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MANITOBA PUBLIC UTILITIES BOARD

Re: APPLICATION BY MANITOBA HYDRO FOR APPROVAL OF
RATES FOR THE DIESEL ELECTRIC SERVICE IN
BROCHET, LAC BROCHET, SHAMATTAWA AND TADOULE
LAKE

Before Board Panel:

- Gerry Forrest - Board Chairman
- Kathi Avery-Kinew - Board Member
- Bob Mayer - Board Member

HELD AT:

Public Utilities Board
400, 330 Portage Avenue
Winnipeg, Manitoba
January 8th, 2004
Volume III
Pages 479 to 698

APPEARANCES

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R.F. Peters)Board Counsel
Patti Ramage)Manitoba Hydro
Doug Bedford)
Byron Williams)CAC/MSOS
Randal T. Smith, Q.C.)Indian and Northern
Affairs Canada
Michael Anderson)Manitoba Keewatinowi
Okimakanak (MKO)
Carol Geehan)Court Reporter

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4		three (73) accounts represent the accounts	
5		that are currently in affect.	25
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1 --- Upon commencing at 9:09 a.m.

2

3 THE CHAIRMAN: Thank you. Ladies and
4 gentlemen, if I may, I'd like to call the Hearing to order.
5 As I indicated yesterday that we would probably hear one (1)
6 or two (2) presentations this morning, as well as turn the
7 mic over to Mr. Anderson, who I note, has just stepped out of
8 the room, but as soon as he comes back in, I will ask him
9 whether he's ready to continue, or start.

10

11 (BRIEF PAUSE)

12

13 THE CHAIRMAN: Mr. Anderson, are you ready to
14 start with your cross, sir?

15 MR. MICHAEL ANDERSON: I am, thank you, Mr.
16 Chair.

17 THE CHAIRMAN: And when your presenters make
18 themselves available to you, just so advise and we can stand
19 you down and hear from Chief Bussidor or Chief -- Regional
20 Chief Francis Flett.

21 MR. MICHAEL ANDERSON: Thank you, Mr. Chair.

22

23 (BRIEF PAUSE)

24

25 CROSS-EXAMINATION BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: Good morning, Panel.
2 Good morning, Mr. Chair, and members of the Board. One of
3 the items that I would like to address that I had planned for
4 my examination and I'll deal with it as an early matter.
5 Perhaps to set -- to provide some information and draw the
6 Board's attention, as well as the Panel's, to some
7 correspondence that may be referred to by the Presenter, just
8 for convenience.

9 Could you please turn to INAC Exhibit 2, pages
10 18 through 19 please. This was the Exhibit that I was
11 discussing with some dexterity trying to work through. So I
12 appreciate you numbering the pages, Mr. Chair.

13 MR. ROBIN WIENS: Mr. Chairman, we didn't all
14 know exactly where to begin numbering these pages and some of
15 us haven't done it. So for ease of reference, I wonder if
16 Mr. Anderson could refer to a specific document. I'm in the
17 general vicinity of there.

18 MR. MICHAEL ANDERSON: Certainly, Mr. Wiens.
19 The document that I'm looking to -- at is a March 13th, 2001
20 letter to Mr. Brennan, from Grand Chief Francis Flett, Grand
21 Chief of MKO -- thank you.

22 MR. ROBIN WIENS: I have located that, thank
23 you.

24 MR. MICHAEL ANDERSON: The testimony provided
25 by Mr. Warden and others, was that it was Manitoba Hydro's

1 understanding that -- that MKO had requested that the
2 surcharge be no longer applicable to First Nations accounts.
3 Is that correct?

4 MR. VINCE WARDEN: Yes, correct.

5 MR. MICHAEL ANDERSON: Thank you. I'll read
6 the second paragraph of this letter which clarifies or states
7 MKO's understanding of the meeting. MKO has agreed --

8 "Manitoba Hydro has agreed with MKO's
9 position that the approved general service
10 diesel tariff, government Tariff Number 60-
11 08 enhanced federal rate 391, is
12 inapplicable to any First Nation account.
13 Manitoba Hydro also agreed that the
14 approved general service diesel service
15 rate non-government, tariff number 10-06,
16 should be applied to all non-residential
17 First Nations accounts billed to First
18 Nations, their community facilities, or
19 their agencies."

20 From this paragraph, do you understand Grand
21 Chief Flett's comment as being that Manitoba Hydro should
22 bill all First Nations accounts at the non-government tariff?

23 MR. ROBIN WIENS: These are Grand Chief
24 Flett's words. He's -- the words indicate that Manitoba
25 Hydro has agreed that the government tariff is inapplicable;

1 that is not what Manitoba Hydro agreed. Manitoba Hydro
2 agreed that it would not bill that portion to the First
3 Nations. It did not agree that it was inapplicable.

4 MR. MICHAEL ANDERSON: I understand. So
5 without having to go through a great deal of the record to
6 try to resolve, would you accept, however, that this
7 statement signed by the Grand Chief expresses MKO's position
8 and understanding on the outcome of the meeting with Mr.
9 Brennan?

10 MS. PATTI RAMAGE: Mr. Chair, Manitoba Hydro
11 can't give evidence as to what MKO's understanding coming out
12 of a meeting was. The letter speaks for itself, but what
13 their actual understanding was versus what they've put in
14 writing, we can't guess what their thought process was.

15 THE CHAIRMAN: Understood, Ms. Ramage.
16 Mr. Anderson...?

17 MR. MICHAEL ANDERSON: I accept that. I'll
18 just be more direct.

19

20 CONTINUED BY MR. MICHAEL ANDERSON:

21 MR. MICHAEL ANDERSON: Do you accept that
22 this letter is an expression of MKO's position on the matter?

23 MR. VINCE WARDEN: Inasmuch as it is signed
24 by Chief Francis Flett on behalf of MKO, I'll accept that,
25 yes.

1 MR. MICHAEL ANDERSON: And so for the
2 purposes of the Board and future discussion in this matter,
3 this does represent MKO's position and I'm pleased that
4 you've accepted it so that we could clarify what MKO's
5 expectations would have been.

6 MS. PATTI RAMAGE: Again, Mr. Chair, our
7 acceptance of MKO's position almost implies we accept that
8 position and Mr. Anderson is free to take -- or his client is
9 free to take whatever position he -- he likes. We don't
10 control that in any way.

11 THE CHAIRMAN: Thank you, Ms. Ramage.
12 Mr. Anderson...?

13 MR. MICHAEL ANDERSON: I understand Ms.
14 Ramage's clarification. I just wish to note that there have
15 been numerous mentions that are apparent throughout the
16 record of what MKO's position in the meeting was as expressed
17 by Manitoba Hydro.

18 My point here is that instead of going through
19 each and every one of them to clarify them because, as you
20 know, I did not jump to the microphone to correct them, I
21 wanted just to leave on the record that this, in fact, is
22 MKO's position signed by the Grand Chief as his
23 understanding, and that is really where I wanted to leave the
24 matter.

25 THE CHAIRMAN: Thank you.

1 MR. VINCE WARDEN: We still maintain, of
2 course, that the record is correct as expressed in testimony.

3 MR. MICHAEL ANDERSON: Thank you. And the
4 letter speaks for itself that MKO's position is as it is
5 expressed. If we could also, using the INAC exhibit, and if
6 you have them numbered at this present time, go to the list
7 of bills that have been received by the Department of Indian
8 and Northern Affairs and a good example would be page 48 of
9 INAC-2. Assuming that my copy provided by --

10 THE CHAIRMAN: Mr. --

11 MR. MICHAEL ANDERSON: It's an energy
12 statement for Lac Brochet --

13 THE CHAIRMAN: Thank you.

14 MR. MICHAEL ANDERSON: -- and it has one (1),
15 two (2), three (3), four (4), five (5) accounts listed.

16 THE CHAIRMAN: And it starts with the Arena
17 and then it's the garage and the water treatment, the hockey
18 shack ,and the education authority?

19 MR. MICHAEL ANDERSON: Correct, Mr. Chair.

20 THE CHAIRMAN: And it's, at the bottom of the
21 page numbered page 1?

22 MR. MICHAEL ANDERSON: Yes.

23

24

(BRIEF PAUSE)

25

1 CONTINUED BY MR. MICHAEL ANDERSON:

2 MR. MICHAEL ANDERSON: Does the Hydro Panel
3 all have the document?

4 MR. VINCE WARDEN: Yes, we do.

5 MR. MICHAEL ANDERSON: And as I understand
6 the discussion, you had indicated that after the meeting with
7 -- it was Manitoba Hydro's understanding that after the
8 agreement of Mr. Brennan that the surcharge amount would no
9 longer be applied to First Nation accounts presently being
10 billed the government rate; is that correct?

11 MR. VINCE WARDEN: Surcharge would still be
12 applied to those accounts. The -- the billing itself would
13 be redirected to -- to government.

14 MR. MICHAEL ANDERSON: And which portion of
15 the billing would that be?

16 MR. VINCE WARDEN: The surcharge amount would
17 be redirected to government.

18 MR. MICHAEL ANDERSON: Thank you. If we look
19 at the calculations that are done to determine the billed
20 amounts that should go to -- that you have billed to the
21 Department of Indian and Northern Affairs Canada, can you
22 please explain the mechanism being applied in the first
23 account for arena? What is being done there? What does the
24 statement show?
25

1 (BRIEF PAUSE)

2
3 MR. VINCE WARDEN: Well, it says, according
4 to what -- if we're referencing the same statement, which I
5 believe we are, it indicates that the arena has been
6 disconnected for non-payment.

7 MR. MICHAEL ANDERSON: I appreciate that and
8 I take that. But the -- there is an amount indicated --
9 could you please go to the next page, Mr. Warden, it's a --
10 actually it's a bill?

11 MR. ROBIN WIENS: Just for some assistance to
12 us, Mr. Anderson, what page number do you have on that page?

13 MR. MICHAEL ANDERSON: I have 48.

14 MR. ROBIN WIENS: On -- on the energy
15 statement?

16 MR. MICHAEL ANDERSON: That's correct, Mr.
17 Wiens.

18 MR. ROBIN WIENS: That will give us a point of
19 reference if you continue, thank you.

20 MS. PATTI RAMAGE: I think there's some
21 confusion, I'm looking at Energy Statement Summary page, Lac
22 Brochet, and the next page also says Energy Statement, Lac
23 Brochet, and they're both numbered on the document
24 themselves, page 1.

25 So, I think we need to determine which one (1)

1 of these two (2) we're looking at. Mine begins with Arena --
2 the first item, its account number description total, and the
3 first item is Arena. The next page is Energy Statement that
4 begins with the address of Indian and Northern Affairs
5 Canada, which one (1) are we dealing with here?

6 MR. MICHAEL ANDERSON: As I had indicated in
7 -- with the assistance of the Chair, it's the Energy
8 Statement page, not the summary page, which is my number 48.

9 MR. ROBIN WIENS: Okay.

10 THE CHAIRMAN: Ms. Ramage, to assist you that
11 would be page one (1) of the second one (1).

12 MS. PATTI RAMAGE: Thank you.

13 THE CHAIRMAN: Mr. Anderson...?

14 MR. MICHAEL ANDERSON: Thank you.

15

16 CONTINUED BY MR. MICHAEL ANDERSON:

17 MR. MICHAEL ANDERSON: Now that we have it and
18 recognizing that it appears that the Arena account was
19 disconnected, but on this very first example for the arena on
20 the Energy Statement page, there's still a calculation with
21 an amount, which could you please describe what process is
22 being applied here?

23 What does this description, this detail --
24 billing detail describe?

25 MR. ROBIN WIENS: Let's deal with the first

1 account that shows there. What we're -- what we're showing
2 here is a basic charge, an energy charge for the first one
3 thousand and ninety (1,090) kilowatt hours, another energy
4 charge for the first -- for the rem -- subsequent one
5 thousand nine hundred and ten (1,910) kilowatt hours, and
6 then finally an energy charge for the remaining fifteen
7 hundred (1500) kilowatt hours, for a total of forty-five
8 hundred (4500) kilowatt hours that are being billed for that
9 account for that month.

10 The basic charge, the Government rate basic
11 charge is eighteen dollars and five cents (\$18.05), which is
12 shown in the next column. The general service or non-
13 government charge, basic charge, is fourteen ninety (14.90).
14 Fourteen ninety (14.90) has been billed to that account.

15 The difference between the eighteen oh five
16 (18.05) and the fourteen ninety (14.90), which is three
17 fifteen (3.15), has been billed to Indian and Northern
18 Affairs Canada.

19 The first thousand and ninety (1,090) kilowatt
20 hours, Government rate, eighty point seven (80.7) cents,
21 includes both the full cost and the surcharge.

22 The general service rate, six point one three
23 (6.13) cents per kilowatt hour, the difference between those
24 two (2) is billed to the Government of Canada, the six point
25 one three (6.13) cents per kilowatt hour is billed to the

1 account.

2 The next --

3 MR. ROBERT MAYER: Am -- am I correct then,
4 this two thousand nine hundred and twenty-three dollars and
5 thirty-three cents (\$2,923.33) is the surcharge only for the
6 arena?

7 MR. ROBIN WIENS: No, sir, it's more than the
8 surcharge. It -- the surcharge portion of the Government
9 rate is forty-four point eight (44.8) cents a kilowatt hour,
10 the full cost rate itself is thirty-five point nine (35.9), a
11 Government account would have billed -- been billed, say for
12 the first thousand and ninety (1,090) kilowatt hours, would
13 have been billed eighty point seven (80.7) cents.

