
6 to disclosure of some financial information on an
7 aggregate basis, and I think sometimes my terminology may
8 cause problems for Ms. Hart and Ms. Thompson, and I
9 apologize for that. But I think we've worked things out,
10 and Ms. Thompson was kind enough to perhaps provide the
11 undertaking that they're prepared to provide.

12 MS. MARY ANN THOMPSON: Sure. I'll just
13 clarify for the record. In response to that undertaking,
14 INAC will provide an aggregate of the amounts that INAC
15 is currently committed to fund through funding
16 arrangements to the diesel First Nations.

17 And we'll also provide a sample, or a
18 blank funding arrangement that will illustrate for you
19 what the terms and conditions are on that funding, and a
20 break down of the aggregate amounts by program area.

21 THE CHAIRPERSON: Thank you.

22 MR. BOB PETERS: Yes, and I thank Mr.
23 Mills and Ms. Thompson for that, as well.

24

25 CONTINUED BY MR. BOB PETERS:

1 MR. BOB PETERS: Mr. Chairman, Board
2 members, I'd like to turn to tab 20 of the book of
3 documents, and hopefully, Mr. Mills, you can turn with
4 us, if you still have a copy of it, and I have to tell
5 you it's charts like this that cause lawyers' eyes to
6 glaze over, so I'm sure the cost accountants in the room
7 are happy.

8 But when we -- when we see charts like
9 this, first of all what you are attempting to demonstrate
10 to this Board, sir, in your evidence starting I think on
11 page 10 of your pre-filed evidence, you are trying to
12 show the Board that there's a formula by which INAC
13 provides funding to the First Nations in the diesel
14 community, correct?

15 MR. FRED MILLS: That's correct.

16 MR. BOB PETERS: And you start with a
17 gross funding requirement. Is that also correct?

18 MR. FRED MILLS: Yes. The calculation --
19 initial calculations are done as a gross funding
20 requirement.

21 MR. BOB PETERS: And that gets modified
22 by multiplying it against a net funding requirement
23 factor.

24 MR. FRED MILLS: Correct.

25 MR. BOB PETERS: And in terms of -- in

1 terms of the gross funding requirement for Manitoba,
2 there are about six (6) additional modifications that may
3 be applicable, compared to that same formula on a
4 national basis.

5 Would that be right?

6 MR. FRED MILLS: Yes.

7 MR. BOB PETERS: And one (1) such of
8 those six (6) modifications is where First Nations use
9 diesel electric service.

10 Is that also correct, sir?

11 MR. FRED MILLS: Yes.

12 MR. BOB PETERS: And that modification in
13 the formula uses the Public Utilities Board approved
14 rates in calculating the gross funding requirement,
15 correct?

16 MR. FRED MILLS: Correct, both rates, the
17 grid rate and the diesel rate.

18 MR. BOB PETERS: You confused me, at
19 least -- if we're talking only on the diesel zone, you
20 would only use the rates applicable to the customers in
21 the diesel zone, correct?

22 MR. FRED MILLS: Yes, of the tariff, the
23 complete tariff, right, of which part of it is the grid
24 rates.

25 MR. BOB PETERS: Okay. Yes, I have your

1 point. Thank you. And you would agree with me, Mr. Will
2 -- Mills, would you, that INAC's funding formula provides
3 additional funding to assist in offsetting the additional
4 electricity costs over what grid communities pay?

5 MR. FRED MILLS: Yes, un -- under
6 community buildings there is a diesel -- an additional
7 diesel subsidy as a result of the settlement agreement.

8 MR. BOB PETERS: All right. And you
9 provided a couple of examples of some buildings from your
10 Appendix G of your evidence, and they're at Tab 20 of the
11 book of documents.

12 Do you have that, sir?

13 MR. FRED MILLS: Yes.

14 MR. BOB PETERS: Can you briefly, and at
15 a high level, explain to the Board what you are
16 attempting to show in these two (2) charts. One (1) is
17 from page 5 of 15, you'll notice in the bottom of the
18 page.

19 MR. FRED MILLS: Yes.

20 MR. BOB PETERS: And one (1) is from page
21 10 of 15. And one (1) of these, sir, is from -- based on
22 a diesel electric rate, and one (1) is based on grid
23 rates, correct?

24 MR. FRED MILLS: That's correct.

25 MR. BOB PETERS: Can you just then

1 explain to the Board how you come to your funding, or
2 what your funding formula does -- does cover?

3 MR. FRED MILLS: On the one (1) on page 5
4 of 15, if you take a look at the very top of the page
5 you'll see a -- a -- a line that says, "Ban City Zone
6 Government Rate/Non-Government Rate." The government
7 rate and non-government rate -- now the terminology needs
8 to be adjusted to reflect the settlement agreement and
9 that hasn't happened within our database, but the
10 government rate of six point eight seven (6.87) is
11 actually the general service rate that's approved, which
12 is the tail -- with the tail block.

13 And the -- what's called the non-
14 government rate is really the edu -- First Nation
15 education rate. Just so you've got those numbers clear
16 helps understand the rest of it a little better. And
17 then on the right-hand side of that spreadsheet, the
18 right half of that spreadsheet where it says,
19 "Approximate Breakdown by Component", those are
20 approximate costs that should be allocated to each one
21 (1) of those particular items.

22 And you'll note that it's broke down in
23 two (2) major areas, operation and maintenance. So the -
24 - the ongoing operation of the facility would cover such
25 things as electrical or the heat of the facility, and

1 some local labour for maintenance, you know, cleaning
2 floors and that kind of stuff.

3 And then the maintenance side of the thing
4 is more for larger items such as, you know, replacing a
5 door or -- or buying furnace filters, and that kind of
6 stuff. And it's broke down for -- between labour,
7 materials, and equipment as well.

8 Of interest to this Board is the column
9 under, "Operation, Energy, Electrical". And if you go
10 down to where we have category 3, the -- the -- the piece
11 that's boxed in, that's the electrical budget based on
12 the diesel ratio. So if you were to flip to the next
13 page and look at the same box around -- li -- around line
14 87, you'll see that -- that's the same facilities, in the
15 same location, but the diesel rates have -- diesel rates
16 have been removed.

17 So that's what they would receive if they
18 were on grid. If you were to go to the top of the page
19 you'll see the government rate and non-government rate
20 have both been changed to one (1) to reflect grid rates.
21 So for those category 3 facilities, the gross funding
22 requirement for electrical would be nineteen thousand two
23 hundred and twenty-one (19,221) on the grid, and the
24 gross funding requirement on diesel would be a hundred
25 and thirty-two thousand and fifty-one (132,051), so it's

1 a substantial increase.

2 MR. BOB PETERS: And this gets back, Mr.
3 Mills, to what you told the Board earlier in terms of the
4 additional \$3.3 million that's built into the O&M budget
5 related to diesel costs over and above the grid costs.

6 MR. FRED MILLS: That's correct.

7 MR. BOB PETERS: Now, Mr. Mills, you've -
8 - you've shown a comparison of the identical inventory of
9 assets, category 3 assets: one (1) connected to the grid,
10 one (1) on diesel generation, and you demonstrate the
11 additional costs that are derived because it's on the
12 diesel -- in the diesel zone, but that does not mean that
13 INAC is going to fund one hundred and thirty-two thousand
14 and fifty-one dollars (\$132,051) for those particular
15 assets, does it?

16 MR. FRED MILLS: That's correct. I -- I
17 said it was the gross amount.

18 MR. BOB PETERS: Right. Now we have to -
19 - do we not now have to flip to tab 21 of my book of
20 documents and go to the last two (2) pages of that, which
21 are pages numbered five (5) and six (6), sir?

22 MR. FRED MILLS: Yes, I got them.

23 MR. BOB PETERS: Maybe you can now
24 explain, once you -- once we know we have some diesel
25 buildings and assets -- sorry, assets in the diesel zone

1 that are heated with or -- or use diesel electric
2 service, the costs that INAC calculates would be incurred
3 would be in the neighbourhood of a hundred and thirty-two
4 thousand do -- thirty-two thousand dollars (\$132,000).

5 But now we have to go to the net funding
6 requirement factors to determine how much of that money
7 is actually built into the budget, is that correct?

8 MR. FRED MILLS: That's correct. That's
9 the first step of how we factor our diesel monies on
10 category 3 items or -- or what we call band facilities,
11 and the net funding requirement is -- is point 2 (.2), in
12 other words, 20 percent.

13 MR. BOB PETERS: And then you can show us
14 that, please, on the table 1 on page 5 at Tab 20 of the
15 PUB working documents.