14 The final user, in this case the arena, was
15 billed only six point one three (6.13) cents, which is in
16 accordance with what we're now calling the general service
17 schedule. The difference was billed to Indian and Northern
18 Affairs Canada, it includes the surcharge and the full cost
19 rate, on that first thousand and ninety (1,090) kilowatt
20 hours, as it does on the next one thousand nine hundred and
21 ten (1,910) kilowatt hours.

22 When we get above three thousand (3,000)
23 kilowatt hours, the next fifteen hundred (1500), the -- what
24 we now call the general service rate, has now bumped up to
25 the full cost of thirty-five point nine (35.9) cents, on that

1 portion INAC is billed the surcharge only.

2 I -- I hope that's clear.

3 MR. ROBERT MAYER: It is now.

4

5 CONTINUED BY MR. MICHAEL ANDERSON:

6 MR. MICHAEL ANDERSON: Thank you, Mr. Wiens.

7 The values that appear that you've explained, that appear
8 immediately under the word consumption, the basic charges and
9 the various steps that you've explained, would you please
10 confirm that those are identical to diesel full cost rate
11 non-government 2001-40 please.

12 MR. ROBIN WIENS: Yes.

13 MR. MICHAEL ANDERSON: And those amounts that
14 would have been calculated that in fact the First Nation
15 Arena account was billed at non-government account rate
16 2001-40?

17 MR. ROBIN WIENS: Yes.

18 MR. MICHAEL ANDERSON: And the First Nation
19 who is the customer listed on this bill then was being billed
20 at non-government rate 2001-40?

21 MR. ROBIN WIENS: The bill that the customer
22 at the Arena would've seen was at that rate.

23 MR. MICHAEL ANDERSON: Thank you. And
24 understanding Manitoba Hydro's comments earlier, do you agree
25 that the billing is in fact in conformity with the paragraph

1 that I referred to in Grand Chief's letter?

2 MR. ROBIN WIENS: The amounts that were
3 billed directly to the Arena were billed on the basis of the
4 non-government rate.

5 MR. MICHAEL ANDERSON: Thank you. And you
6 would confirm that all of the accounts that are attached to
7 these billings that Manitoba Hydro has forwarded to Indian
8 Affairs were billed to the First Nation account holder at
9 non-government rate 2001-40?

10 MR. ROBIN WIENS: I can confirm that.

11 MR. MICHAEL ANDERSON: Thank you, Mr. Wiens.

12

13 (BRIEF PAUSE)

14

15 MR. ROBIN WIENS: But, Mr. Anderson, I -- I
16 think I would be remiss if I did not go onto state that
17 although that portion equivalent to the non-government rate
18 was directed directly at the Arena and the other accounts
19 here that in no way implies that Manitoba Hydro is
20 acknowledging that that is the rate that should apply to
21 those accounts.

22 Manitoba Hydro has only acknowledged, in
23 accordance with the agreement between Mr. Brennan and -- and
24 Grand Chief Flett, that it will bill that portion directly to
25 the First Nations. The remaining portion which is also

1 applicable to those accounts was billed to Indian and
2 Northern Affairs Canada.

3 MR. MICHAEL ANDERSON: Thank you for that,
4 Mr. Wiens. It's Manitoba Hydro's understanding that the
5 charges that it bills to customers must be in accord with the
6 exception of the rates that were established under the
7 uniform rate legislation, must be in accord with rates that
8 are approved by the Public Utilities Board?

9 MR. ROBIN WIENS: Yes.

10 MR. MICHAEL ANDERSON: Mr. Smith had raised
11 this matter briefly yesterday. But is there a tariff
12 approved for the -- part -- for the process that appears on
13 this summary sheet -- this energy statement?

14 MR. ROBIN WIENS: Manitoba Hydro's position
15 is that there is an approved tariff, it is the government
16 rate. It's merely a question of how it is being billed.

17 MR. MICHAEL ANDERSON: In respect of the two
18 (2) rates that may apply to the types of facilities that
19 appear on the statement, would you confirm that the two (2)
20 rates that would be applicable would either be non-government
21 account 2001-40 or the diesel full cost rate?

22 MR. ROBIN WIENS: I'm sorry, Mr. Anderson,
23 I'll have to request that that be repeated.

24 MR. MICHAEL ANDERSON: Would you confirm that
25 for the types of facilities that appear on the energy

1 statement, there are only two (2) possible rates that may
2 apply to them. That is the diesel non-government rate at
3 2001-40 or what we now describe as the diesel full cost rate.

4 MR. ROBIN WIENS: It's -- it's Manitoba
5 Hydro's position that the government rate applies to these
6 accounts.

7

8 (BRIEF PAUSE)

9

10 MR. ROBERT MAYER: In the interim, Ms.
11 Ramage, is Hydro looking for a ruling from this Board as to
12 whether or not these facilities are, in fact, quote
13 "government facilities" subject to the government rate?

14 MS. PATTI RAMAGE: No, we are not.

15

16 (BRIEF PAUSE)

17

18 MS. PATTI RAMAGE: To clarify, on an
19 historical go -- going backwards, no, we are not looking for
20 that -- that from this Board. On a go forward basis, our
21 application does -- does request that the government rate
22 apply to all First Nation accounts.

23 MR. ROBERT MAYER: Thank you, Ms. Ramage.

24

25 (BRIEF PAUSE)

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CONTINUED BY MR. MICHAEL ANDERSON:

MR. MICHAEL ANDERSON: Would you please turn now to MKO/MH-10, the table that's attached to your reply? And, hopefully, if the documents that you have been referring to were numbered, for the purposes of the Board which -- which appear to do -- do have it numbered, it would be -- I'll be referring to pages 45, 47, 53 and 56.

45, 47, 53 and 56 and, for a narrative description, these would be the summary pages, with the exception of Brochet which has -- appears to have no summary page because there is only a single account. So it appears as its energy statement.

(BRIEF PAUSE)

And also, if you could, just so that they're all before you, the listing of accounts at INAC/MH-2-1?

MR. ROBIN WIENS: Can you give us that reference again?

MR. MICHAEL ANDERSON: Sure. Which û-

MR. ROBIN WIENS: INAC --

MR. MICHAEL ANDERSON: INAC/MH-2-1.

MS. PATTI RAMAGE: And to clarify, Mr. Anderson, the page reference in the INAC package, you -- you

1 had a page reference there --

2 MR. MICHAEL ANDERSON: Would be the energy
3 summary -- the summary page. They were -- the three (3) of
4 them are titled "summary page".

5 First one, page 45, simply says "Brochet"
6 because there's only a single account.

7

8 (BRIEF PAUSE)

9

10 MR. MICHAEL ANDERSON: Do you -- are you with
11 me on the documents?

12 MS. PATTI RAMAGE: I believe so.

13 MR. MICHAEL ANDERSON: Thank you very much, I
14 appreciate that there are a few of them.

15

16 CONTINUED BY MR. MICHAEL ANDERSON:

17 MR. MICHAEL ANDERSON: The table at MKO/MH-10,
18 provides precisely what information?

19

20 (BRIEF PAUSE)

21

22 MR. ROBIN WIENS: This is a listing of the
23 accounts by industry type, compiled to the best of our
24 ability of those which are -- we believe to be First Nation
25 accounts.

1 MR. MICHAEL ANDERSON: And subject to check,
2 you accept that there are seventy-three (73) accounts on this
3 table?

4
5 (BRIEF PAUSE)

6
7 MR. ROBIN WIENS: That looks close.

8 MR. MICHAEL ANDERSON: Thank you. At what
9 rate would these accounts be billed? Excuse me, I just want
10 to back up one (1) account.

11 These are all existing First Nation accounts?

12
13 (BRIEF PAUSE)

14
15 MR. MICHAEL ANDERSON: I believe that the
16 question that was asked requested for existing accounts, is
17 this a listing of the existing First Nation accounts?

18 MR. ROBIN WIENS: An enumeration of the First
19 Nation accounts over the fiscal year 2001/2002, along with
20 the total kilowatt hours in each category and the associated
21 revenue.

22 MR. MICHAEL ANDERSON: To the best of your
23 knowledge, are all of these accounts still being serviced?

24 MR. ROBIN WIENS: We can't confirm that.

25 MR. MICHAEL ANDERSON: During the course of

1 the Proceeding, could you confirm that this list of seventy-
2 three (73) accounts is -- does represent the accounts that
3 are currently in affect?

4 I'm satisfied with the response being in
5 similar form, that they're by asset category and numbers of
6 accounts.

7 MS. PATTI RAMAGE: I understand that would
8 take a fair bit of time to -- to confirm that, and I'm -- I'm
9 just -- I'm struggling with why the -- the relevance to
10 whether those accounts are in place, how that impacts the
11 Rate Application today?

12 THE CHAIRMAN: Mr. Anderson...?

13 MR. MICHAEL ANDERSON: Well, my cross-
14 examination will go to explaining why I'm interested in the
15 numbers of accounts, Mr. Chair. And if Ms. Ramage would be
16 content to allow it to unfold that would be fine, and then we
17 could revisit whether the undertaking is necessary.

18 THE CHAIRMAN: I'll allow that, proceed.

19 MR. MICHAEL ANDERSON: Thank you.

20

21 --- UNDERTAKING NO. 10: Confirm that the list of seventy-
22 three (73) accounts represent the accounts
23 that are currently in affect.

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: Now, if you could -- at
2 what rate are these seventy-three (73) accounts being billed?

3 MR. ROBIN WIENS: Today?

4 MR. MICHAEL ANDERSON: Correct, or, yes,
5 please?

6

7

(BRIEF PAUSE)

8

9 MR. ROBIN WIENS: These -- these accounts are
10 being billed, some on the non-Government rate and some on the
11 full Government rate.

12 And as we've discussed earlier, those that are
13 being billed on the full Government rate, the -- that portion
14 equivalent to the non-Government rate is being billed
15 directly to the First Nations and the remainder is being
16 billed to Indian and Northern Affairs.

17 MR. MICHAEL ANDERSON: Thank you. Would you
18 please explain why all of these accounts are not being billed
19 at the Government rate, or stated more differently and
20 directly to the point of my question; why are some of these
21 accounts being billed at the non-Government rate?

22 MR. ROBIN WIENS: I think we've provided
23 evidence on the record that over the years following the
24 transfer, Manitoba Hydro's acceptance of the transfer of
25 these accounts from Indian and Northern Affairs Canada to the

1 First Nations, that we have tried to determine to the best of
2 our ability over the years, which accounts were similar to
3 those that had been transferred from the Government of Canada
4 and which were sufficiently different that they were billed
5 on the non-government rate.

6 One of the reasons for our Application at this
7 time to include all of them in the government rate is that it
8 is -- it is becoming more and more difficult for Manitoba
9 Hydro to identify using these vague criteria which of them
10 should be and which of them shouldn't be. And that's why
11 we've put this request as part of our Application.

12 MR. MICHAEL ANDERSON: I do understand that,
13 Mr. Wiens, thank you. Under what circumstances or under what
14 criteria as presently applied would a First Nation account be
15 billed at non-government rate?

16 MR. ROBIN WIENS: As I said earlier and I
17 believe in other proceedings as well, it is based on the best
18 understanding we have of whether or not an account is
19 substantively funded by the Government of Canada.

20 MR. ROBERT MAYER: Mr. Wiens, and I know I'm
21 going back to a previous Hearing, but we heard about
22 different rates of funding. I think 30 percent, 60 percent,
23 80 percent, I don't think -- I didn't think I heard anything
24 say 100 percent. What would be the cutoff number to -- at
25 which you would bill at government rate or at the standard

1 rate?

2 MR. ROBIN WIENS: Mr. Mayer, I -- my
3 recollection of the previous Hearing was that there were four
4 (4) different percentages and whether in fact they actually
5 applied in the end, we can't determine. But there were four
6 (4) different percentages which were 100 percent, 90 percent,
7 80 percent and then down to 20 percent.

8 Again, and to the best of our ability, I think
9 our people tried to reflect anything 80 percent and higher as
10 being substantively funded by government.

11

12 CONTINUED BY MR. MICHAEL ANDERSON:

13 MR. MICHAEL ANDERSON: And Mr. Wiens, I'm
14 looking at the transcript from the previous proceeding, pages
15 3855 and page 385 -- through 3857 which is my cross-
16 examination of you in the earlier proceeding.

17 And the statement that you make in respect of
18 this then was:

19 "I think to the extent that our district
20 staff are able to identify, either with the
21 assistance of the customer or with the
22 assistance -- or with the assistance of the
23 customer, those that are in the 20 percent
24 category, that they would be set up as non-
25 government accounts. The remaining

1 accounts would be set up as government
2 accounts."

3 This is correct?

4 MR. ROBIN WIENS: I don't have the advantage
5 of having the transcript in front of me but I think that
6 substantially what I just said to -- in response to Mr.
7 Mayer's question.

8 MR. MICHAEL ANDERSON: And the assets that
9 are 20 percent account are to the best of your understanding
10 what types of assets? What type of facility would fall under
11 this category, to the best of your knowledge?

12

13 (BRIEF PAUSE)

14

15 MR. ROBIN WIENS: I am advised the Band
16 offices or community halls might be of the type that are in
17 the 20 percent category.

18 MR. VINCE WARDEN: But I think it's important
19 to note that we really don't know. We're -- we're -- and
20 this is the difficulty we're having and why our Application
21 is asking for approval of all -- all accounts that are funded
22 -- or all -- I'm sorry all First Nation accounts should be
23 applicable at the government rate. We shouldn't be guessing
24 at this.