16 MR. FRED MILLS: Yeah, if you were to
17 look under -- sorry, if you were to look under "Asset
18 category buildings" and move right from there, it would
19 be "zero point two (0.2), Administrative Building." That
20 would be like the band office. We would fund poi -- 20
21 percent of the funding formula for that facility.

22 In other words, prior to the settlement
23 agreement we would fund 20 -- we were funding 20 percent
24 of a hundred and thirty-two thousand dollars (\$132,000)
25 if that number was the number at the time.

1 MR. BOB PETERS: All right. And just
2 while the Board is still in -- in Tab 21 of my book of
3 documents, looking at page 5, when we go down the "NFR
4 factor" column we see that under "Institutional" some are
5 factored at one point zero (1.0), such as schools, such
6 as school -- student residence, such as teacherages, cor
7 --

8 MR. FRED MILLS: That's correct.

9 MR. BOB PETERS: And does that indicate
10 to the Board that those facilities are funded at 100
11 percent of the formula?

12 MR. FRED MILLS: That's correct.

13 MR. BOB PETERS: And so getting back to
14 the hundred and thirty-two thousand dollar (\$132,000)
15 number, if -- and if that number applied to schools, to
16 student residences, or teacherages, then, in fact, a
17 hundred and thirty-two thousand dollars (\$132,000) would
18 be included in the payment.

19 MR. FRED MILLS: That's correct if that
20 was one (1) of those three (3) facilities.

21 MR. BOB PETERS: And we know that it's
22 not actually because the categories are listed, but that
23 tells the Board what factor is applied to the gross
24 funding formula.

25 MR. FRED MILLS: That's correct.

1 MR. BOB PETERS: Now, let's just say I
2 was a hockey guy and I -- I liked arenas and I thought
3 those were a mainstay of any community. I see that INAC
4 would fund, going down on table 1, recreational
5 facilities at 20 percent or decimal 2 (.2), is that
6 correct?

7 MR. FRED MILLS: That's correct.

8 MR. BOB PETERS: Well, how does INAC
9 expect the communities to make up the additional 80
10 percent of the costs, the operating costs that are needed
11 to keep that -- that facility open?

12 MR. FRED MILLS: These NFR factors
13 obviously were derived back in the early '80s, but they -
14 - they're based on what municipalities would provide to
15 community facilities. I know in -- in the village that I
16 live in we have a hockey arena as an example. The -- the
17 village does not pay a hundred percent of the operating
18 cost of the arena. They pay -- actually, roughly 20
19 percent of it comes out of -- out of actual property
20 taxes. The balance comes from user fees; i.e., people
21 paying to go public skating, the rental of that arena, et
22 cetera. And so they would make it up through -- through
23 those means. And the community also at times was doing -
24 - needed to do fundraising, bake sales, that kind of
25 stuff, to -- to raise money to pay some of the operating

1 costs, not unlike anybody else.

2 MR. BOB PETERS: I'm going to leave these
3 questions, Mr. Mills, with one (1) last one and that is
4 that because INAC funds institutions such as schools,
5 student residences, and teacherages at 100 percent, that
6 allowed INAC to include First Nations education accounts
7 in with the government accounts that would bear a subsidy
8 in terms of assisting and paying the revenue shortfall
9 for residential customers and general service customers
10 only paying grid equivalent rates?

11 MR. FRED MILLS: Yeah. This table I
12 believe it what Hydro, and -- and MKO, and INAC used to -
13 - to separate the accounts from general service to First
14 Nation education accounts. I would like to add a little
15 more to the diesel --

16 MR. BOB PETERS: You're welcome --

17 MR. FRED MILLS: -- if you don't mind?

18 MR. BOB PETERS: Yes, please.

19 MR. FRED MILLS: If you're -- if you're
20 going to move off of that I would like to make sure that
21 the Board understands that as a result of the settlement
22 agreement that we do a slightly -- or a -- I guess the
23 sixth or the fifth step to the calculation.

24 If I was to take you back to page 5 and 10
25 of 20, yes -- tab 20, what we do now -- and this is very

1 simplistic, I'll try and make it as easy to understand as
2 possible.

3 MR. ROBERT MAYER: All right. Just --
4 are we going into in-camera again?

5 MR. FRED MILLS: No. This has nothing --
6 this -- this is not directly related to the settlement
7 agreement. The -- the step that we take is that if you
8 look at the hundred and thirty-two (132) on page 5 and
9 the nineteen (19) the next step is that we subtract the
10 nineteen thousand (19,000) away from a hundred and
11 thirty-two (132) and -- and this sample we would provide
12 the -- the difference of that at 100 percent.

13 And we would take 20 percent of the
14 nineteen thousand (19,000) and add that. That's how we
15 treat them as though they were on grid service. So the
16 costs that are over and above grid we fund at 100 percent
17 for the buildings, and then treat them as though as they
18 were on grid, and all grids only -- we only fund 20
19 percent of the grid rate.

20 So that's what we would to do to just add
21 to it. So that's what we call the diesel subsidy.

22

23 CONTINUED BY MR. BOB PETERS:

24 MR. BOB PETERS: Thank you for that, Mr.
25 Mills. What you're demonstrating to the Board is that

1 you start off from the premise that it would be a grid
2 connected asset and then you have an additional amount
3 that you attribute to it because it is on diesel?

4 MR. FRED MILLS: Correct.

5 MR. BOB PETERS: Was there anything
6 further, sir, you wanted to add relative to that?

7 MR. FRED MILLS: No. That's fine.
8 Thanks.

9 MR. BOB PETERS: All right. Thank you.
10 I want to now turn to -- in my notes I have it as sibling
11 rivalry. You recognize in this Application that the
12 Province of Manitoba is going to be treated differently
13 than the Government of Canada?

14 MR. FRED MILLS: Correct.

15 MR. BOB PETERS: And leaving aside the --
16 the sibling rivalry as to why that may happen, there is
17 an -- a possible unintended consequence that you raise in
18 your evidence, correct?

19 MR. FRED MILLS: I believe so. I'd have
20 to look it up. I don't recall off of the top of my head.

21 MR. BOB PETERS: All right. Well, we're
22 going to head to appendix J of your evidence, but let me
23 just help you understand my point this way, Mr. Mills.

24 If the Province of Manitoba no longer is
25 being asked to pay the subsidy, that is the provincial

1 surcharge portion, that provincial surcharge portion ends
2 up being paid by, let's say, the grid connected
3 ratepayers of Manitoba Hydro, and that has an unintended
4 consequence where it may result in additional rates for
5 grid customers, which will then have the consequence of
6 multiplying it through to the diesel community?

7 MR. FRED MILLS: Correct.

8 MR. BOB PETERS: Can you help the Board
9 understand the specific concerns that -- in this
10 particular Application the Board will be aware that the
11 Province of Manitoba will be not paying the surcharge of
12 approximately six hundred and twenty thousand dollars
13 (\$620,000), and in addition there is unrecovered
14 provincial government revenue of about a hundred and
15 thirty-five thousand dollars (\$135,000). And on top of
16 that, the provincial government would be charged the tail
17 block rate of forty-five (45) cents, rather than a fifty-
18 nine (59) cent full cost rate.

19 All of those amounts may end up in grid
20 rates at some point in time?

21 MR. FRED MILLS: Yes.

22 MR. BOB PETERS: And explain to the Board
23 why that's of concern to INAC?

24 MR. FRED MILLS: Okay. And I actually
25 have a -- a -- another chart that I would like to

1 present, because I think it shows the impact a little
2 better. And this has to do with -- this has to do with
3 the request for us to do the analysis on all the rates.

4 MR. BOB PETERS: All right. This is --
5 this is not Appendix J, this is a new document you have?

6 MR. FRED MILLS: Yes.

7 MR. BOB PETERS: All right. Let's just
8 take a second, sir, and we'll -- we'll hand it out to the
9 Board members and others.

10

11 (BRIEF PAUSE)

12

13 MR. FRED MILLS: That would be Exhibit 12
14 or 13? Fourteen (14)?

15 THE CHAIRPERSON: Mr. Peters is checking.

16

17 (BRIEF PAUSE)

18

19 MR. BOB PETERS: INAC-12.

20

21 (BRIEF PAUSE)

22

23 MR. BOB PETERS: Yeah, Mr. Chairman, I
24 have as Exhibit INAC-11, the partial listing of Mr.
25 Hildebrand's participation in AUC proceedings. And

1 therefore, this document, I believe, would be INAC
2 Exhibit 12.

3

4 --- EXHIBIT NO. INAC-12: Table entitled "INAC Manitoba
5 Region Approved Tariffs
6 Diesel Multipliers"

7

8 CONTINUED BY MR. BOB PETERS:

9 MR. BOB PETERS: Mr. Mills, at first I
10 thought this was very comparable to Appendix J to your
11 evidence, but you've gone further, I see. So could you
12 explain to the Board the -- we'll call it the multiplier
13 effect of allowing the provinces -- allowing the
14 application as requested to the Province of Manitoba
15 impacting on INAC?