25

 MR. MICHAEL ANDERSON: I take your comment on

1 that. I would also ask, is it your understanding that
2 recreation facilities are within the 20 percent category?

3 MS. PATTI RAMAGE: I'm having trouble with
4 the relevance of this given, particularly in Manitoba Hydro's
5 application itself tells us that we don't understand -- we
6 don't claim to understand the funding of these communities.

7 THE CHAIRMAN: Mr. Anderson...?

8 MR. MICHAEL ANDERSON: Yes.

9

10 (BRIEF PAUSE)

11

12 MR. ROBIN WIENS: Mr. Anderson, I can -- I
13 can only say that may be the case but we're really not
14 certain.

15

16 CONTINUED BY MR. MICHAEL ANDERSON:

17 MR. MICHAEL ANDERSON: Thank you, very much.
18 And in respect of the concerns, if we look at the back of
19 this document, this -- this is INAC-2, pages 60 through 61
20 through -- well, through 63 and, in particular, the bottom of
21 page 61.

22

23 Do I understand that this customer policy
24 application at item 5.3.1, in fact, defines which facilities
25 do, in fact, qualify for the government rate?

25

1 (BRIEF PAUSE)

2
3 MR. ROBERT MAYER: While everybody's checking
4 on stuff, I note that if I pull my page back far enough it
5 says "draft proposed 93/10/06".

6 MS. PATTI RAMAGE: Mr. Mayer, you're going
7 exactly where I was.

8 MR. VINCE WARDEN: We're actually struggling
9 with whether or not this was ever approved. The current
10 approved policy does not -- does not make the same
11 references.

12 THE CHAIRMAN: And, Mr. Warden, maybe for the
13 record, you'd be prepared to file a copy of that new approved
14 policy?

15 MR. VINCE WARDEN: Yes, we will.

16 THE CHAIRMAN: Thank you. Mr. Anderson...?

17 MR. MICHAEL ANDERSON: Thank you. You -- you
18 asked my question on correction for me, thanks.

19
20 CONTINUED BY MR. MICHAEL ANDERSON:

21 MR. MICHAEL ANDERSON: In terms of Ms.
22 Ramage's comment, recognizing now that we've described this
23 as a draft policy, the paragraph immediately following the
24 list includes accounts such as recreational facilities and
25 community halls being identified as being exempt from the

1 surcharge; would you agree that this -- that's what this
2 passage says?

3 MR. VINCE WARDEN: It does say that and
4 really that's -- could be a reason why it wasn't approved
5 because it doesn't provide a whole lot of guidance to those
6 trying to make that determination.

7

8 (BRIEF PAUSE)

9

10 MR. MICHAEL ANDERSON: One item I'd like to
11 mention right now, Mr. Chair, I suppose when the actual
12 policy is produced there's a few other questions on this I'd
13 like to pursue. But, in the meantime, if we look at the
14 listings of summary pages, the -- pages 45, 47, 53 and 56,
15 would you -- would you accept, subject to check, that that
16 provides a listing of forty-two (42) accounts?

17 MR. ROBIN WIENS: I'm sorry --

18 MR. MICHAEL ANDERSON: Forty-two (42) --

19 MR. ROBIN WIENS: -- forty-five (45) --

20 MR. MICHAEL ANDERSON: -- on page -- the
21 summaries on page 45, 47 --

22 MR. ROBIN WIENS: Forty-seven (47).

23 MR. MICHAEL ANDERSON: -- 53 and 56, of INAC-
24 2, represents forty-two (42) accounts.

25 MR. ROBIN WIENS: Fifty-three (53), 56,

1 represents, you say, forty-two (42) accounts --

2 MR. MICHAEL ANDERSON: Yes --

3 MR. ROBIN WIENS: I would accept that, subject
4 to check.

5

6

(BRIEF PAUSE)

7

8 MR. MICHAEL ANDERSON: And then if we compare
9 the -- if we go back to the seventy-three (73) accounts at
10 MKO/MH-10, would you also accept, subject to check, that the
11 result would be is that there are thirty-one (31) accounts
12 presently being billed at the non-Government rate, that are
13 in the name of the First Nations?

14 MR. ROBIN WIENS: Yes, I'll accept that,
15 subject to check.

16

17

(BRIEF PAUSE)

18

19 MR. ROBERT MAYER: Well, in the interim, Mr.
20 Warden, can you tell me how a draft proposal, not just a
21 proposal, but a draft proposal get in -- gets into the hands
22 of INAC?

23

24

25

MS. PATTI RAMAGE: INAC made a freedom of
information request of Manitoba Hydro of all documents
related to diesel communities over the years, and were

1 provided access to all documents.

2 MR. ROBERT MAYER: Thank you.

3 MR. MICHAEL ANDERSON: Thank you, Ms. Ramage.
4 Are you aware, and I'll ask this with some caution, you may
5 not have worked on it. Was the existing customer service
6 policy provided to Indian Affairs?

7 MS. PATTI RAMAGE: I'm not aware of -- of
8 which -- I can't answer that.

9

(BRIEF PAUSE)

10

11

12 MR. MICHAEL ANDERSON: Would you -- I just
13 note that the --

14 THE CHAIRMAN: Mr. Anderson, proceed.

15 MR. MICHAEL ANDERSON: -- Panel is conferring.
16 Mr. Chair, I also -- Chief Ila Bussidor and Regional Chief
17 Flett are both here, and if it would be at your convenience,
18 I could let them know that --

19 THE CHAIRMAN: Certainly, as I indicated to
20 you earlier that when they are ready, we certainly don't want
21 to keep them waiting, if they're ready to make their
22 presentations.

23 MR. MICHAEL ANDERSON: I just noticed that
24 Regional Chief had come into the room, so I'm taking that as
25 a cue, Mr. Chair.

1 THE CHAIRMAN: Okay, thank you.

2 MR. MICHAEL ANDERSON: I'll just get them,
3 thank you.

4 THE CHAIRMAN: Thank you.

5

6 MANITOBA HYDRO PANEL, Retires

7

8 (BRIEF PAUSE)

9

10 THE CHAIRMAN: Good morning, and welcome,
11 Chief Bussidor, and, Regional Chief Francis Flett. Chief
12 Bussidor, in front of you there's a mike, the mic has a
13 little button on it, I would ask you to press it down when
14 you're ready to make your presentation.

15 CHIEF ILA BUSSIDOR: Good morning and thank
16 you for allowing me to make a presentation on behalf of my
17 community members, Sayisi Dene First Nation, Tadoule Lake,
18 Manitoba.

19 I want to thank the Chair -- the Chairman, the
20 Members of the Board for allowing me this time to speak to
21 you as a Chief and as a citizen of Sayisi Dene First Nation
22 while you consider Manitoba Hydro's proposal to make very
23 large increases in the price of electricity produced by
24 diesel generators.

25 My community at Tadoule Lake is one of the

1 last four (4) communities in Manitoba serviced by Manitoba
2 Hydro diesel generators. I strongly urge you to reject
3 Manitoba Hydro's proposal. I support the efforts that are
4 being made by MKO to ensure an affordable supply of
5 electricity for my community.

6 Our Elders brought us from Churchill to
7 Tadoule Lake in the early 1970's to re-establish our
8 community in our tradition lands and to restore the
9 well-being of my people.

10 Just to give you a small history of Tadoule
11 Lake. It is now thirty-one (31) years old since the
12 community was established in 1973. The people, my people
13 originally lived on our traditional territory north of where
14 Tadoule Lake is right now, called Duck Lake.

15 In 1956 the provincial Department of Indian
16 Affairs, Natural Resource people made a decision on behalf of
17 Sayisi Dene First Nation to relocate the people away from out
18 homeland believing that the people were a threat to a decline
19 in the caribou migr -- the caribou population.

20 And as a result of that, the people were moved
21 away from our traditional lands and within the next seventeen
22 (17), sixteen (16) years, one-third of the population lost
23 their lives in Churchill. That's a history behind where I
24 come from and the people that I work for today.

25 I grew up in Churchill, Manitoba. I was born

1 there and I went to school there and my parents were one of
2 the people that died there in 1972. But there was a mass
3 destruction that happened as a result of this re-location.

4 But in the short period since 1973 to today,
5 the people have rebuilt a community in Tadoule Lake which is
6 probably one of the furthest communities in northern
7 Manitoba.

8 The population is less than 350 on the Reserve
9 and very interesting history, if you can find the time at
10 some point to try to learn about the people there in the
11 community.

12 As Chief and as a citizen of my community, I
13 recognize that having an adequate and affordable supply of
14 electricity is important for the social and economical
15 development of Sayisi Dene First Nation. As a mother and
16 grandmother, I know it is essential to provide healthy foods
17 for our children and family.

18 We are fortunate that the land and water
19 within our traditional territory are able to provide us with
20 very high quality foods, and caribou, fish, and other game.
21 It is also important for the healthy development of babies
22 and children and for the control of diabetes that milk, fresh
23 vegetables, fresh fruits are available.

24 An adequate and affordable supply of
25 electricity is also essential for the health and well being

1 of my community by making it possible to store fresh milk and
2 vegetables. As the cost of food storage is passed on
3 directly through the price of food, the price of the
4 electricity sold by Manitoba Hydro is directly linked to our
5 health and well being.

6 I ask you to reject Manitoba Hydro's proposal
7 to increase the cost of electricity used by our local food
8 stores and businesses. The price of electricity also
9 strongly affects our ability to provide basic community
10 service -- services including recreational opportunities for
11 our youth.

12 Electricity costs can be our second highest
13 costs after salaries. I also ask you to reject Manitoba
14 Hydro's proposal to charge two dollars and one cent (\$2.01)
15 for every kilowatt hours used by our -- by all accounts held
16 in the name of Sayisi Dene First Nation.

17 We will simply be unable to pay these bills
18 without taking dollars away from other community needs. I
19 have been told that Manitoba Hydro refuses to share its
20 export revenues in order to provide my people with affordable
21 power because Hydro claims we do not share in the costs of
22 producing hydro power.

23 The Churchill River is within our traditional
24 lands and the Churchill River Diversion Project has touched
25 my community as well. The Hydro power wealth of Manitoba

1 must be shared with all Manitoba Hydro customers, including
2 Hydro's customers in my community.

3 Manitoba Hydro was established by the
4 government of Manitoba to serve all the citizens of Manitoba.
5 The three hundred and thirty (330) First Nation residents of
6 Sayisi Dene First Nation at Tadoule Lake are Manitoba Hydro's
7 customers.

8 It is Manitoba Hydro's duty and responsibility
9 to provide adequate and affordable electricity to the
10 citizens of Sayisi Dene First Nation and for the cost of
11 electricity supply -- supplies in my community to -- to be
12 shared by all Manitoba Hydro's customers.

13 On a closing note I would like to -- to share
14 with you the information that was passed on to -- to us over
15 the last three (3) to four (4) years. Manitoba Hydro is
16 planning to construct a hydro line to Nunavik through Sayisi
17 Dene First Nation territory while we have ongoing, unresolved
18 land claims north and south of sixty (60).

19 How can Hydro consider this while citizens of
20 our own province are left out of the essential service, a
21 land line. When is Manitoba government or Manitoba Hydro
22 willing to negotiate with -- with us on this?

23 Canada is also a signatory to the Kyo -- Kyoto
24 Protocol and is committed to reducing greenhouse gases
25 Currently, Indian Affairs is committing funding -- funding to

1 assist First Nation communities to develop long-term -- long-
2 term energy supplies that do not contribute to global
3 warming. We would like to look at it -- our options for
4 providing energy to our community for the future. Massi cho.

5 THE CHAIRMAN: Thank you, Chief Bussidor.
6 Does the Board have any questions? Mr. Mayer...?

7 MR. ROBERT MAYER: Chief Bussidor, if I may,
8 firstly, as you may or may not know, I'm well aware of the
9 destruction that took place at Dene Village. I regularly
10 attended at Churchill in those days with the court party and
11 I saw what happened and I visited that community on a number
12 of occasions, sometimes under very stressful circumstances.
13 So I understand where you're coming from and I understand why
14 your community moved.

15 But I find your comments interesting that your
16 suggestion, as I understand what you've told us today, is
17 that it is Hydro's responsibility to provide this power and
18 you don't appear to put any onus upon what we now call INAC
19 and what I think was Indian Affairs in the days when there
20 was the discussion about the move back to Tadoule Lake.

21 Why is it that you feel that the
22 responsibility falls upon Hydro and -- and then, of course,
23 Hydro's customers, to provide the subsidy as opposed to the
24 Department of Indian Affairs which bears the constitutional
25 relationship to your people?

1 CHIEF ILA BUSSIDOR: I believe that this --
2 this service is provided to all citizens of Manitoba and I
3 made that comment because we are First Nation people but we
4 all -- we are also a part -- and citizens of Manitoba.
5 Taking into consideration the history of Manit -- Manitoba
6 Hydro, and that dams that have been put on First Nation
7 territories across -- across Canada, not only within
8 Manitoba, that has generated an enormous amount of our
9 revenue.

10 We as -- as owners of this land, have never
11 shared in that revenue, it has caused grave damage to our
12 traditional territory, and a lot of environmental damage that
13 has happened in -- in the last number of years, which has
14 affected the wildlife on -- on our land, and today the people
15 still suffer for that.

16 Manitoba Hydro is directly responsible for --
17 for those things, and I feel that of all that we have lost as
18 a First Nation people, and the revenue that's generated from
19 -- from our lands, Manitoba has to be -- Manitoba Hydro has
20 to be directly responsible for that.