16 MR. FRED MILLS: Yeah, the sheet I handed
17 out is actually using the tariffs identified in Tab 5 of
18 PUB's book of documents. So I've taken those tariffs and
19 I used them to create the diesel multipliers over time.
20 And I guess importantly, to draw your attention to where
21 it says, "Order 159/04", the rates were -- for May 1st to
22 July 31st, if you -- look at the diesel multiplier, the -
23 - okay, the -- under, "General Service" the diesel
24 multiplier is six point two (6.2).

25 The only change that I -- that is there is

1 that if you go up over to the next column from the six
2 point two (6.2) and up to the first monthly block in
3 general service, that rate has gone up slightly from
4 point zero five eight one (.0581) to point zero five
5 eight six (.0586), five thousandths (5/1000) of a cent.
6 It had the effect of reducing the multiplier by -- by
7 five one hundredths (5/100).

8 And so that sort of helps you understand
9 that if the -- the grid rates, or the rates applied in
10 the diesel communities go up for general service, then
11 the -- the first block of that goes up then the diesel
12 multiplier would actually go down, because it's -- it's a
13 -- a division, it's a ratio. So to get the six point two
14 (6.2) we take the three point six one (3.61) and divide
15 it by point zero five eight one (.0581), and that gives
16 you six point two two (6.22), that's the ratio. So it's
17 six point two two (6.22) times greater than the first
18 block.

19 So it does have an impact. And what
20 you're proposing -- and I used that one because the
21 remaining consumption tail block was the same. Again, if
22 you were to look at the next two (2) blocks over, Order
23 176/06 and Order 33/09, the -- the tail blocks the same,
24 but again the -- the first block goes up, so it -- it --
25 the -- while the tail block went up from the -- the point

1 three six (.36), it didn't proportionately increase
2 because the first block went up as well.

3 MR. BOB PETERS: And what effect does
4 that have on the funding formula, Mr. Mills?

5 MR. FRED MILLS: That reduces the
6 funding, because it's a multiplier, right? We use that
7 as a multiplier. Instead of one (1) we're -- we're
8 currently using the six point eight seven (6.87).

9 MR. BOB PETERS: You showed us that at
10 Tab 20 of the book of --

11 MR. FRED MILLS: That's right.

12 MR. BOB PETERS: -- documents that the --
13 the government rate multiplier was six point eight seven
14 (6.87). This would in effect reduce the government
15 contribution amount.

16 MR. FRED MILLS: Yeah, if we made an
17 adjustment April 1st of -- of '09, it would have reduced
18 the amount of funding that was moving to the First
19 Nation, even though the tail block -- or even though the
20 -- the grid rate went up, or the first block went up,
21 because it's cl -- it's equal to the grid rate.

22 MR. BOB PETERS: All right. Thank you
23 for that, sir. Is there anything further you wish to --

24 MR. FRED MILLS: No.

25 MR. BOB PETERS: -- to advise? No.

1 MR. FRED MILLS: Thanks.

2 MR. BOB PETERS: Thank you. Subject to
3 any questions from the Board on that, I'm going to move
4 to a new topic, if I may, sir. And this one is -- I
5 guess while I have it here, in Manitoba Hydro's written
6 submission to the Board, they reference on a couple of
7 occasions that since the Board last met in September,
8 Manitoba Hydro and INAC have had at least some
9 conversations, perhaps even meetings.

10 Would that be fair?

11 MR. FRED MILLS: Yes.

12 MR. BOB PETERS: And I don't want to get
13 into the particulars of those, but it appears from what I
14 read that Manitoba Hydro has a fairly high degree of
15 confidence. And I'll -- I'll quote from the bottom of
16 page 2 of 19.

17 "Based on recent developments, Manitoba
18 Hydro is optimistic that contributions
19 will be secured, and a productive
20 process for reviewing and funding
21 further capital expenditures will be
22 put in place."

23 Did you have a chance to read that?

24 MR. FRED MILLS: Which reference is that?

25 MR. BOB PETERS: I'm sorry, that was out

1 of Manitoba Hydro's written submission to the Board,
2 November 18th of this year.

3 MR. FRED MILLS: Okay.

4 MR. BOB PETERS: You may not have seen
5 that, sir, but this was a written submission filed with
6 the Board at the invitation of, I believe, the Chairman--

7 MR. FRED MILLS: Yeah, I should have it
8 somewhere.

9 MR. ROBERT MAYER: Mr. Peters, that
10 sounds awfully familiar. It sounds an awful like we
11 heard from about 2005 until yesterday.

12 MR. FRED MILLS: Is that page 5, you
13 said, of 19?

14

15 CONTINUED BY MR. BOB PETERS:

16 MR. BOB PETERS: No, sir, page 2 of 19,
17 starting on --

18 MR. FRED MILLS: Okay.

19 MR. BOB PETERS: -- lines 33. The last
20 sentence on the page. The same concept, in my mind, is
21 repeated on page 15 of 19 under ta -- under number 4, but
22 --

23 MR. FRED MILLS: Okay. I found it.
24 Thank you.

25 MR. BOB PETERS: If you could just read

1 the last sentence on page 2 of 19 then, sir.

2 MR. FRED MILLS:

3 "Based on recent developments, Manitoba
4 Hydro is optimistic that contributions
5 will be secured, and a productive
6 process -- reviewing and funding
7 further capital expenditures will be in
8 place."

9 MR. BOB PETERS: Having read that, do you
10 share the same optimism as Manitoba Hydro?

11 MR. FRED MILLS: I think Manitoba Hydro
12 and INAC have been working to try and resolve the future
13 capital expenditures, and I think we're moving forward on
14 that.

15 MR. BOB PETERS: And you're telling the
16 Board then that some positive steps have -- taken in the
17 last two (2) months while this hearing has been
18 adjourned?

19 MR. FRED MILLS: Yes, there has been
20 discussions taking place.

21 MR. BOB PETERS: All right. And I
22 suppose the proof will be in the pudding, in terms of
23 whether funding will be provided for some, or all, of the
24 capital expenditures that parties have talked about,
25 including things like soil remediation, and fall arrest

1 programs, et cet -- and fire suppression programs.

2 That's all being discussed again?

3 MR. FRED MILLS: Yeah, we're under
4 discussions.

5 MR. BOB PETERS: Is there a timeline by
6 which those discussions may be expected to be concluded?

7 MR. FRED MILLS: I don't believe there's
8 a specific timeline, but I think both parties are eager
9 to resolve the issues as soon as possible.

10 MR. BOB PETERS: All right. There's been
11 no dollar amount agreed upon as of today.

12 MR. FRED MILLS: No.

13 MR. BOB PETERS: Mr. Mills, I want to
14 turn not in specifics to one (1) of the capital programs,
15 but rather the comment you made to my friend, Ms. Bowman,
16 on the transcript starting on page 626 at the bottom,
17 and, more particularly, page 626 at the top. And I'll
18 let you turn to that, sir, for -- let me know when you
19 have it, please.

20 MR. FRED MILLS: Page 626?

21 MR. BOB PETERS: Yes, sir, at the bottom
22 starting on lines 24.

23 MR. FRED MILLS: Okay.

24 MR. BOB PETERS: And maybe what I'll do,
25 sir, is I'll take the opportunity to read it into the

1 record. And I'm reading part of -- actually, this is
2 your -- your answer in response to a question from Ms.
3 Hart, not Ms. Bowman, I apologize. And in part of your
4 answer you indicate:

5 "So there was -- accidents did happen,
6 but that is something -- but is that
7 something that the diesel customers
8 need to pay because diesel customers
9 pay for accidents in grid communities
10 too because we pay grid rates, do we
11 not? So anything that happens in a
12 grid community or anything that happens
13 on the grid, diesel customers are
14 paying for that.
15 You talk about cost causation. They're
16 not causing any costs in the grid
17 communities."

18 Have you had a chance to think about that
19 statement since you made it?

20 MR. FRED MILLS: Yes, I have.

21 MR. BOB PETERS: Do you -- do -- is your
22 understanding somewhat different today?

23 MR. FRED MILLS: Yes, it is.

24 MR. BOB PETERS: Okay. So today you are
25 aware that -- and -- and I'm probably as guilty of it as

1 anybody, that while diesel zone customers do not pay per
2 se diesel grid rates, they pay grid equivalent rates.