21 THE CHAIRMAN: Thank you, Mr. Mayer, Dr.
22 Kinew.

23 DR. KATHI AVERY-KINEW: Chief Bussidor, I'd
24 like to thank you for traveling so far to come here, we did
25 originally hope to have -- the Board wanted to have the

1 Hearings in Thompson, but that was changed, and we hope that
2 by having interpreters here, that -- that you're community
3 residents will be able to hear what's going on.

4 I was interested in -- in the experience of
5 Sayisi Dene, with Manitoba Hydro about alternatives to
6 diesel. Have you had meetings with Hydro, have they been
7 there, have they done studies, have you -- to look at wind
8 power or micro hydro or other alternatives to diesel?

9 CHIEF ILA BUSSIDOR: I'm going to ask Grand
10 Chief -- Regional Vice Chief Francis Flett to answer that on
11 behalf of Sayisi Dene.

12 REGIONAL CHIEF FRANCIS FLETT: Thank you very
13 much. I guess the question is, is there anything being
14 looked at, that's different from Manitoba Hydro. And I guess
15 there have been some studies that have been done, that do
16 take a look at some merging generators, that would provide
17 enough energy to -- to all the communities that are whi -- in
18 that territory. That's about all that's been done so far.

19 DR. KATHI AVERY-KINEW: Is this with Manitoba
20 -- is this with Manitoba Hydro?

21 REGIONAL CHIEF FRANCIS FLETT: No, it isn't.

22 DR. KATHI AVERY-KINEW: Has there been any
23 requests from the four (4) First Nations to work with
24 Manitoba Hydro to find alternatives to diesel?

25 REGIONAL CHIEF FRANCIS FLETT: I don't really

1 think so, but I know the communities have been looking at --
2 at it at a Tribal Council, and I don't know if there has been
3 any discussions with Manitoba Hydro.

4 DR. KATHI AVERY-KINEW: Thank you.

5 THE CHAIRMAN: Thank you, Chief Bussidor, and,
6 Regional Chief Francis Flett, do you have a presentation
7 you'd like to give too, sir?

8 REGIONAL CHIEF FRANCIS FLETT: Yes, I do, and
9 if you can permit Chief Hyslop here would like to respond to
10 that same question that was asked.

11 THE CHAIRMAN: Certainly.

12 CHIEF JOE HYSLOP: Thank you.

13 THE CHAIRMAN: Just push the button, thank
14 you.

15 CHIEF JOE HYSLOP: Thank you, Regional Chief.
16 We have, at the Tribal Council level, we are at discussions,
17 we're doing a feasibility study to do a turbo -- turbo
18 operated generator at Cochrane River. At this point we're
19 just doing a study. Later on we'll be sitting down with
20 Manitoba Hydro, the Department of Indian Affairs and other
21 people that will be involved, who are interested in -- in
22 going forth with wha -- what we want to do.

23 But I think, if I may ask the Board if I can
24 say a few words on behalf of Northlands First Nation, on what
25 I believe is the responsibility of both the Province and the

1 Federal Government to -- to give services to -- to the
2 communities, northern communities.

3 We -- we signed a treaty back in 1906 seeking
4 -- our elders seeking that we get equal treatment, with to
5 enjoy the services that other Canadians are enjoying today.

6 But it seems as though within the northern
7 communities we live like in third world countries, we don't
8 get the services that we need to -- or the health purposes,
9 our -- our people are suffering in all areas.

10 In one year just -- just community building --
11 I have a community of nine hundred (900) people. Just on the
12 Band Offices, the education and the arena itself, not as
13 First Nations, just those itself. I pay -- the Northlands
14 itself pays over three hundred thousand dollars (\$300,000) a
15 year on hydro. Just on education.

16 Canadians enjoy .6 six percent rates right
17 across the country within the Province of Manitoba. But
18 northern people don't enjoy that service that is given by
19 Manitoba Hydro, to other Canadians.

20 I built an arena a couple of years ago. I
21 would like the Board to consider and see if it's fair that I
22 have to pay point eight zero (.80) cents on a kilowatt.
23 Eighty (80) cents a kilowatt. So the youth can enjoy
24 themselves in the evenings. Most young Canadians enjoy
25 themselves, that's what's there for them. Why don't us First

1 Nations enjoy the same, the young Canadian within our
2 communities.

3 Now what Hydro is asking is to increase its
4 rates? What do you think is going to happen to us poor First
5 Nations at that level. We can't just say it's a federal
6 responsibility. We signed a treaty in 1906 so that we can
7 share the natural resources of this country. I just wanted
8 to make that point clear, thank you.

9 THE CHAIRMAN: Chief Hyslop, do you represent
10 Brochet or Lac Brochet?

11 CHIEF JOE HYSLOP: Lac Brochet.

12 THE CHAIRMAN: Lac Brochet. Chief, in your
13 receipt of funds from the Federal Government, do they give
14 you sufficient funds in which to pay for the operations of
15 the Arena?

16 CHIEF JOE HYSLOP: I don't know. To operate
17 the Arena the Department of Indian Affairs, sir, any
18 department does not allocate any monies for us to be able to
19 operate the Arena. We're not getting no other monies unless
20 we have a revenue coming in to keep it going.

21 THE CHAIRMAN: Did they offer you financial
22 support to build the Arena?

23 CHIEF JOE HYSLOP: We were not offered
24 financial support. We had to do it on our own.

25 THE CHAIRMAN: Does the Board have any

1 questions? Sir, thank you very much for making your
2 presentation on behalf of -- is it Barren Lands, sir?

3 CHIEF JOE HYSLOP: Northlands.

4 THE CHAIRMAN: Northlands. Thank you. Chief
5 Francis Flett, do you have a presentation, sir?

6 CHIEF FRANCIS FLETT: I just to make some
7 statements, Mr. Chairman, Board Members. I know when we
8 started looking into the issue of Manitoba Hydro and the
9 charges that were being assessed to our community, it was
10 actually Chief Hyslop's community that came forward and said,
11 well we are going into a deficit. And I said, well why are
12 we going into a debt?

13 And it's because there is never really
14 sufficient funds being given to these communities to operate
15 everything that they have. So we decided we were going to
16 try and find a way to look at the issue. So I said, how much
17 are we paying Manitoba Hydro?

18 And at the time I asked the question, they
19 said eighty (80) cents per kilowatt. Well what is everybody
20 else paying? Thirty-five (35) cents. How many percent more
21 is a small community like us paying? Is that well over 100
22 percent?

23 That is the very reason why some of our
24 communities are in third party management. And you know what
25 third party management is. If not, I'll try and explain it a

1 little bit. Third party management is when a First Nation
2 community goes over a certain percentage of debt for their
3 overall funding. And if it's a large amount automatically
4 the government hires a third party manager to run the affairs
5 of the community.

6 Now, is that the fault of the community? I
7 say, no. I say it's the inequalities and one of the
8 inequalities is Manitoba Hydro. If you and I were to pay 100
9 percent more than our neighbour, we'd go in a hole really
10 quick too.

11 It's as simple as that. I'm not laying the
12 blame on -- on everything on Manitoba Hydro but when you
13 overcharge a small community like that by \$1.8 million,
14 that's quite a substantial amount of money that the community
15 can work with.

16 When we looked at the whole issue, everybody
17 else in residential was paying five (5) cents right across
18 Manitoba, while everybody else in those communities were
19 paying thirty-five (35).

20 And every -- every business that they had in
21 those communities was paying eighty (80) cents, while in the
22 City of Winnipeg or anywhere else, everybody else was paying
23 thirty-five (35) cents.

24 So I did meet with Bob Brennan on these issues
25 and the issue was to take down the cost and reimburse the

1 community for the overcharge. They have not resolved that
2 issue as of yet, yet they want to -- they want to increase
3 the rates by two dollars (\$2).

4 How much more can we burden these little
5 communities that have no economic development in their
6 communities, about 90 percent of unemployment, most of the
7 people are on social.

8 The people that do work there are either in a
9 store, in a school, the Band Office, or anywhere else that
10 they can get a job, bus drivers. The rest of them are
11 hunters, fishermen.

12 So how much more are we going to take out of
13 these little communities? I don't think there's very much
14 more we can take. I think we've taken and taken too much
15 already. I think when Chief Hyslop mentions the idea of
16 treaty, those treaties were made for us to live in peace
17 together and to share.

18 To share with First Nations people the
19 resources that -- that are being produced in Canada but that
20 has not happened. It has not happened anywhere yet in this
21 country. Granny Betsy (phonetic), as we all know her, who is
22 the grandmother of Chief Bussidor made a very strong
23 statement when she came to Winnipeg.

24 She was present at the signing of the treaty
25 and she said "I have not seen anything that had helped me

1 assistance, who are actually not even getting enough to
2 survive on.

3 For a young person to live up there, they -- I
4 think they get about two hundred and five (205), something
5 like that. It's not very much. But up there food is about
6 three (3) or four (4) times higher than what we pay in the
7 City of Winnipeg.

8 For a jug of milk I think it's what, about
9 twelve dollars (\$12). For a jug of milk it's about twelve
10 dollars (\$12). A little box of Honeycombs, that I've seen --
11 you know how thin those boxes are, they're not very big, and
12 they're not wide, those things were twelve dollars (\$12).
13 Just imagine if we hiked the rates in those stores, how much
14 more are the -- are the citizens in these communities going
15 to be paying.

16 How much more are they going to pay? How much
17 more are they going to suffer?

18 The relocation that happened to some of these
19 communities -- or to one (1) of these communities was not
20 their fault. It was because one (1) guy decided that the
21 caribou herd was depleting, and they had to move the whole
22 community out of their traditional lands. That is one (1) of
23 the reasons why they had to move.

24 But it -- it is also -- and it's also the
25 Government's responsibility to fix that. It is also the

1 responsibility of Manitoba Hydro to support and not enhance
2 itself to make more money out of these little communities.
3 It's a service that is being provided to these little
4 communities.

5 There is not enough diesel power in some of
6 these communities sometimes, where power actually goes off
7 because it's over exceeded its limit, and is that service
8 being provided? We had to work hard for the community of
9 Shamattawa to get an extra generator in there, because they
10 were losing power all the time.

11 But they said it would not cost anybody any
12 money, but yet now they're putting a two dollar (\$2)
13 surcharge. Just remember, the tax issue, the community's
14 needs, what it will do to the community's people, what can
15 they afford after they start paying all these things?

16 These little communities are not rich, if --
17 if we were -- if we were given a share of the resources, and
18 if we could use the resources that we have up north, we would
19 probably be the richest people in this country. But instead,
20 we're made to be put into these little areas of boxes with
21 boundary lines on them. They call them Reserves.

22 And then they expect us to make a living out
23 of there. And Hydro has the luxuries of going through and
24 taking lands that don't rightfully belong to them. How many
25 people can tell me from Manitoba Hydro, where they have the

1 right to use those resources? The Treaty does not give them
2 that permission; they did it on their own.

3 If today, if I were told by the Chiefs to go
4 and serve Manitoba Hydro for illegally using our resources, I
5 would. I would not hesitate for one minute (1). Because in
6 the Treaty there's no extended agreement giving anybody the
7 right to use those resources. Take a look at that, and tell
8 me whether or not I'm right or wrong, because I've been
9 asking, and nobody's been able to tell me.

10 But when you take a look at these issues, I
11 strongly urge you not to let Manitoba Hydro put higher rates
12 on our communities. And all of Manitoba. I think we have
13 enough problems in this country that we have to create more
14 problems amongst ourselves -- for ourselves. And I urge you
15 not -- not to let Manitoba Hydro do it.

16 And I thank you for the time and the
17 opportunity to be able to speak with you. And if I can
18 answer any questions, I will. And if I don't have the
19 answer, we'll go and find one. Thank you.

20 THE CHAIRMAN: Board Member Kinew...?

21 DR. KATHI AVERY-KINEW: I was wondering Chief
22 Hyslop or Chief Bussidor or Regional Chief Flett if -- if
23 anyone from Manitoba Hydro explained their application for a
24 change of rates; what it means? Did they come to your
25 communities and discuss it with you or?

1 CHIEF HYSLOP: Manitoba Hydro has not
2 approached Northlands First Nation or it hasn't explained why
3 it wants to change its rates, neither by letter nor by phone
4 or by fax or whatever. Never been consulted.

5 DR. KATHI AVERY-KINEW: One of the parts of
6 the application, Chief Hyslop, is about a residential rate
7 and Manitoba Hydro's application says that it usually
8 consumers who don't use electric heat use around eight
9 hundred (800) to a thousand (1,000) kilowatt hours per month
10 and that they would keep up to a level of two thousand
11 (2,000) kilowatt hours per month at the same, kind of, grid
12 level that it is around the province, I think I'm expressing
13 that appropriately.

14 I'm just wondering, do you have an idea for
15 your houses in your communities, would two thousand (2,000)
16 kilowatt hours a month be normal or onethousand (1,000) or
17 -- I know that's difficult but you might know?

18
19
20

(BRIEF PAUSE)

21 MR. MICHAEL ANDERSON: At the risk of
22 providing evidence, the Chief has asked me just to respond,
23 may I?

24 THE CHAIRMAN: Certainly.

25 MR. MICHAEL ANDERSON: The Regional Chief had

1 mentioned that Chief Hyslop's community had approached MKO
2 regarding what they saw as a crisis in their electricity
3 bills, particularly the Northlands Denesuline Education
4 Authority and I won't go further except to say that to answer
5 the question about residential consumption, the bills that we
6 were provided to analyse, with the assistance of the
7 Education Authority's manager and the managers from the First
8 Nation, approach an average of about thirteen hundred (1300)
9 kilowatt hours, if I recall the numbers.