3 MR. FRED MILLS: Correct.

4 MR. BOB PETERS: And that was maybe my
5 shorthand way of -- of thinking of it. But you recognize
6 that the cost per kilowatt hour in the diesel zone is
7 approximately fifty-nine (59) cents per kilowatt hour.

8 MR. FRED MILLS: Yes.

9 MR. BOB PETERS: And the rate -- the grid
10 equivalent rate billed to the residential customers would
11 be in the range of six point five (6.5) cents a kilowatt
12 hour.

13 MR. FRED MILLS: Yes, in that ballpark.

14 MR. BOB PETERS: Yeah. And you will
15 concede that diesel zone customers do not pay any of the
16 cleanup costs or, in fact, any costs incurred by grid
17 customers.

18 MR. FRED MILLS: That's correct. I think
19 where I was going with this, and -- and obviously it
20 wasn't very clear, because I had a chance to -- to review
21 it, and obviously it's not, was that what happens in grid
22 communities impacts the diesel multiplier which we just
23 talked about. So there is -- there is cause and effect
24 there, and I think that's where I was trying to go with
25 this as opposed to saying that they actually paid grid

1 rates.

2 MR. BOB PETERS: Okay. No, thank you for
3 that clarification, sir.

4

5 (BRIEF PAUSE)

6

7 MR. BOB PETERS: Oh, I want to turn with
8 you -- I think my last areas, Mr. Mills, deal with some
9 of the documents that Manitoba Hydro filed as
10 undertakings -- or answers to undertakings, and, in
11 specific, some of their exhibits.

12 The first topic that I want to broach with
13 you on this, Mr. Mills, are landlines to the diesel zone.
14 Is that an issue over which INAC has some influence or --
15 or say?

16 MR. FRED MILLS: We have in the past.
17 But when it comes to -- to these four (4) diesel
18 communities, I don't know that -- certainly at the
19 regional level, that we would have a lot of input into it
20 because there is not a business case to put those in.

21 The north central hydro project; there was
22 a business case the region had developed that actually
23 our share of the landline would have been paid off in
24 twenty (20) years had the community stayed on grid. And
25 so that was the business case that was presented. With

1 these four (4) communities, the timeline to pay the
2 landline back would be insurmountable.

3 MS. GLYNIS HART: If maybe I --

4 MR. FRED MILLS: You'd be better off --

5 MS. GLYNIS HART: Oh, I'm sorry. I'm
6 sorry, Mr. Mills. Continue.

7 MR. FRED MILLS: You'd be better off
8 taking the money and putting it into a bank and
9 collecting interest off of it and using it to subsidize
10 the -- the diesel in those communities. You're ta --
11 sorry. I mean, we're talking about \$250 million versus
12 INAC's input of what, 3 -- \$3.3 million. It'd take a
13 long time to pay off if we were to cost share at 75
14 percent to pay that share off, if not -- if ever. Sorry.

15 MS. GLYNIS HART: I'm sorry, Mr. Mills.
16 If I maybe just could help the Board with this, on the
17 issue of landlines, that would be an issue that Industry
18 -- Industry Canada would be looking at versus INAC, so
19 just to help out with that particular issue.

20

21 CONTINUED BY MR. BOB PETERS:

22 MR. BOB PETERS: Thank you, Ms. Hart and
23 Mr. Mills. Mr. Mills, you indicated that when it came
24 time to the north central line that line connected
25 approximately nine (9) diesel First Nations onto the

1 grid, is that right?

2 MR. FRED MILLS: I think there was seven
3 (7) communities -- INAC communities. There was a couple
4 that weren't INAC communities --

5 MR. BOB PETERS: All right.

6 MR. FRED MILLS: -- that were connected.
7 I don't know if it was through the same project or not,
8 but --

9 MR. BOB PETERS: And in that -- in that
10 north central project, I think you've indicated that INAC
11 and the Government of Canada were responsible for 75
12 percent of the costs?

13 MR. FRED MILLS: I think that was the
14 cost sharing agreement. Yes.

15 MR. BOB PETERS: And the Province of
16 Manitoba ended up responsible for 15 percent of the
17 costs?

18 MR. FRED MILLS: I believe so.

19 MR. BOB PETERS: And Manitoba Hydro
20 picked up the balance of 10 percent of the costs?

21 MR. FRED MILLS: Yes.

22 MR. BOB PETERS: Now, when you talked
23 about business case I -- I don't quite understand what
24 that means, but in general terms there's probably
25 agreement in this room that, on the face of it, the

1 consumption level and the revenues that are generated
2 from those four (4) communities by way of electricity
3 rates doesn't support a return on any investment of the
4 landlines. And that's what you're calling your business
5 case?

6 MR. FRED MILLS: I'm saying that the
7 amount of money if -- the business case that we used in
8 north central was that if we continued to pay -- if they
9 continued to be on diesel for twenty (20) years INAC
10 would've funded the same amount or more for diesel
11 service as opposed to converting them to grid, and so
12 that was the case -- business case that was presented to
13 the treasury board because after twenty (20) years
14 technically there's a savings there because we put a grid
15 line in.

16 We're no longer dealing with diesel costs.
17 So that's the business case that we were looking at,
18 strictly a financial case.

19 MR. BOB PETERS: In Manitoba Hydro
20 Exhibit 22 which was and -- undertaking response to
21 number 18, there's further discussion about the landlines
22 and I don't want to quibble over \$25 million with you,
23 but there's a suggestion by Manitoba Hydro that \$225
24 million might be the magic number today for landlines to
25 all four (4) communities, and that's slightly down from

1 your \$250 million estimate.

2 MR. FRED MILLS: Yeah.

3 MR. BOB PETERS: But that's the ballpark
4 you're talking in?

5 MR. FRED MILLS: Yeah.

6 MR. BOB PETERS: Now, I did not, I
7 confess, have a chance to go back to Mr. Warden's wise
8 words on the first day of the hearing, but he was asked
9 over what period of time a transmission line would be
10 depreciated on the books of the utility, and it was
11 either sixty (60) years or fifty (50) years, if memory
12 serves, and I know it doesn't well.

13 But you were talking about a twenty (20)
14 year payback. Why wouldn't you look to a horizon of
15 maybe more like sixty (6) years and that would be
16 amortizing a 225 million landline system at about \$4
17 million a year, recognizing what INAC's contribution
18 would be on a high level, isn't there some -- some
19 opportunity there?

20 MR. FRED MILLS: You have to add interest
21 onto that.

22 MR. BOB PETERS: Of course. And that'll
23 essentially double it?

24 MR. FRED MILLS: And that's sen -- and
25 that essentially doubles it, so you're --

1 MR. BOB PETERS: Is the period of time
2 have to be twenty (20) years or is that -- or do you have
3 any knowledge of that?

4 MS. GLYNIS HART: If -- if I could just
5 interject for a moment, but -- I'm sorry, but INAC does
6 have jurisdiction or isn't -- it does not do business
7 cases on this particular issue, so to be -- be -- INAC
8 region does not, so the line of questioning is putting
9 Mr. Mills in a difficult position to answer these
10 questions about business cases for the region.

11 THE CHAIRPERSON: Ms. Hart, I think we
12 understood your intervention with your comment about
13 Industry Canada. Are you suggesting that Industry Canada
14 does not take the same broad view of the situation as
15 INAC might?

16 In other words, Industry Canada is looking
17 at a economic business case where INAC's looking at
18 social, and environmental, and other factors, as well as
19 economics? Is that what you're saying?

20 MS. GLYNIS HART: We can't speak to
21 Industry Canada.

22 THE CHAIRPERSON: But you're saying it's
23 their jurisdiction not INAC's?

24 MS. GLYNIS HART: Correct. Well, I'm not
25 sure what you mean by the word "jurisdiction," but it's

1 not INAC --

2 THE CHAIRPERSON: Well, you're saying it
3 would be the agent's --

4 MS. GLYNIS HART: -- Manitoba region's
5 issue --

6 THE CHAIRPERSON: Yeah.

7 MS. GLYNIS HART: -- with a business
8 case.

9 THE CHAIRPERSON: We're finding Mr.
10 Mills' comments helpful, although we'll take it in the
11 context that you're --

12 MS. GLYNIS HART: Well, and they -- our -
13 - our concern is they might be misleading and -- and Mr.
14 Mills wouldn't have the information on this particular
15 issue. So to be asking him a question outside of what
16 the INAC region is looking at is putting him and -- and
17 INAC in a difficult position to be asking him these
18 questions.

19 THE CHAIRPERSON: Well, he is the -- he
20 is the witness and it's -- it's just his -- his opinion.
21 We understand that it -- what you're saying is that's all
22 it is, is an opinion.

23 MS. GLYNIS HART: An opinion of an
24 individual. We're speaking for -- trying to put this in
25 context of INAC itself, the Manitoba region of INAC, and

1 would re -- request that we look at a different line of
2 questioning instead of putting Mr. Mills in an awkward
3 position to start speaking about something that isn't a
4 part of the Manitoba INAC region to be dealing with.

5 MR. ROBERT MAYER: I'm finding Mr. Mills'
6 information incredibly -- incredibly interesting. Mr.
7 Mills hasn't indicated at any point in time he doesn't
8 know what he's talking about, and he said -- he answers -
9 - when he doesn't know an answer he says so. I'm -- I'm
10 having a little trouble understanding your objection, if
11 that's what it is. Is it an objection?

12 MS. GLYNIS HART: Yes, it is.

13

14 (BRIEF PAUSE)

15

16 CONTINUED BY MR. BOB PETERS:

17 MR. BOB PETERS: Perhaps what I will do,
18 Mr. Chairman, is -- I understand the point being made by
19 Ms. Hart in terms of the witness not speaking on behalf
20 of Industry Canada, and maybe having to limit the
21 comments relative to the regional office of INAC in
22 Manitoba. I'm prepared to -- to work with that.

23 I didn't have much more on the question of
24 landlines, but if -- if Ms. Hart would permit, the
25 question I would like to next -- next ask Mr. Mills would

1 be, to what extent can the Manitoba region of INAC's
2 offices influence Ottawa in looking at a business case
3 for landlines to the diesel zone? And that is, to what
4 extent, if any, can Manitoba INAC office influence
5 Ottawa's decision at looking at the business case?

6 MR. FRED MILLS: Without a business case
7 in hand it would be really hard for the region to
8 ascertain what kind of influence it may or may not have,
9 regardless. And it would be the same thing with
10 headquarters in terms of what influence they may or may
11 not have on Industry Canada about -- without an actual
12 business case to deal with.

13 MR. BOB PETERS: Whose responsibility --
14 do you understand, Mr. Mills, whose under -- whose
15 responsibility would it be to prepare the business case?

16 MR. FRED MILLS: I'm not sure who that
17 person would be --

18 MR. BOB PETERS: All right.

19 MR. FRED MILLS: -- or that organization
20 would be.

21 MR. BOB PETERS: It -- it wouldn't be
22 INAC in Manitoba?

23 MR. FRED MILLS: Not in this particular
24 case. I don't think so.

25 MR. BOB PETERS: No. If you wanted to

1 confer with your colleagues in the back, that would be
2 fine too. If there was some more information you could
3 provide the Board, I'm certainly prepared to let you have
4 --

5 MS. MARY ANN THOMPSON: I think part of -
6 - part of the difficulty we're having is that you're
7 speaking a long way into the future. And what the
8 particular organization of INAC will be is not
9 necessarily in the future what it is today, what the
10 particular authorities are, what the responsibility
11 sharing is between departments, between regions and
12 headquarters, is entirely, you know, in futuro and
13 hypothetical.

14 So it's a little bit difficult. I think
15 you're putting Mr. Mills in a tough position in trying to
16 respond to that. And while I appreciate there's previous
17 experience on this, you know, a very similar issue with
18 the north central line, I guess we have to keep in mind
19 that that experience doesn't necessarily mean that --
20 that the federal organization and the decision making is
21 going to be exactly the same going forward.

22 MR. ROBERT MAYER: What -- what makes you
23 think we're looking that far down the line? Some of us
24 would really like to see a transmission line started
25 yesterday. When you talk about farther down the line I

1 understand a business case has to look at that, and that
2 a business case has to look at the exponential amount of
3 power that is used in communities that have -- I'll wait
4 until your back row's finished.

5

6

(BRIEF PAUSE)

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MR. ROBERT MAYER: I -- now I will
finish.

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MS. MARY ANN THOMPSON: I'm sorry.

MR. ROBERT MAYER: That your exponential
amount of power that is used by the -- by the people with
-- with grid connections as opposed to those in the
diesel, not the least of which is very reliable
electrical heating. So what are -- when you talk about a
long ways down the road, I don't understand your
assumptions.

MS. MARY ANN THOMPSON: Tomorrow is in
futuro, I guess, in its most simplistic form. The basic
problem that we're having with these questions, I think,
is this: The witness that you have before you is not a
person who has authority to speak to what regional INAC,
or INAC nationally, or the government writ large,
including other departments, could or would do, or what
they could or might or would need to consider, if such a

1 project was going to be broached again.

2 And you already have heard, I think, from
3 Manitoba Hydro that certain steps were attempted to be
4 made -- certain steps were taken to access funding under
5 the green fund. Nobody at the INAC table is going to be
6 in a position to speak to you about that.

7 And I harken back to the original approach
8 for Mr. Mills' evidence today as reflected in his pre-
9 filed evidence, that we're here to provide some of the
10 information, and particularly the information that the
11 Board expressed in its earlier order from 2010.

12 And while I appreciate the Board's desire
13 to explore these other in -- areas, and the importance of
14 that, to you and to diesel customers, it's well beyond
15 what Mr. Mills is able to provide for you today.

16 THE CHAIRPERSON: Mr. Peters, I -- I
17 think we'd like a ten (10) minute break, if we can take
18 it.

19 MR. BOB PETERS: Certainly, sir.

20

21 --- Upon recessing at 11:10 a.m.

22 --- Upon resuming at 11:22 a.m.

23

24 THE CHAIRPERSON: Okay. Mr. Peters...?

25 MR. BOB PETERS: Yes, thank you, Mr.

1 Chairman. I think we're back.

2

3 CONTINUED BY MR. BOB PETERS:

4 MR. BOB PETERS: Mr. Mills, when we
5 started this morning, your counsel was quite correct that
6 you were here to explain INAC's involvement with First
7 Nations in the diesel zone, and you've heard some
8 comments from the Board members as to their appreciation
9 of your evidence.

10 So in that light, I want to talk to you
11 about one (1) final question, and that deals with, again
12 it's an exhibit filed by Manitoba Hydro, and it's
13 Manitoba Hydro number 10, which was Undertaking number 4.

14 And this one (1) does have an involvement
15 with a -- a landline transmission, so I'll alert Ms. Hart
16 and Ms. Thompson of that, but Manitoba Hydro answered a
17 question about the business case for building the
18 transmission line from Gillam to Churchill, and indicated
19 amongst other things that the project was \$35.6 million,
20 of which Manitoba Hydro's share was \$16.3 million.

21 Are you aware of that project, sir?

22 MR. FRED MILLS: No, I was not aware of
23 that project, other than what I had learned about it in
24 the news at the time.

25 MR. BOB PETERS: All right. And for the

1 purpose of my questions, are you aware as to whether INAC
2 had any funding responsibility, or admittedly there was
3 federal funding, but did you know if it came from INAC?

4 MR. FRED MILLS: As far as I know, none
5 of it came from INAC.

6 MR. BOB PETERS: All right. Thank you.
7 Mr. Chairman, those do conclude my questions of Mr.
8 Mills, and I do want to thank him, and Ms. Hart and Ms.
9 Thompson, for their responses, and we hope it's been
10 helpful to the Board.

11 THE CHAIRPERSON: Yes, thank you very
12 much, Mr. Mills. You've been most --

13 MR. ROBERT MAYER: I have --

14 THE CHAIRPERSON: -- helpful.

15 MR. ROBERT MAYER: -- I have one (1)
16 matter I do need to follow up. Mr. Mills, have you seen
17 -- you saw MKO Exhibit 10, the documentation respecting
18 Sayisi Dene First Nation? And this is where I need -- do
19 need your expertise, sir.

20 MR. FRED MILLS: I have that.

21 MR. ROBERT MAYER: You'll note that in
22 these -- well, if you'd look at 9, 8, and 7, you would
23 have noted that each of the most populated site was shown
24 of -- shown to be the community which we've all
25 recognized to be the dieselly served community.

1 On Exhibit 10, they show the most
2 populated site for the Sayisi Dene First Nation as
3 Churchill. Is that still accurate information? I know
4 at one (1) time that was the case, but we have assumed
5 throughout these hearings that they're located at Tadoule
6 Lake.

7 MR. FRED MILLS: I cannot answer your
8 question as I did not prepare this information, so I have
9 -- cannot tell you whether or not that means the town of
10 Churchill, or if there's a reserve there that's called
11 Churchill, so I'm unable to answer your question.

12 MR. ROBERT MAYER: Firstly, well I think
13 we both know a little bit about geography. Churchill was
14 where the Dene people were moved to after they were moved
15 into the community. And they subsequently, as I
16 understood it, moved basically on their own volition, I
17 thought, to Tadoule Lake, which is where I thought the
18 majority of the people were residing.