10 They're not presently with me but that's my
11 recollection of the numbers.

12 THE CHAIRMAN: Thank you.

13 DR. KATHI AVERY-KINEW: Thank you. We did
14 have evidence presented, or a statement presented, by the
15 Northwest Company about how the cost of food would be
16 increased and I understand you're presenting that as well.

17 Your main concern is about the general service
18 rates and the government rates rather than the residential
19 rates; is that right?

20 REGIONAL CHIEF FRANCIS FLETT: I think we're
21 -- we're concerned about the entire rate. It's not just the
22 commercial but also the residential. Like, Chief Bussidor, I
23 think, can -- can tell you safely that probably her monthly
24 bill is about three (3) to four hundred dollars (\$400) a
25 month.

1 CHIEF ILA BUSSIDOR: I think what we have to
2 understand here is that we are concerned about the overall
3 increase that's going to take place or that Manitoba Hydro is
4 planning to -- to place that on these four (4) communities
5 that are serviced by diesel generators.

6 The community cannot afford to pay those kind
7 of bills when we don't have an economic base, the majority of
8 the people live on -- on social services. So in a community
9 like Tadoule Lake if a single person gets less than two
10 hundred and fifty dollars (\$250) for -- to live on for the
11 month, if their Hydro bill is between a hundred (100) to a
12 hundred and forty (140) that takes away, right there, it's
13 automatically taken off at the social service office to pay
14 Manitoba Hydro and the rest of whatever is left is for that
15 person to live on and if -- like -- the Vice Chief mentioned
16 here, the cost of food is very high.

17 And any time there's an increase anywhere, the
18 Northern Store is going to up something and I think that's
19 why I mention the high cost of our -- the essential foods
20 that is needed by -- by the infants, children and milk is one
21 of them. But we have to pay twelve dollars (\$12) for a jug
22 of milk, 2 percent milk and I think that's -- it's a crime
23 when you have to -- to have no choice but -- but to buy it.

24 Somebody out there is -- is benefitting but
25 it's not the people of these communities. Many times we have

1 had problems where there was a shortage and we'd be out of
2 power for four (4) to six (6) hours and because of the remote
3 -- remoteness of these communities, they have to fly somebody
4 in from Thompson to come and service whatever the problems
5 are.

6 And we don't have, like, an instant fix right
7 there. So if there's an emergency at one of the nursing
8 stations then, you know --they just -- you know, basically
9 say, it's too bad but you're going to have to wait until we
10 get there.

11 So, it's quite a concern for us and I guess if
12 you can hear the plea and the desperation of our communities
13 that we cannot afford to -- to see our people paying like
14 three hundred (300) to four hundred (400) Hydro bill every
15 month and during the Winters it's pretty high.

16 I think what I would recommend from -- I would
17 request from Manitoba Hydro is visit the communities. Come
18 and meet our people. Come and see what our community -- how
19 we live and maybe and you can begin to understand where we're
20 coming from.

21 Maybe then, you know, you can begin to open
22 the dialogue between our communities and Manitoba Hydro and
23 to work something out that would be to the benefit of all.
24 One of the things that I think is very interesting is our
25 long-term plans for something that can be -- be not as costly

1 as what we're doing right now.

2 There's other options other than generators.
3 You know, diesel operator generators and with this high tech
4 happening right across the world, I'm sure, you know,
5 somebody as big as Hydro can come up with something that will
6 reduce the costs for -- for our people.

7 So maybe this is something that we can, you
8 know, plan in this new year where I would openly invite
9 Manitoba Hydro to come into my community and visit and -- and
10 meet the people.

11 So with that, Massi.

12 THE CHAIRMAN: Dr. Kinew...?

13 DR. KATHI AVERY-KINEW: Thank you. I just
14 have a couple more questions. One, that you referred to the
15 reliability of the diesel service, I understand your
16 communities have to wait if there's a service breakdown.
17 Does that happen very often? Is it in certain regular times
18 of year like February or something or is it -- do you have a
19 good response rate from Manitoba Hydro?

20 CHIEF JOE HYSLOP: It happens about three (3)
21 or four (4) times a year. Sometimes it takes eight (8)
22 hours, nine (9) hours for Manitoba Hydro to come in to do
23 what has to be done to put the power back on to our
24 community. But people are using diesel -- diesel powered
25 furnaces now. They -- they're the ones that suffer as well.

1 Last year I put -- I put in fifteen (15)
2 diesel power operated furnaces. This year I'm putting
3 another twenty-five (25), and imagine how much -- what it's
4 going to do to -- to the generators in the next couple of
5 years. How much the increase on the hydro bill would be.

6 THE CHAIRMAN: Chief Hyslop, when you talk
7 about putting diesel heaters into your home, is that a
8 furnace that is fed by diesel?

9 CHIEF JOE HYSLOP: Yes.

10 THE CHAIRMAN: Thank you. Dr. Kinew...?

11 DR. KATHI AVERY-KINEW: Chief Hyslop, and,
12 Chief Bussidor, we've heard evidence from Manitoba Hydro that
13 they have a PowerSmart program that they try and encourage
14 people to conserve energy, and I just wondered if you've had
15 any experience and have you heard from them, have you
16 received any pamphlets in Cree or Dene language or have they
17 come to your community, have they discussed this with you?

18 Where did the idea come to put in furnaces
19 that were powered by diesel, when Manitoba Hydro's saying
20 that's very inefficient use and they were discouraging that.
21 Did they ever come and talk to you about discouraging that?

22 CHIEF JOE HYSLOP: Yeah, the pamphlets, we got
23 some of these pamphlets, but -- and -- we would like to enjoy
24 what other Canadians enjoy as well. We got elders that are
25 not -- that cannot go into those woods and cut wood for

1 themselves, we have to look after these elders, regardless
2 what we do, Manitoba Hydro is making us stand at the edge of
3 a cliff, and say whether you pay or not, we're still going to
4 push you off.

5 And I don't know how they went about going
6 into my community, I just got back to Northlands First Nation
7 back in 1993, but these grids going into our community, with
8 Manitoba Hydro putting in these power grids in our community,
9 not -- they are not paying the First Nations for the services
10 they are giving us.

11 We are not charging them for putting these
12 grids in our community, that has to be considered too. They
13 can come into our community at free of charge and charge us
14 an arm and a leg to get the services that we need, that other
15 Canadians enjoy.

16 If they want to consider us Government, then
17 we have to sit down and negotiate at a community level, how
18 we can charge them as well, thank you.

19 CHIEF ILA BUSSIDOR: I think I want to add to
20 that, that when Manitoba Hydro comes into Tadoule Lake back
21 in the early '70s, when they were putting these diesel
22 generators into the community to service our hydro. I know
23 that right away this building was put on Crown land, so it's,
24 you know, beyond the -- the border lines, so we can't even
25 you know, charge rent or something for -- for the community.

1 They make sure that everything is on Crown land.

2 And you asked me, I guess, Robert Mayer, Mr.
3 Robert Mayer, at the beginning you said, are you -- are your
4 people or First Nations people the responsibility of Indian
5 Affairs? I think that the way that -- that I want to respond
6 to that, I think it's a very important question. And also on
7 Regional Vice Chief Francis Flett, I think touched on that.

8 But because of the Treaties that were signed
9 with -- with the Crown and with the First Nation people right
10 across Canada, Canada has a responsibility to our people, our
11 First Nation people, which was never fulfilled.

12 And if Manitoba Hydro can -- can say that it's
13 not the responsibility of Manitoba Hydro, I think that is --
14 it's not right, because this is Canada. And the Province is
15 part of Canada, so every time there's -- there's -- there's
16 something to -- to take responsibility for, Canada will throw
17 it back at the Province, or the Province will throw it back
18 at -- at Canada, and who is caught in the middle but -- but
19 the people that are -- are suffering for those things.

20 And the only reason that Indian Affairs pays a
21 certain amount of money to the First Nations to -- for us to
22 survive, is because of the Treaty obligations that were not
23 fulfilled. And even that, you know, it's a shame that our
24 people have to -- to -- to continue to live the way we live
25 today, after over a hundred (100) years of this -- this

1 Treaty that was signed.

2 And Manitoba Hydro is a -- is a mega business.
3 And I believe that because of the resources that it's taken
4 from our lands, that we should at some point be able to
5 negotiate what rightfully belongs to us, that's part of the
6 Treaty.

7 DR. KATHI AVERY-KINEW: Thank you very much.
8 All right, I have two (2) more questions, one (1) has to do
9 with pollution, the other has to do with training. Does
10 Manitoba Hydro train any of the people in your community, so
11 that you wouldn't have to wait eight (8) or nine (9) hours?

12 CHIEF ILA BUSSIDOR: No, they're not.

13 DR. KATHI AVERY-KINEW: Have you ever had any
14 discussions with Manitoba Hydro, where that could happen?

15 CHIEF ILA BUSSIDOR: I have never had the
16 opportunity to sit down with any representatives from
17 Manitoba Hydro to discuss what is -- is best for -- for my
18 community. And I would, you know, say that I think the other
19 three (3) First Nations that are affected by this are
20 probably in the same situation.

21 DR. KATHI AVERY-KINEW: Thank you. The last
22 one (1) about pollution, what happens with the -- the diesel
23 that is imported into your community and who looks after the
24 drums, the oil drums or whatever, are there leaks, or is
25 there a problem with environmental contamination?

1 REGIONAL CHIEF FRANCIS FLETT: Maybe I'll try
2 and answer that question, because it's not only the diesel
3 communities that are present, there's four (4) so far. There
4 have been quite a few of our First Nation's people, or
5 communities that had diesel power before. And each one (1)
6 of those communities had a problem with soil contamination.

7 If you look at the Mathias Colomb Cree Nation,
8 they've had to move houses, tear down a school, because of
9 oil contamination that was created when they had those diesel
10 generators in those communities.

11 And I'm pretty sure each and every one (1) of
12 these communities have that same problem. I talked to Patty
13 Massan (phonetic), who used to be the loader operator in
14 Shamattawa. He said, I went into the yard one (1) time and
15 the tractor sank on me, because of the oil contamination that
16 was there.

17 And all of these communities are faced with
18 that type of contamination, and a lot of our people have to
19 move their houses, they get sick and they completely have to
20 come out of the community for -- for medical attention.

21 And I know there's a lot of contamination in
22 these communities.

23 THE CHAIRMAN: Vice-Chair Mayer...?

24 MR. ROBERT MAYER: I have a couple of
25 questions for Regional Chief Flett. Firstly, good morning.

1 We have a lot of evidence in front of us, and
2 a lot of letters to and from you, and we have evidence from
3 -- from witnesses to date, through the letters again that
4 have been given to this Board, where it was indicated that
5 through MKO, I think when you were Grand Chief, that the --
6 that the communities agreed -- actually prior to when you
7 were Chief, the First Nation communities agreed to the
8 transfer of the Hydro accounts from Indian Affairs, who were
9 paying them at the time, directly to the First Nations.

10 Can you tell me why that was done?

11 REGIONAL CHIEF FRANCIS FLETT: Well, I guess
12 when First Nations communities took over and signed
13 agreements with -- with the Government of Canada, of course
14 which is Indian Affairs, INAC, in each Province they have
15 these certain agreements that they sign and that they would
16 fund certain things for certain purposes in the community.

17 And that's why a lot of these communities took
18 on the role of administering their own programs within the
19 community.

20 MR. ROBERT MAYER: When Indian Affairs had
21 you sign these agreements and when the First Nations accepted
22 the responsibility to be billed for the full cost of hydro,
23 did Indian Affairs at any time tell you they would fully fund
24 those -- those facilities or did they tell you they would pay
25 up to 20 percent, 80 percent, 90 percent or 100 percent

1 depending on the type of facility?

2 REGIONAL CHIEF FRANCIS FLETT: I think a lot
3 of times -- a lot of these arrangements -- funding
4 arrangements were done on a formula that Indian Affairs had
5 before and those are the same formulas that we have today
6 with the exception -- I'm not sure exactly if our communities
7 knew that there was a surcharge implemented on Manitoba Hydro
8 to -- to the Government of Canada.

9 As we all know, governments do have a lot of
10 money but First Nations people don't so why are -- why -- why
11 was Hydro charging those surcharges when I think it's very
12 clear that it was intended for the federal and provincial
13 governments.

14 MR. ROBERT MAYER: I understand your
15 position, Mr. Flett, but the indication we have is from --
16 when the bi -- when the -- now my dates may be a little wrong
17 cause I'm trying to remember back, but as we understand it
18 sometime around 1987 First Nations agreed to accept
19 responsibility for -- to transfer all the Hydro accounts from
20 INAC or Indian Affairs as it then was, directly to the --
21 each of the First Nations.

22 Then, despite that, from 1987 to sometime in
23 2000, my best understanding is November of 2000, when you,
24 sir, met with Mr. Brennan, that INAC was in fact, paying the
25 full amount of those bills and that after your discussion

1 where you, on behalf of the First Nations, agreed to -- or
2 asked to have the surcharge billed directly -- the letters
3 are a little unclear so perhaps maybe you might tell us what
4 you thought you agreed with Bob Brennan about?

5 I'm in possession of the letter Brennan to you
6 dated what appears to be November 30th, 2000, where he
7 basically says, the surcharge still have to be paid but we
8 agree with you, you shouldn't pay it or the First Nations
9 shouldn't pay it, INAC should pay it.

10 They sent the bills out to INAC at which point
11 in time the surcharge stopped being paid. But up until that
12 time we're told that the surcharge had been paid by INAC and
13 I'm -- I'm trying to understand exactly what happened between
14 you and Mr. Brennan that stopped INAC from paying those
15 surcharges?

16 REGIONAL CHIEF FRANCIS FLETT: Okay, I'll try
17 and answer it in this way, I know when I met with Bob and
18 when we first -- when I first made my opening remarks, I
19 mentioned Chief Hyslop's community were being overcharged by
20 Manitoba Hydro on a surcharge that a government should --
21 should have been paying.

22 But, in order for us to -- to find out why we
23 were in debt, we had to go into trying to find out and
24 exploring how we can get away from these debts that were
25 being created. As far as I know and what I understand is

1 that these sur -- these surcharges had continued to be
2 implemented by Manitoba Hydro.

3 But when we found out that they were serving
4 -- they were still expecting the communities to pay, that's
5 when MKO decided that we are going to meet with Brennan and
6 that -- that's when they stopped the surcharges when I met
7 with him.

8 What -- what Manitoba Hydro and the Department
9 of Indian -- Indian Affairs decide to do on their own is up
10 to them. But I don't think I can answer that question for --
11 for INAC or for Manitoba Hydro.

12 The only thing I know is we've stopped
13 Manitoba Hydro from charging First Nations those rates,
14 because those rates were intended -- you see, these schools
15 were run by Governments before; right?

16 Everything that was run, was run by
17 Government. So, we decided we were going to take over these
18 things, but we -- we didn't -- we didn't expect to pay a
19 surcharge to anybody for -- for any other reason, because we
20 are in this Province of Manitoba, and I think it's very clear
21 in Hydro's mandate, that they're supposed to provide a
22 service to everyone in Manitoba at an equal rate.

23 And I know the Premier has been talking about
24 equal rates during the election promises, and now Manitoba
25 Hydro comes up with a two point two dollar (\$2.20) inflation

1 rate.

2 But I cannot answer that question for -- for
3 INAC or Hydro, they would have to settle it, as long as First
4 Nations don't have to pay.

5 MR. ROBERT MAYER: Regional Chief Flett,
6 firstly, there's certainly some misunderstanding around the
7 room. Firstly, Hydro has not asked for any increase in
8 residential rates up to two hund -- two thousand (2,000)
9 kilowatt hours per month, and those rates are equal to what
10 everybody else in -- every other residential Hydro customer
11 in Manitoba pays.

12 There's no -- no request for an increase
13 there, and you are in fact up to two thousand (2,000)
14 kilowatt hours, which we are told is enough electricity to do
15 everything you would need to do, except heat. Because they
16 say heat -- electric heat is not a good way to produce heat
17 in remote communities.

18 So the residential rates are not being
19 touched. The other thing that's getting a little disturbing
20 is that you mention that you thought the deal was between
21 Hydro and INAC, Hydro thought the deal was between INAC and
22 MKO or the First Nations.

23 And it's rapidly becoming obvious that
24 probably all three (3) organizations should have been in the
25 same room at the same time, because we clearly have different

1 points of view from different parties to these
2 understandings, and you give us yet a third point of view.
3 We have INAC's, we have Hydro's, now we have yours, and quite
4 frankly, sir, no three (3) of them seem to match.

5 REGIONAL CHIEF FRANCIS FLETT: Well, as far as
6 I'm concerned, the only thing I -- I did was we got -- we got
7 our rates reduced to thirty-five (35) cents from eighty (80),
8 and I never agreed to anybody paying that rate either.
9 Whether Indian Affairs and -- and Manitoba Hydro talked about
10 it, that -- that's up to them, but I -- I still disagree with
11 the surcharge.

12 MR. ROBERT MAYER: Thank you, sir.

13 THE CHAIRMAN: Thank you very much. Chief
14 Hyslop...?

15 CHIEF JOE HYSLOP: On that question, that you
16 -- Mr. Mayer, maybe I'll give clarification on -- on that. I
17 was the one (1) that wanted to meet with Hydro at the very
18 beginning.

19 I guess when -- just -- just to make it clear,
20 I'm going to say Northlands First Nation doesn't have the
21 resources to pay what's -- what's at hand at this time.

22 Then on the other hand, when I -- I enjoyed
23 the question that you threw at our Regional Chief. Why we
24 wanted to look after our own affairs, we talk about self
25 government at community levels and right across the country.

1 But then again on the other hand, the
2 Department of Indian Affairs and Hydro and so forth, when we
3 took, I guess when we took that road of having that
4 responsibility of looking after our own affairs was -- we
5 thought we'd get the money with what we wanted to do.

6 But in the Government, if I produce a bill to
7 you, to any Government, and they are the Government, they
8 want to make sure that bill is paid, whether it's a million
9 dollars, \$2 billion dollars, they want to make sure that bill
10 is paid. So, they have enough money to pay that bill,
11 because they're Government. But when you give it to the
12 First Nation, and Manitoba Hydro is costing a lot more than
13 what the Department of -- Department of Indian Affairs has
14 given us, how do we manage to pay that bill?

15 But Indian Affairs didn't have any problem
16 paying the bill because they were sitting right on top of the
17 money. Consideration wasn't given or there was no
18 negotiations on either part, whether the Department of Indian
19 Affairs or Manitoba Hydro. And we're funded on formula base,
20 there's no negotiations whatsoever. This is how much you
21 get. If Hydro -- charges you more, that's your problem.

22 Well I hope that answers your question, sir.

23 MR. ROBERT MAYER: Quite frankly, Chief, that
24 is part of what we've been hearing and I'm certainly glad to
25 hear that -- you clarified the situation a lot for me and I

1 CHIEF FRANCIS FLETT: I just want to make an
2 additional comment. I know the question is, did we know for
3 sure that when we took over the positions of -- of having to
4 run our own affairs in our community. Everything that we
5 negotiate, sometimes in those agreements are not included in
6 a lot of these things.

7 That's why today even in the health issue, a
8 lot of -- even the provincial people and the INAC people of
9 Manitoba say we're in debt because we do not have that money
10 to pay for all the services that are required to provide the
11 proper health care of our people.

12 Those agreements were signed based on -- on
13 the understanding that we were going to take over these
14 things. It doesn't necessarily give everybody the right that
15 they all know should be -- been funded for. If we're basing
16 our decision on somebody saying to you, well they were given
17 the transfer of these programs. Without really fully
18 realizing that the funding was not fully there.

19 How can Manitoba Hydro say to you, that they
20 knew that we knew. They can't because as of today, right
21 now, there are a lot of agreements within First Nation
22 territories that do not cover everything because we are not
23 given everything that -- that we should have been
24 understanding about. Especially rates that are much higher
25 than anybody else's.

1 If I can be permitted, can I ask a couple of
2 questions?

3 THE CHAIRMAN: You can pose those questions
4 to the Board. The Board won't answer them, but we will get
5 answers to them for you.

6 CHIEF FRANCIS FLETT: Okay. Maybe one of the
7 questions is, does Manitoba Hydro pay to the Province for all
8 the -- the poles that they put up? The power lines, the
9 lines that go through the provincial territory like they say.
10 Do they do that? Do they pay to the government for those
11 lines and the poles that they put up in those territories?

12 THE CHAIRMAN: Chief Flett, I think I can
13 answer that question just based on my knowledge and the
14 answer to it is, basically, no.

15 REGIONAL CHIEF FRANCIS FLETT: No.

16 THE CHAIRMAN: No.

17 REGIONAL CHIEF FRANCIS FLETT: They -- they
18 have a free range of where they can put these poles and these
19 hydro lines and --

20 THE CHAIRMAN: The question is a little more
21 -- the answer to the question is a little more complicated
22 but basically in urban communities where there are poles lain
23 or set up and lines to serve residences and businesses, there
24 is no contribution made to local government or to the
25 province.

1 REGIONAL CHIEF FRANCIS FLETT: There's
2 absolutely none?

3 THE CHAIRMAN: None.

4 REGIONAL CHIEF FRANCIS FLETT: See, and
5 this -- and this is where the situation gets different. This
6 is a First Nation territory and of course when we say
7 something to the province and we want something they say it's
8 none of our business, there's nothing we can do.

9 Now, we say to the utility or a corporation,
10 you've got to pay us for the use of our land if you're going
11 to provide that service, I know cable companies pay certain
12 organizations where they have to provide a cable service.
13 Hydro doesn't do that to First Nations people.

14 And that's what we mean by sharing some of
15 those resources. It's perfectly well and good for Hydro to
16 be able to do those things and to provide us that service but
17 we also need, I guess as a First Nation people, to be
18 respected like anybody else.

19 You look at the dams that have been built over
20 the past few years. I was involved in one of them which was
21 the Forbay (phonetic) in the Grand Rapids and the problems
22 that they have today with all these dams that were built is
23 because nobody went to negotiate with those First Nations
24 people.

25 Nobody went to tell them that this was going

1 to happen. Lands were flooded. First Nations people got
2 offended by that because they're losing their treaty right.
3 You have to start considering that there are treaty rights
4 that affect people out there.

5 No matter what, whether it's diesel power or
6 not, there's treaty rights that affect people. There are
7 rights that affect those people. There are costs associated
8 with making those changes. I know two dollars (\$2) doesn't
9 sound very much to someone but when you're out in a remote
10 community and you can't afford it, two dollar (\$2) goes a
11 long way.

12 I would urge you, as a Board, to say no to
13 Manitoba Hydro for those rates. Fix some of the problems
14 first with Manitoba Hydro before they do anything else.
15 That's all I'd like to say and I think you very much for your
16 time, consideration of questions and thank you very much to
17 each and every one of you. Thank you.

18 THE CHAIRMAN: Regional Chief, just before I
19 thank the three (3) of you for your very thoughtful
20 presentations to this Board, one of the issues that you've
21 outlined at some length is the affordability of electric
22 power and the resources that you get from the government of
23 Canada to fund the facilities in your own communities.

24 Have you most recently sat down with the
25 government of Canada, through Indian and Northern Affairs and

1 expressed those concerns and tried to get an increase in the
2 support that is offered to you?

3 REGIONAL CHIEF FRANCIS FLETT: Well, during
4 the discussions I had with Bob Brennan, I did sit down with
5 INAC to discuss the issue of why these people were charging
6 us the surcharge. And I said that we were not -- we were not
7 a government as to their description in the -- in the --in
8 the -- in their own policy which dictates that it's a federal
9 and provincial government that they were looking for.

10 It doesn't say anything about a First Nation
11 government but I did bring that up with -- with INAC and I
12 guess that's entirely up to INAC and Manitoba Hydro. But one
13 way or the other, if you look at the whole issue, and I'm not
14 trying to get away from the issue of the -- the increase, but
15 one way or the other you look at it, these First Nation
16 communities that have diesel power, either somebody has short
17 changed them, or somebody's overcharged them, one (1) of the
18 two (2).

19 But we think they were overcharged, whether
20 INAC gave them the funding or not, that is up to them to tell
21 you that, because they're the only ones that get those
22 funding arrangements, we don't really know exactly how much
23 they do get in their own agreements. So, they would only be
24 the ones that would be able to answer that question.

25 THE CHAIRMAN: Thank you very much, Chief

1 Flett, and I want to thank Chief Bussidor and Chief Hyslop
2 for spending the time with us. It certainly is much
3 appreciated and it gives the Board a better understanding of
4 the issues. Thank you very much, and our best wishes to you,
5 thank you.

6 CHIEF JOE HYSLOP: Thank you.

7 THE CHAIRMAN: Ladies and gentlemen, it's five
8 (5) after 11:00, may I suggest that we take just a very short
9 break of ten (10) minutes, be back in this room at quarter
10 after 11:00, and I'll turn it back to Mr. Anderson at that
11 time.

12

13 --- Upon recessing at 11:07 a.m.

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

15

16 THE CHAIRMAN: Ladies and gentlemen, if I may,
17 in my experience sitting in this chair has dictated that it's
18 -- when I give a break to the Proceedings, it's like opening
19 the top of a bottle that has a vacuum and it tends to fill up
20 with air, and sometimes I can't get things back to order.

21 Mr. Anderson, you kindly stood down for the
22 presentation we just heard. Are you ready now to continue?

23 MR. MICHAEL ANDERSON: Yes, Mr. Chair, I had
24 moved quite a few things to accommodate them, and I'm just
25 making sure I have them all in front of me again.

1 (BRIEF PAUSE)

2
3 MANITOBA HYDRO PANEL, Resumed

4
5 MR. MICHAEL ANDERSON: One (1) thing I'd just
6 like to mention is that during the break I had requested some
7 assistance from Board staff who are -- are kindly pulling up
8 the information in reply to MKO/MH-1-4 in the previous
9 proceeding which -- in which question we asked for the
10 Manitoba Hydro customer policy application document for all
11 rates and service.

12 So we're hoping that actually the documents
13 that we were, in part, looking for for my examination this
14 morning are in the building and when they're available we'll
15 -- I'll use them at that time.

16 THE CHAIRMAN: Thank you.

17 MR. ROBERT MAYER: In the interregnum, how
18 are we getting on that undertaking to tell me how many times
19 you guys have been in those communities?

20 MR. ROBERT COX: I have part of it done now.
21 We should have it done this afternoon.

22 THE CHAIRMAN: Mr. Anderson...?

23 MR. MICHAEL ANDERSON: Thank you, Mr. Chair.

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: Touching, again, a
2 bit on the exploration of government and non-government
3 customers and rate application and following my comment that
4 we hope to soon have the -- customer policy documents for all
5 rates in service at that -- as of that time, would you agree
6 that for an electricity service such as the diesel zone where
7 the costs for some customers are quite -- are considerably
8 greater than those on the grid, that it's essential for the
9 utility to ensure that the rates are properly applied to the
10 correct customer?