19 And surely INAC, in light of the fact this
20 purports to be an INAC website, surely INAC would know
21 how many people are living in Tadoule Lake as opposed to
22 Churchill, Manitoba, and I know of no reserve named
23 Churchill Indian Reserve, at least not in this province.

24 MR. FRED MILLS: I don't know all the
25 names of all the reserves, so that's why I can't tell you

1 the exact -- whether this is accurate or not accurate and
2 I didn't produce it. I may work for INAC, but this was
3 produced somewhere else in the system. There's, you
4 know, three thousand (3,000) employees.

5

6

(BRIEF PAUSE)

7

8 THE CHAIRPERSON: Thanks again, Mr.
9 Mills. We appreciated your testimony and your
10 submissions. We now have two (2) doctors, Dr. Orr and
11 Dr. Lacombe from the University of Manitoba. Oh, excuse
12 me.

13 MS. GLYNIS HART: Excuse me. Before
14 proceeding --

15 THE CHAIRPERSON: Do you have re-direct?

16 MS. GLYNIS HART: Yes, I have a re-
17 direct. And even before the re-direct I'd have a request
18 of the Board that I'd like to make before moving into re-
19 direct, and that was that during Mr. Mills' testimony he
20 mentioned a cabinet confidence, a Treasury Board
21 submission that is actually protected under the Canada
22 Evidence Act and should properly not have been referred
23 to as a cabinet confidence.

24 And what we're wondering is, with the
25 Board's permission, if we could have that particular

1 portion struck from the public record, where that
2 reference is made to a Treasury Board submission.

3 THE CHAIRPERSON: Mr. Peters, do you have
4 any help for us on this?

5 MR. BOB PETERS: Yes, I think --

6 THE CHAIRPERSON: I don't recall the
7 exact words --

8 MR. BOB PETERS: Yeah.

9 THE CHAIRPERSON: -- words that Mr. Mills
10 used.

11 MR. BOB PETERS: I -- I think that's part
12 of all of our problems, that we maybe we don't recall it
13 as well as Ms. Hart and Ms. Thompson do. But in the
14 asking of my question, if -- if part of it was going to
15 be protected by a confidence or privilege, and had my
16 question directly mentioned it, I'm sure there would have
17 been an objection. If it came out in the witness' answer
18 inadvertently, we're unaware of that confidence of -- and
19 protection, then it's a bit more awkward.

20 But I don't believe it changes the sum or
21 substance of his evidence, so I would recommend the Board
22 accommodate Ms. Hart in having her work with Ms. Lavigne
23 and find the specific words that were used and taken out
24 of the public record. And for that matter, to preserve
25 them, they can be just put into the transcript on the in-

1 camera portion if that's acceptable.

2 MS. GLYNIS HART: I -- I don't even
3 believe it would be under the in camera part appropriate.
4 So if we could even have that request, that that part --
5 that reference to a prior submission be removed from the
6 public record we would appreciate that.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRPERSON: Yeah, we'll reflect on
11 that, Ms. Hart. I think we have to think about it and
12 have a look and see because we don't immediately
13 recollect exactly what Mr. Mills said. Do you have any
14 other re-direct of Mr. Mills?

15 MS. GLYNIS HART: Yes, I do. I have -- I
16 have several questions, just a few.

17

18 RE-DIRECT EXAMINATION BY MS. GLYNIS HART:

19 MS. GLYNIS HART: And if I could ask, Mr.
20 Mills, I'd like to go back to the hearings in September.
21 I do have one (1) re-direct question in regard to that.
22 During the cross-examinations at that time, Mr. Mills,
23 you discussed how the First Nations can use band base
24 capital for energy efficiencies for housing. My question
25 is does the First Nation receive any other funding from

1 INAC that could be used for this energy efficiency
2 program.

3 MR. FRED MILLS: Yeah, not necessarily
4 for housing, but certainly other band buildings and the
5 school, and that we provide O&M funding based on a
6 formula if -- as an example, if the band was to change
7 the lighting in the school to a more efficient
8 fluorescent lighting system, we wouldn't reduce the
9 amount of O&M we fund them while they may have reduced
10 their energy cost.

11 As I said earlier in my testimony that
12 their O&M funding is based on a funding formula. So if
13 they could create savings through energy management, then
14 those savings would accrue to the First Nation, and they
15 could then use those -- put those savings to do more
16 maintenance, or -- or other things within the -- within
17 that facility.

18 MS. GLYNIS HART: Thank you. I have a
19 few questions in follow up to today's cross-examination
20 of Mr. Mills.

21 And Mr. Mills, at one (1) point you were
22 speaking to the final ask, as you mentioned, of INAC
23 going to headquarters. If -- if the PUB approves
24 Manitoba Hydro's Rate Application, and rates increase, is
25 increased funding assured?

1 MR. FRED MILLS: No, we don't get assured
2 funding increases from -- from headquarters, nor from
3 parliament.

4 In fact, if I recall correctly now that --
5 I think this year our funding was actually decreased a
6 bit. I'm not sure of the amount off the top of my head,
7 but we didn't get everything we asked for; we got less.
8 So that meant us managing within our -- as -- as earlier,
9 our core budget, and moving funds from one (1) program to
10 another.

11 So outside influences don't necessarily
12 mean that we would get an increase in funding if prices
13 of things went up.

14 MS. GLYNIS HART: So you've spoken to
15 this year. Looking a little broader, from time to time
16 is there ever a funding freeze on the INAC region, and
17 the money it receives?

18 MR. FRED MILLS: Yes, parliament has
19 froze money on several occasions to -- to all government
20 departments for a variety of reasons, and given the --
21 the current level of the deficit one could probably
22 assume that there would either be a freeze or reductions
23 on departments come the next budget, not necessarily
24 increases.

25 MS. GLYNIS HART: So there have been

1 decreases in other years?

2 MR. FRED MILLS: Yes.

3 MS. GLYNIS HART: And following up a
4 little bit more about that, too, all the parties through
5 the last few hearings have talked about INAC's O&M
6 formula, so let's look at the situation then where there
7 wasn't any more money from headquarters, and INAC has
8 decided that it will increase the O&M funding because
9 rates have gone up.

10 So it's looking at having to take away
11 money from other programs. Where could the region draw
12 that money from?

13 MR. FRED MILLS: Usually our first pot is
14 within the O&M budget overall program called, Capital
15 Facilities and Maintenance Program, which includes money
16 to build major assets, such as schools, water and sewer
17 systems, but it also includes the band based capital
18 allocation that I mentioned earlier, I believe it was on
19 September 30th in my testimony, that the bands receive a
20 capital allocation.

21 So the impact of a rate increase on the
22 diesel funding, if we make the decision to increase it,
23 would first go to the capital program, which may mean a
24 reduction in money going to the construction of water and
25 sewer systems, or it may mean a reduction in band based

1 capital, which means they have less money to do home
2 renovations, and construct new houses, to -- to fund --
3 continue to fund the diesel increases.

4 MS. GLYNIS HART: Thank you. Those are
5 my questions.

6

7 (PANEL STANDS DOWN)

8

9 THE CHAIRPERSON: Okay. And thank you,
10 too, Ms. Hart and Ms. Thompson. So fortunately we have
11 two (2) University professors from the University of
12 Manitoba that have kindly agreed to put on a presentation
13 for us, Drs. Pam Orr and Dr. Linda Larcombe.

14 I understand we'll have to get involved in
15 some set up, so somebody's going to have to move, I would
16 think. So we'll adjourn for five (5) minutes while we
17 get it set up, and I understand it should take about
18 thirty (30) to forty (40) minutes, and then we'll
19 conclude.

20

21 --- Upon recessing at 11:35 a.m.

22 --- Upon resuming at 11:47 a.m.

23

24 THE CHAIRPERSON: Okay. Just before the
25 pre-closing remarks of the -- of the Board we're

1 fortunate to have a presentation by two (2) researchers
2 coming from the University of Manitoba.

3 For the record I just want to read
4 something on their bios that come off the website of the
5 International Network for Circumpolar Health Research.