11 MR. ROBIN WIENS: In normal circumstances, I
12 would say, yes, it's very important to make sure that you're
13 applying the right rates to the right customers.
14 Unfortunately, what we have here is not a normal circumstance
15 and it's a circumstance in which we had -- we had a customer
16 transfer accounts.

17 We did not have the ability to determine for
18 ourselves precisely which accounts were appropriately charged
19 with a surcharge and which were not and Manitoba Hydro staff
20 did what was their best under the circumstances.

21 MR. MICHAEL ANDERSON: Thank you, Mr. Wiens.
22 Would you agree that one potential outcome of inadvertent
23 rate -- misapplication would be -- could result in
24 substantial overcharges to a customer, for example if they're
25 non-government and they're actually being billed at

1 government?

2 MR. ROBIN WIENS: Well, if you -- if you want
3 to characterize it that way, certainly, I guess, that's
4 possible. But also it's possible that it could go the other
5 way around. Manitoba Hydro's position in regard to the
6 surcharge was that there was a target revenue that we needed
7 to recover from the surcharge in order to -- in order to
8 accord with -- with our policies and our expectations.

9 And if -- if, for example, one account -- a
10 number of accounts might have been, as you characterize it,
11 Mr. Anderson, overcharged, if -- if that were to be remedied
12 then in theory, and in practice, we would have to go back and
13 try to collect that from the remaining accounts.

14 MR. MICHAEL ANDERSON: Thank you, Mr. Wiens.
15 As a round number, would you agree that the -- that the --
16 the government rate that is being applied to customers within
17 the communities -- the current government rate is some
18 sixteen (16) times higher than the equivalent general service
19 rate that was applicable prior to your uniform rates being
20 established?

21 MR. ROBIN WIENS: You're referring to the
22 current government rate plus surcharge at about eighty (80)
23 cents?

24 MR. MICHAEL ANDERSON: Correct.

25 MR. ROBIN WIENS: And the general service

1 rate that is applicable on the grid and to the first three
2 thousand (3,000) kilowatt hours in the diesel communities are
3 ranging from typically between five and a half (5 1/2) and
4 six point two (6.2) cents. So fourteen (14) or fifteen (15)
5 times might be closer but -- but I won't split hairs with you
6 on that, Mr. Anderson.

7 MR. MICHAEL ANDERSON: Thank you, Mr. Wiens,
8 that's really, the magnitude is what I was searching for.

9 In the event that the utility has any
10 misapprehension about the proper application of the rate to a
11 customer, where the customer is potentially facing a rate
12 sixteen (16) times more, thirteen (13) to fourteen (14) times
13 more than grid, does that not provide a compelling onus upon
14 the utility to ensure that the rate is being properly
15 applied?

16 MR. ROBIN WIENS: I think over the years
17 Manitoba Hydro has done its best to try to assure that the
18 rate was properly applied.

19 Our -- our position is also that ultimately
20 the Government of Canada, through Indian and Northern Affairs
21 is responsible for providing the funding to meet these
22 surcharges, and so if -- if one (1) account is overcharged
23 and another account is undercharged, it's really our position
24 that the final payer, or -- or the final funder was Indian
25 and Northern Affairs Canada, and that therefore the

1 significance of our having failed to absolutely make certain
2 which accounts would be surcharged, and which accounts
3 shouldn't be surcharged, was in the final analysis, because
4 -- because it was the responsibility of Indian and Northern
5 Affairs Canada, that it would ultimately find its way back
6 there anyway.

7 MR. MICHAEL ANDERSON: In terms of the
8 customer managing their affairs, do I understand you to say
9 that Manitoba Hydro is not concerned about the potential
10 impact on the customer that might be overcharged?

11 MR. ROBIN WIENS: Mr. Anderson, in -- in all
12 cases what we are dealing here with is First Nation accounts,
13 that our understanding is, are provided funding by the
14 Government of Canada -- of Canada.

15 Yes, in an ideal world where we could have
16 that certainty, we would have been concerned. We were not
17 operating in that ideal world.

18 MR. MICHAEL ANDERSON: My question points to
19 that you've indicated that your understanding and your focus
20 is on what you believe to be the ultimate source of the
21 funding. My question points directly to the customer on the
22 bill. Are you -- are you unconcerned in respect of the
23 customer on the bill being -- receiving a bill with a rate
24 that's correct, in terms of the asset for which the bill was
25 associated?

1 MR. ROBIN WIENS: Mr. Anderson, we're -- we're
2 not unconcerned, but I think we do have to bear in mind, as
3 Mr. Cox testified, that in -- in 1987, the Government of
4 Canada gave us undertakings that it would provide sufficient
5 funding to cover all the costs that were associated with
6 those accounts. And Manitoba Hydro relied on that
7 understanding.

8 MR. ROBERT MAYER: But just following from Mr.
9 Anderson's last question, Mr. Wiens, have I missed something?
10 But it's my understanding that since November of 2002, what
11 went on the customer's account, the First Nation's account,
12 was the general service rate, and everything else went to
13 INAC; am I not correct on that?

14 MR. ROBIN WIENS: You are correct on that,
15 sir.

16 MR. VINCE WARDEN: Just the date being
17 November 2000, I think you said 2002.

18 MR. ROBERT MAYER: Thank you, I was looking at
19 the November 11th, 2000 letter, when I thought about it.

20

21 CONTINUED BY MR. MICHAEL ANDERSON:

22 MR. MICHAEL ANDERSON: And this morning when I
23 began to ask questions regarding the customer application
24 policy that appears in INAC-2, I was advised that it was a
25 draft, and some questions were suspended. But I do know that

1 at the beginning of the Proceeding, Ms. Ramage had filed as a
2 Manitoba Hydro exhibit, MKO/MH-2-9, from the 1994 Proceeding.
3 And indicated that Ms. Ramage felt that there was some weight
4 on that exhibit and it should be filed and brought to the
5 attention to the Board again, for which I'm appreciative.

6 Mr. Wiens, do you...

7

8 (BRIEF PAUSE)

9

10 MR. MICHAEL ANDERSON: Do you have it?

11 MR. ROBIN WIENS: Yes, we do.

12 MR. MICHAEL ANDERSON: Thank you.

13

14 (BRIEF PAUSE)

15

16 MR. MICHAEL ANDERSON: This -- would you
17 confirm that in 1994 that this reflected the status of
18 Manitoba Hydro's understanding about the difference between
19 the various assets, the difference between how these various
20 assets are resourced, and summarizes the Manitoba Hydro Rate
21 Application Policy?

22 Particularly the references to full cost
23 Government and full cost non-Government?

24

25 (BRIEF PAUSE)

1 MR. ROBIN WIENS: Mr. Chairman, this response
2 was filed to indicate to the Board and to the participating
3 parties in the 1994 Proceeding, which customer -- which
4 customer classes or which rate classes the First Nation
5 Government facilities accounts fell into.

6 And we, in addition, did lay out the criteria
7 that we were trying to use in order to make that distinction.
8 And it is -- it is, yes, a reflection of how we attempted to
9 apply the Government classification to accounts, yes.

10
11 (BRIEF PAUSE)

12
13 MR. MICHAEL ANDERSON: And you would agree
14 then, recognizing that its draft, that the same distinctions
15 for the type of assets that appear at 5.3.1 of INAC -- of the
16 reference at page 61 in INAC-2, continues to reflect those
17 same distinctions that appear in the 1994 reply?

18 MR. ROBIN WIENS: Again, this document was a
19 draft document, my recollection is it was an attempt to
20 provide some further precision and direction to our staff who
21 are operating in Northern Manitoba, as to what accounts would
22 likely be substantively funded by Government, and which
23 accounts were not.

24 In the end, my recollection is that we
25 determined to -- not to follow through with this particular

1 revision, and to leave the policy -- customer policy
2 documentation as it stood.

3

4

(BRIEF PAUSE)

5

6

MR. MICHAEL ANDERSON: And -- and I notice
7 that these are summary documents, in your comments today, and
8 in previous testimony you were very precise about percentages
9 of funding levels.

10

Can you advise at what point Manitoba Hydro
11 became aware sufficiently of the differences between assets
12 and how they are funded, for you to be able to describe it
13 with that level of detail?

14

MR. ROBIN WIENS: I believe I used the term
15 substantively funded by Government, and -- and in response to
16 a question from Mr. Mayer, I -- I -- I indicated that I
17 believed that 80 percent would indicate substantive funding.

18

I am not sure that that precise figure was
19 applied in every case where a decision was made as to whether
20 an account -- a new account coming in, in one (1) of the four
21 (4) communities, was or was not Government.

22

MR. MICHAEL ANDERSON: In the transcript
23 reference that I used before -- previously, you had very
24 precisely listed the categories of funding 20 percent, 80, 90
25 and 100. At what point were -- was that level of detail

1 available to Manitoba Hydro's rates department, such that you
2 could recite it with such clarity?

3 MR. ROBIN WIENS: My recollection is that that
4 -- that particular information was provided by -- by a
5 representative of INAC, Mr. Fred Mills, at a meeting held in
6 Manitoba Hydro's offices. I can't recall the exact date, but
7 it was likely sometime in -- in 2002.

8 MR. ROBERT MAYER: My recollection of that is
9 similar to yours, that -- and that was the evidence at the
10 previous hearing, that this precise kind of information, at
11 what level Indian Affairs funded the Bands, seemed to have
12 come out as a result of most -- of the Interrogatories at the
13 status update hearing, which we -- which we seem to call it
14 these days.

15 DR. KATHI AVERY-KINEW: Mr. Anderson, would
16 this be the meeting on March 14th, 2002, that's page 28 of
17 the volume?

18 MR. MICHAEL ANDERSON: Yes, it would be.

19

20

(BRIEF PAUSE)

21

22 That's page 28 of INAC-2, if anyone was
23 looking for Dr. Kinew's reference.

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: When this additional
2 detail became available to you though, did it -- did it cause
3 a review of your customer application policy?

4 MR. ROBIN WIENS: No, it did not. By the
5 time this was provided to us, of course, the issue may well
6 have been moot because none of the First Nation accounts, at
7 that time, were being si -- were being invoiced on the full
8 amount of their bill. The remainder was being invoiced
9 directly to INAC.

10 MR. MICHAEL ANDERSON: In light of this --

11 MR. ROBIN WIENS: Sub -- subsequent to that,
12 Mr. Anderson, later on in 2002, after the completion of the
13 Status Update Hearing, Manitoba Hydro prepared the current
14 application which was before the Board in which we did seek
15 to -- very much, to clarify that situation as all the parties
16 here are aware.

17 MR. MICHAEL ANDERSON: Given the -- after you
18 obtained that information from Indian Affairs at the meeting
19 of March 14th, 2002 indicating that you said that may have
20 been moot, did you determine, however, that your earlier rate
21 application policy, for example, from MKO/MH-2-9 was, in any
22 way, substantially different from the recent information that
23 Indian Affairs had provided to you?

24 MR. ROBIN WIENS: We did not make that
25 determination, no.

1 MR. MICHAEL ANDERSON: If I asked you that
2 now, is there any substantive difference that you can see
3 between your earlier application policy, as indicated in
4 MKO/MH-2-9 and the information provided to you in 2002 by
5 Indian Affairs; is there any substantive difference between
6 that information and your actual policy?

7 MR. ROBIN WIENS: Again, that's -- that is
8 something that we -- we would be able -- we would be able to
9 determine given enough time to go over and review it. I
10 suspect that there would not be a substantial difference and
11 -- and I suspect, and only on the basis of some conversations
12 that we've had, that there would probably be more rather than
13 fewer accounts that would be considered government accounts.

14 MR. MICHAEL ANDERSON: When Manitoba Hydro
15 develops rate polices, and I'll be specific to the diesel
16 service zone, and following a comment where the charges for
17 electricity are substantial, does Manitoba -- in the
18 development of the policies for the diesel service zone, did
19 Manitoba Hydro consult or discuss with the customers in order
20 to ensure that you had adequate information to establish a
21 policy that was effective?

22

23

(BRIEF PAUSE)

24

25

MR. ROBIN WIENS: Mr. Anderson, there's --

1 there's a whole range of issues and points of discussion that
2 could be referred to as policies; do you have any particular
3 policies in mind -- that you had in mind when you posed the
4 question?

5 MR. MICHAEL ANDERSON: I was specific to the
6 customer application policy in terms of the application of
7 the rates and service in the remote areas. When they were
8 being developed, did you develop them in discussion with the
9 customers to ensure that they would be correctly applied?

10 MR. ROBIN WIENS: The policy which
11 specifically identifies those First Nation accounts to which
12 the surcharge would be applied was developed internally back
13 in 1987 following the notice received from Canada that --
14 that -- that they would be transferring the addresses to
15 which the bills were sent. That policy has not changed.

16 So, in terms of discussing with the customers,
17 as to which rate application would apply, that would have
18 been carried on by our staff in the field. They would have
19 -- they would have met with the customer, they would have
20 made a determination as to what type of account it was.

21 And they would have made a decision as to
22 whether it was a Government account or not. And that, I -- I
23 -- I believe would have been done in consultation and in
24 discussion with the customer.