6 "Dr. Pamela Orr graduated in medicine
7 from the University of Toronto. After
8 internship, she worked for a year as an
9 emergency room physician before joining
10 the northern medical unit at the
11 University of Manitoba. She's worked
12 as a primary care physician in Northern
13 Manitoba and the Northwest Territories.
14 She's completed a speciality training
15 in internal medicine, infectious
16 disease -- diseases, and has a Masters
17 degree in community health sciences.
18 She's presently a professor in the
19 departments of medicine and medical
20 microbiology, an Associate Professor of
21 community health sciences at the
22 University of Manitoba. And she is the
23 interim Director of tuberculosis
24 control for the Province of Manitoba.
25 Dr. Lacombe -- Larcombe, [L-A-R-C-O-M-

1 B-E], is Assistant Professor,
2 Department of Internal Medicine,
3 University of Manitoba. Her rese --
4 research is focussed on the study of
5 genetic, social, cultural, and
6 environmental factors contributing to
7 infectious disease, susceptibility and
8 resistance in Canadian Aboriginal
9 populations. Trained in anthropology,
10 her research to infectious diseases
11 research is multidisciplinary and draws
12 from medical anthropology,
13 immunogenetics, immunology, ancient
14 DNA, geographic information systems,
15 land use studies, history, and the
16 archaeology to gain new perspectives
17 regarding disease susceptibility and
18 resistance."

19 One of her recent publications is -- comes
20 out of the Canadian Tuberculosis Committee, 2007, Housing
21 Conditions which Serve as Risk Factors for Tuberculosis
22 Infection and Disease. This came out at an advisory
23 committee statement prepared for the Canadian
24 Tuberculosis Committee by Dr. Larcombe and Dr. Orr. The
25 Canadian Communicable Disease Report, Volume XXXIII. So

1 with that, doctors, welcome, and we look forward to your
2 presentation.

3

4 PRESENTATION BY DR. PAM ORR AND DR. LINDA LARCOMBE:

5 DR. PAM ORR: Yes. Thank you very much.
6 I'm Pam Orr. This is Linda Larcombe. We're -- we're
7 really honoured to be asked to come and talk today to the
8 committee. We were actually in Berlin at a TB meeting
9 when we got the message, and so we didn't quite
10 understand the context, but in talking to Mr. Singh I --
11 I think I understand that -- that our work is -- in the
12 social determinants of health is really what -- what the
13 group here today is interested in.

14 And my -- and you tell me if I'm -- if I'm
15 wrong on that. We have a particular interest in housing
16 and health, and there's a sort of story about how -- how
17 we developed that interest, but we thought perhaps we
18 would start off with fewer words and show you a little
19 video that we made.

20 We're not -- we're not great film
21 producers, but this video we hope would catch the
22 interest of -- of people in the public. So with your
23 permission we'll go ahead.

24 THE CHAIRPERSON: Please.

25

1 (VIDEO PLAYED)

2

3 DR. PAM ORR: So, thank you, and I'm
4 sorry about he -- the production problems there, but Dr.
5 Larcombe has some -- some more slides, but I just want to
6 set the context before we go through some slides that --
7 and I should say right up the front in terms of our
8 introduction, I -- I used to be the Director of
9 Tuberculosis Control for the province, but I -- I'm not
10 in that position any longer.

11 And so we -- we both are really here
12 speaking as -- as researchers, and don't particularly
13 represent any -- any -- any group, especially the
14 tuberculosis control program.

15 But we -- we became interested in the
16 problem of tuberculosis, which has garnered some
17 attention in the media for good reason. There is an
18 epidemic of tuberculosis in Manitoba, particularly in our
19 First nations, or aboriginal population.

20 We are the second -- Saskatchewan and
21 Manitoba are the highest -- have the highest rates of
22 tuberculosis of all provinces in Canada.

23 And so we formed a partnership with
24 several First Nations communities in Manitoba, and we
25 went up there, and we -- we were -- into the communities,

1 and we were particularly interested in the aspects of the
2 -- of the bacteria tuberculosis, and we were interested
3 in aspects of the host, the person, who got TB.

4 And the people said, Well that's -- that's
5 great. I mean, that -- you know, thank you for -- for
6 coming, and -- and working with us, but -- but we're
7 really interested in our environment, and specifically
8 our housing.

9 So that -- that formed a triangle of our
10 lens of looking at -- at the problem of -- of
11 tuberculosis, and of course, tuberculosis is only one (1)
12 health condition of many that -- that rages in -- in
13 First Nation communities. Other infectious diseases,
14 like you might have heard of -- of MRSA, or staph aureus
15 drug resistant bacteria, mental health issues, chronic
16 disease, diabetes, and arthritis. There are cancer,
17 certain types of cancer problems.

18 So there -- there are many health issues,
19 and they can be seen through -- through the lens of -- of
20 the environment, and the person, and the community, and
21 the -- we use the word environment in the broad sense of
22 so -- of physical conditions, like housing, but also
23 social conditions, food security, access to food,
24 education, health behaviour, broad social concerns such
25 as discrimination and -- and racism. These are all parts

1 of the overall environment.

2 So we -- we've been studying these issues,
3 and -- and we've been looking at -- at not only the
4 issues through the lens of health, but also the len --
5 through the lens of -- of justice, and -- and justice can
6 be seen in terms of treaty rights, but also the human
7 rights, which we refer to.

8 So I'll -- I'll let Dr. Larcombe talk a
9 little bit further.

10 DR. LINDA LARCOMBE: In the publication
11 that was in the CCDR, I apologize, we could have made
12 that available to the -- the counsel, but we can do that
13 in retrospect, if -- if you wish that.

14 The identifier, we identified specific
15 housing conditions that might be influencing tuberculosis
16 transmission, and those include crowding, inadequate
17 ventilation, and the effects of mould on the inhabitants
18 of the house -- of the houses rather. So the -- we
19 actually conducted a -- a housing assessment.

20 At the time that we made the video, we had
21 included two (2) communities in the housing assessment.
22 And since that time we've included a third. So we have
23 done a housing assessment at Lac Brochet, Valley River,
24 Tootinaowaziibeeng, and most recently, in September we
25 included Tadoule Lake at their request. So none of the

1 data, unfortunately, includes Tadoule Lake, but I'll --
2 I'll make a few points at the end of the presentation.

3 The housing assessment included looking at
4 the physical structure of the homes and also asking
5 people about the -- the quality of the home, about the
6 experience of -- of living in the home, and -- and
7 perhaps about the conditions of the houses that might not
8 be readily apparent upon visual inspection.

9 We assessed the extent of crowding in the
10 homes by counting the number of people in the homes at
11 any particular -- at a given point in time. And we also
12 included a count of the number of permanent residents and
13 the number of temporary residents. Throughout the year,
14 the number of people in the homes can fluctuate quite
15 substantially. And we also -- we entertained different
16 ways of measuring crowding. Statistics Canada uses a --
17 an index called Persons Per Room for measuring crowding.
18 And those stats are in the bottom chart. But we also
19 measured the homes and quantified the number of square
20 foot per person for the houses, and the numbers are --
21 are on those charts as well.

22 And we found that there was a considerable
23 difference in the square foot per person in the Dene
24 community in the North. That would be Lac Brochet
25 compared to the Ojibwa community in the south. And we

1 didn't have any comparable numbers for a -- a community
2 such as one (1) in Winnipeg, so it was a little difficult
3 to make that analysis.

4 But we do know that the number of persons
5 per room is considerably higher in both of the Aboriginal
6 communities, and particularly higher in the Dene
7 community. And we also know that there's an increased
8 risk of the transmission of TB related to the number of
9 people in the homes. So crowding is -- is definitely a
10 risk factor for tuberculosis.

11 We also looked at the ventilation in the
12 homes, looked at passive ventilation systems and
13 mechanical ventilation. There's actually been no studies
14 that address ventilation in private homes in terms of
15 tuberculosis transmission. There have been studies in
16 hospitals and -- and clinical care facilities, but not in
17 houses. And the ventilation or the removal of so called
18 polluted air, or air containing tuberculosis bacilli,
19 it's a -- an airborne bacilli is extremely important in
20 the maintenance of -- of individual health in the home.

21 So we undertook an analysis of the
22 ventilation -- oops, I just got this out of order here.
23 Passive ventilation is -- refers to the windows and --
24 and to the doors, and to the extent of damage to those
25 windows and doors was assessed. We also looked at

1 mechanical ventilation systems, the -- the kitchen fans
2 and the bathroom fans, whether or not there were HRVs
3 present in the homes, and whether or not any of those
4 features were functional or not.

5 We found that for the homes in -- in Lac
6 Brochet in particular, there's a significant problem with
7 the amount of passive and mechanical ventilation in the
8 homes. We weren't able to actually measure the amount of
9 air exchange per hour at the time of this study, but it's
10 something that we've considered doing in the future.

11 We also looked at the type of heating
12 that's in the homes. Primarily in Lac Brochet we have
13 diesel heat, of course you know that. There was actually
14 one (1) home that had no heat source at all, and that was
15 particularly probl -- problematic. The Ojibwa community
16 in the south primarily has diesel and -- and wood stoves.

17 I'll just go back to here. We also looked
18 at some of the conditions of the homes that would
19 contribute to inadequate ventilation and the development
20 of mould and moisture in the -- the -- in the walls in
21 the homes, and in the crawlspaces, and in the attics of
22 the homes. And -- and we looked at things like the
23 conditions of the gutters and the downspouts.

24 We went through the crawlspaces to look at
25 the -- the airflow in the crawl space and found that

1 there was a significant problem with barriers in -- in
2 the -- the ventilation systems that were originally
3 installed in the homes. The HRVs when they were
4 installed in the homes were usually non-functional, there
5 was very little education or support for the household
6 inhabitants for the maintenance of the HRVs.

7 Most recently at Tadoule Lake we found
8 that most of the homes do have HRV, but -- the heat
9 recovery ventilation system -- sorry -- although the
10 homes have the heat recovery ventilation systems we found
11 that they were primarily not operational, the -- the
12 vents or the -- sorry -- the screens that are supposed to
13 screen the air are not maintained and they're not washed,
14 the filters, that's the word. Sorry.

15 Things on -- on the outside of the homes
16 that are contributing to moisture are the lack of
17 downspouts. Flooding, houses being in areas where
18 flooding is prevalent in the spring in low-lying areas.
19 The missing downspouts and the eavestroughs causes the
20 water to drain into the -- the crawlspaces.

21 Inadequate ventilation looks something
22 like this in the homes with the mould in the ceilings,
23 mould being a problem around the plumbing in the homes.
24 And this is actually taken in a crawlspace in June in one
25 (1) of the homes at Lac Brochet. So by the end of the

1 summer we had people reporting that mushrooms were
2 growing up through their floors.

3 And the -- the crawlspace, the plywood on
4 the walls was actually deteriorated to such an extent
5 that it was -- would crumble in your fingers. So a great
6 deal of moisture in the basement and being ventilated
7 into the -- the home.

8 We looked at the distribution of mould in
9 the homes in -- in relation to the presence of
10 tuberculosis, and we actually didn't find there to be a
11 correlation between the presence -- the presence of
12 mould and the occurrence of tuberculosis.

13 What we're finding though is that although
14 mould and fungi don't cause tuberculosis it does cause
15 the body to mount a -- an immune response against the
16 mould and the fungi which is ineffective against a -- an
17 immune response against tuberculosis, against the
18 mycobacterium tuberculosis.

19 So if you're -- and this is just a -- a
20 slide showing the -- what we're looking at in the immune
21 response -- we're looking at the cellular immune response
22 to tuberculosis, and if somebody is constantly exposed to
23 mould and fungi in their environment they're not able to
24 mount a proper immune response against tuberculosis.

25 So this is -- is a fairly major concern in

1 a community like Lac Brochet where mould and -- and fungi
2 in the houses is -- is a significant issue.

3 In addition to the -- the housing, as --
4 as Pam indicated, the other social determinants of health
5 of interest to the community looking at food, security,
6 looking at vitamin D, for example -- we're finding we
7 have an ongoing study right now looking at vitamin D as -
8 - and vitamin D deficiency and its role in -- in the
9 immune response against infectious diseases like
10 tuberculosis and other -- other infectious diseases.

11 We've looked at changes in settlement
12 patterns and that -- how it impacts -- impacts the health
13 and food acquisition changes over -- over time and how
14 that's impacted health -- health, as well.

15 And I just wanted to make a short note
16 about the differences in the communities, although I
17 don't have any data to show you about Tadoule Lake, we
18 are finding considerable differences in housing
19 conditions between the two (2) northern communities that
20 we've looked at, Lac Brochet and Tadoule Lake, where in
21 Lac Brochet we're finding mould to be significant. At
22 Tadoule Lake we're finding that the lack of water and
23 sanitation facilities to be of significant impact on
24 people's health.

25 So while we're looking at northern

1 communities, aboriginal communities, I think the take-
2 home message there is that not every community has the
3 same issues and we need to look at each of the
4 communities individually to address their issues.

5 Pam...?

6 DR. PAM ORR: Yes, I don't know, we could
7 -- we have other issues we could talk about. I -- I
8 wanted to just -- we've focussed quite a bit on housing,
9 just to go back to some of the other social deterrents
10 just -- just so we don't lose sight of them, for
11 instance, the -- what -- what's called food security.
12 And I often wonder what -- you know, what does that mean,
13 food security.

14 I think it means the ability to access,
15 you know, real food, nutritious food. In fact, in some
16 of the aboriginal languages the word "food" means
17 something good for you, so the idea -- I mean, chips and
18 coke aren't considered food, but -- so food security has
19 -- means the ability to actually have access and -- and
20 partake of -- of nu -- you know, food which is
21 nutritious.

22 So in the -- in many of our aboriginal
23 communities in Manitoba and -- and further north this is
24 a huge issue. Fo -- for instance, for vitamin D is only
25 in a few foods. It's in for -- fortified within milk and

1 dairy products and its presence in other foods, such as
2 meat and fish, is -- is diminished; there's less
3 quantity.

4 So that a child or an adult in Lac Brochet
5 is dependent on, you know, a 4 litre bottle of milk and -
6 - to really get their quota of vitamin D. And we know
7 that -- that that's many times the price of what one
8 would buy it for here. It's -- it's really priced beyond
9 the capability of people in -- in Lac Brochet to -- to
10 access.

11 So we -- we are finding it's -- it's early
12 for us to - to present our data on vitamin D, but that's
13 -- it's -- it's a big concern. And vitamin D is only one
14 (1) aspect of food security that we've chosen to
15 concentrate on. Vitamin D is required to fight
16 infection. It's required to -- to prevent cancer. It's
17 thought that it may be involved in the development of
18 multiple sclerosis and diabetes.

19 So -- so food security, access to medical
20 care, the -- you know, there's a difference between
21 providing a place where people can get medical care and
22 people actually accessing or getting that medical care,
23 so the -- these continue to be issues in the North.
24 Quality of education and the -- the culture in -- in
25 northern communities that promotes healthy behaviour,

1 those are also parts of the social determinants of
2 health.

3 I note that when we were in Berlin there
4 was an announcement that -- that the current Canadian
5 government has -- has endorsed the United Nation's
6 permanent forum on indigenous people's -- bill of
7 indigenous people's rights, which is on the website for
8 the United Nations. And that -- that -- again, that bill
9 of rights talks about the -- the link between people's
10 environment, the social determinants of health and -- and
11 the ability of people to -- to actually lead healthy
12 lives.

13 For the aboriginal people in Canada,
14 health -- or many of them, certainly -- for instance, for
15 the people of Lac Brochet, health would be considered a
16 treaty right or access to -- to an environment that
17 promotes health. There's always been sort of an argument
18 about whether housing is a treaty right.

19 And most, I'm told by the Assembly of
20 First Nations, that although AFN considers housing a
21 treaty right, the -- the Canadian Government might --
22 Government might not do so. Nevertheless, there's such a
23 link between housing and other social determinants of
24 health, and -- and health itself that -- that it would
25 seem to be simply pragmatic to work in a -- in a sort of

1 a seamless matter -- manner to improve the -- the
2 environmental determinants of health, and the social
3 determinants of health, at the same time as one provides
4 nursing stations, and healthcare resources.

5 That it should be not an either/or, but a
6 -- sort of a spectrum of -- of care that we provide both
7 through our -- our -- the -- what we do in the social
8 environment as well as in the -- what's properly
9 considered the sort of biomedical environment.

10 So I'll -- I'll stop there, and thank the
11 -- the committee very much for -- for inviting us.

12 THE CHAIRPERSON: Thank you, Doctors. We
13 certainly appreciate your taking time out to provide us
14 with a presentation. I find it quite interesting.

15 That brings to a close the evidentiary
16 portion of our proceeding, and with closing submissions
17 scheduled for tomorrow, Wednesday, November the 24th,
18 commencing at nine o'clock, the Board will adjourn today
19 to reconvene again tomorrow morning.

20 When the Board adjourned in late
21 September, you will recall the Board provided a list of
22 items that were then of interest to the Board. Those
23 topics were in addition to any other topics that the
24 parties wanted to provide submission onto the Board.

25 Those topics mentioned, or referred to, on

1 the participants, to Manitoba Hydro, for INAC for
2 actively joining the proceedings, the Intervenors, the
3 witnesses, Mr. Will -- Wills (sic), Mr. Hildebrand. And
4 finally many thanks to Mr. Peters for his invaluable
5 assistance to the Board through this process to date.

6 So we will stand adjourned, and we will
7 see you tomorrow morning at nine o'clock. Thank you.

8

9 --- Upon adjourning at 12:26 p.m.

10

11 Certified correct,

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17 Cheryl Lavigne, Ms.

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