25 MR. MICHAEL ANDERSON: In discussion with the

1 customer, possibly in terms of its application, but as the
2 policy itself, you've -- you've indicated it was in --
3 internally developed by Manitoba Hydro without input from the
4 customer; is that correct? That is the application policy --

5 MR. ROBIN WIENS: Now, I -- I -- I was not
6 there at the time, but I -- I believe that the intent of that
7 policy was simply to assure that Indian and Northern Affairs,
8 now indirectly rather than directly, would continue to
9 shoulder its responsibility for assisting and meeting the
10 costs in those communities.

11 I -- I am -- I cannot say with certainty that
12 there was no discussion with any potential First Nations
13 customer. I think probably not, because as I say, the intent
14 was to -- to -- to ensure that we could carry on business as
15 usual at the time.

16 MR. MICHAEL ANDERSON: Given the significance
17 that the transfer of the --

18 MR. ROBERT COX: I'm sorry, if I may, Mr.
19 Anderson?

20 MR. MICHAEL ANDERSON: Please, Mr. Cox.

21 MR. ROBERT COX: At the time when the transfer
22 was happening, prior to that becoming effective, we did
23 supply the First Nations with billing history so that they
24 could appropriately budget for those amounts.
25

1 (BRIEF PAUSE)

2

3 MR. MICHAEL ANDERSON: To what time period did
4 this billing history cover?

5 MR. ROBERT COX: I don't remember exactly, but
6 I would think it would be a one (1) to two (2) year period.

7 THE CHAIRMAN: Just for clarification, Mr.
8 Cox, would that be in the '85/86 year?

9 MR. ROBERT COX: That would have been the time
10 frame that we would have provided that information.

11 THE CHAIRMAN: Thank you.

12

13 CONTINUED BY MR. MICHAEL ANDERSON:

14 MR. MICHAEL ANDERSON: And the billing history
15 was of the bills that had been previously forwarded to Indian
16 Affairs directly, because they were the named customer?

17 MR. ROBERT COX: That is correct, yes.

18

19 (BRIEF PAUSE)

20

21 MR. MICHAEL ANDERSON: And we've established
22 this morning, I believe, that in round numbers that there
23 were something like thirty (30) accounts that are presently
24 being billed the non-Government rate, that it's Hydro's
25 proposal that they will be included as Government customers

1 in future, should this tariff be approved; is that correct?

2 MR. ROBIN WIENS: Yes, I believe this morning
3 we looked at a total of seventy-three (73) accounts, of which
4 forty-two (42) were currently designated as Government, and
5 thirty-one (31), not as Government.

6 And, yes, I can confirm that the current
7 Application before the Board would seek to treat all of those
8 accounts as Government accounts. And the surcharge proposed
9 in the Application has been calculated on the assumption that
10 they would be.

11 MR. MICHAEL ANDERSON: That was my next
12 question, thank you very much for answering that one (1).

13 Should the Board, for any reason, not approve
14 your Application, would Manitoba Hydro move to charge these
15 thirty-one (31) accounts the Government rate?

16 MR. ROBIN WIENS: You know, I can only respond
17 to that question in the context of what the Board actually
18 approves. Can -- can you give me a hypothetical even?

19 THE CHAIRMAN: I would prefer not.

20 MR. ROBIN WIENS: I was asking Mr. --

21 DR. KATHI AVERY-KINEW: Thank you, Mr. Chair.

22 THE CHAIRMAN: No, I understand who you were
23 asking, but I would prefer not to deal in the hypothetical.

24

25 CONTINUED BY MR. MICHAEL ANDERSON:

1 MR. MICHAEL ANDERSON: I agree, Mr. Chair, I
2 was specifically indicating that Mr. Wiens stated that upon
3 closer inspection of the distinctions between the currently
4 billed non-Government and Government rates, the likelihood
5 would in fact be, Mr. Wiens' suspicion, that more of these
6 accounts would in fact be billed at Government, were they
7 examined. That's where I was pointing my question to.

8 MR. ROBIN WIENS: Mr. Anderson, if we were
9 maintaining our current efforts to distinguish, my comment
10 was made in that context. I believe that your question was,
11 are we planning to include all seventy-three (73) or whatever
12 the number happens to be, when the Board finally -- when the
13 Board gives us an order on this.

14 And my answer was, yes, we were, that was what
15 we've applied for.

16 MR. MICHAEL ANDERSON: In terms of these
17 thirty-one (31) accounts that are currently being charged the
18 non-government rate, has Manitoba Hydro made any effort to
19 advise them of the potential impacts of your proposal?

20 MR. ROBIN WIENS: Other than distributing
21 copies of this Application and subsequent correspondence and
22 Information Requests to the leaders of those four (4)
23 communities, I don't believe so.

24 MR. MICHAEL ANDERSON: So similar to the
25 billing history that Mr. Cox indicated was given to the First

1 Nations in 1987, no, for example, two (2) year billing
2 history showing what the effects would actually be has been
3 provided to them?

4 MR. ROBIN WIENS: Not to my --

5 MR. ROBERT MAYER: Mr. --

6 MR. ROBIN WIENS: -- not to my knowledge.

7 Although I expect if this were approved that we would
8 certainly undertake to do that.

9 MR. ROBERT MAYER: Mr. Anderson, I thought
10 when we granted -- that when the Board granted MKO status
11 before this Board you represented to us that you represent
12 the First Nations and that you would be asking Hydro the kind
13 of information you thought should be shared with the First
14 Nations; did you not do that?

15 MR. MICHAEL ANDERSON: The information about
16 the Application has been forwarded, at our request, by Hydro
17 directly to each of the First Nations and we have advised
18 them, at the First Nation level, of the effect of the
19 Application, yes.

20 And we have also been on NCI Provincial-wide
21 radio with Grand Chief Flett, prior to his appointment as
22 National Assembly First Nations Regional Chief, more than
23 once, explaining this, in Cree, primarily.

24 MR. ROBERT MAYER: Then what was the purpose
25 of the question to Mr. Wiens?

1 MR. MICHAEL ANDERSON: I'm not Manitoba
2 Hydro, with respect, and their proposal will have an effect
3 directly on the budgets of these communities; nor do I have
4 direct access to their billing histories.

5 THE CHAIRMAN: Mr. Anderson, proceed.

6 MR. MICHAEL ANDERSON: Thank you.

7

8 CONTINUED BY MR. MICHAEL ANDERSON:

9 MR. MICHAEL ANDERSON: It's correct that the
10 Application before the Board is intended to be effective
11 April 1, 2004?

12 MR. ROBIN WIENS: Well, Mr. Chairman, it was
13 originally intended to be effective April 1, 2003. We've --
14 we've had some discussion earlier on, I believe, in the first
15 -- first day of evidence that realistically we would be
16 looking for April 1st, 2004.

17 THE CHAIRMAN: But I also thought I
18 understood, Mr. Wiens, that you'd implement it on the date of
19 the decision of this Board; is that not correct?

20 MR. VINCE WARDEN: That is the evidence we
21 provided earlier, Mr. Chairman.

22 THE CHAIRMAN: Thank you.

23 MR. MICHAEL ANDERSON: Without intending to
24 pose a question to the Board, Mr. Chair, it's possible that
25 that would be prior to April 1st, '94?

1 THE CHAIRMAN: Mr. Anderson, I cannot tell
2 you when the Board will generate a decision but it is the
3 critical path that I try to follow with respect to major
4 hearings before the Board that we try to generate a decision
5 following a major hearing of somewhere in the vicinity of
6 four (4) to six (6) weeks.

7 MR. MICHAEL ANDERSON: Thank you, Mr. Chair,
8 that's very helpful.

9

10 CONTINUED BY MR. MICHAEL ANDERSON:

11 MR. MICHAEL ANDERSON: April 1st -- assuming
12 it's April 1st -- assuming that the rates are effective April
13 1st, 2004, with respect to the cycling in the Application,
14 are you aware that that would also be the first day of the
15 budget year for the First Nation customers?

16 MR. ROBIN WIENS: I wasn't specifically aware
17 but that's not -- not surprising to me since it's the
18 beginning of the fiscal year for the government of Canada.

19 MR. MICHAEL ANDERSON: And when Manitoba
20 Hydro begins doing its internal budget planning for the
21 following fiscal year; when does it initiate that process in
22 terms of your expenditures and cash flows for expected
23 activity?

24 MR. VINCE WARDEN: It's a never-ending
25 process.

1 DR. KATHI AVERY-KINEW: Excuse me, Mr.
2 Warden, isn't November Board meeting an important --

3 MR. VINCE WARDEN: Yes, Dr. Kinew, we do take
4 our -- our planned forecast for the following year to -- to
5 our November Board for approval, that's correct.

6 MR. MICHAEL ANDERSON: And, once again, thank
7 you very much, that was the next question I was going to ask.
8 I appreciate it.

9

10 CONTINUED BY MR. MICHAEL ANDERSON:

11 MR. MICHAEL ANDERSON: That is, is that there
12 is several months in advance, at the beginning of the fiscal
13 year, that Manitoba Hydro divisions seek approval of their
14 financial forecasts for the next year; is that correct?

15 MR. VINCE WARDEN: Yes.

16 MR. MICHAEL ANDERSON: Why would Manitoba not
17 extend the same courtesy to the First Nation customers who
18 may have a substantial rate increase imposed on a large
19 number of accounts to ensure that it's incorporated in their
20 planning cycles?

21 MR. VINCE WARDEN: Mr. Anderson, I think
22 we're looking beyond the First Nations for the funding -- for
23 the source of funds for -- for these costs for the bills that
24 will be presented to them.

25 So, while they're -- and as we've indicated

1 earlier, there really is no change for the vast majority of
2 people in these First Nation communities. We're talking
3 about a very limited number of accounts that are affected by
4 our -- by our Application.

5 MR. MICHAEL ANDERSON: I wasn't speaking
6 about the residential customers and I appreciate that
7 clarification, I was speaking, in this instant case,
8 specifically about the thirty-one (31) non-government
9 accounts that may be, not only classified as government,
10 which under the current rate would move them from thirty-five
11 (35) to eighty (80), but be classified as government in
12 respect of your full surcharge rate which would move them
13 from thirty-five (35) to two dollars and one cent (\$2.01).

14 I'm speaking about the effects on those
15 customers and whether they've been notified such that they
16 can sufficiently plan in advance for it for their budget
17 cycle?

18 MR. VINCE WARDEN: Mr. Anderson, we do
19 provide copies of our Application to the First Nation -- the
20 leaders of the those First Nations. So, they are aware -- we
21 have no assurance, at this point in time, that our rate
22 Application will be approved and, similar to any other rate
23 application that we make before this Board, we do provide as
24 much advice as we can to those that may ultimately bear those
25 costs.

1 But, at this point in time, I don't think it
2 would be appropriate for us to go further than that.

3 THE CHAIRMAN: But, Mr. Warden, just for the
4 record's sake, public notice was served on this Application
5 in November 2002?

6 MR. VINCE WARDEN: It was, yes.

7 THE CHAIRMAN: And it was your intention when
8 that Application was filed that there would be some changes
9 in rates occurring in 2003?

10 MR. VINCE WARDEN: April 1st, 2003 was the
11 plan at that time, yes.

12 THE CHAIRMAN: Thank you. Mr. Anderson...?

13
14 CONTINUED BY MR. MICHAEL ANDERSON:

15 MR. MICHAEL ANDERSON: So, similarly, the
16 question again, following similar thinking, was there any
17 notice similar to that that Mr. Cox indicated had been
18 provided in 1987, a year ago for the previous planning cycle,
19 to ensure that First Nations customers were able to begin
20 their budgeting process to accommodate a change in rate?

21 MR. VINCE WARDEN: There is a difference
22 between the 1987 scenario that's being referred to and what
23 we're talking about here. In 1987 those rates were the rates
24 in effect at that time. We were simply transferring from one
25 -- one responsibility in terms of who was going to be paying

1 those bills from one jurisdiction to another. So we were
2 providing information.

3 At this point in time, we do not have an
4 approved rate to provide similar information.

5 MR. ROBERT COX: If I might also add,
6 currently the First Nations are receiving the bills directly
7 and have all that data available based on the last three (3)
8 years -- four (4) years and if they didn't have it, all they
9 would have to do is ask Manitoba Hydro and we would provide
10 them with the same history of their accounts.

11 MR. MICHAEL ANDERSON: In terms of the
12 process of your Cost of Service Study and rate design, Mr.
13 Thomas, what steps does Manitoba Hydro take to ensure proof
14 of revenue?

15

16 (BRIEF PAUSE)

17

18 I can provide a bit more information to the
19 question to help.

20 You've indicated that the primary information
21 that's being provided is that that's in the public domain,
22 with an option for First Nations to phone and get additional
23 information from the Corporation, I accept that.

24 But when the Corporation is planning a
25 substantive change in rates, to yield substantive new

1 revenues, do they talk to the customer to get an idea about
2 whether those revenues can in fact be realized?

3 MR. ROBIN WIENS: In other words, you're
4 asking, do we go out and verify our load forecast, in light
5 of the -- in light of the rates that we would be applying
6 for? Is -- is -- is that your question?

7 MR. MICHAEL ANDERSON: That's another way of
8 stating it, yes.

9 MR. ROBIN WIENS: We have not done that.

10 MR. ROBERT MAYER: I thought the question was
11 more, do you investigate your customer's ability to pay?

12

13 CONTINUED BY MR. MICHAEL ANDERSON:

14 MR. MICHAEL ANDERSON: Well, the question --
15 they -- they are related, and I was happy for that response.
16 The question I was going to is that, do you investigate the
17 customer's ability to pay?

18 MR. ROBIN WIENS: I guess, Mr. -- Mr.
19 Anderson, we began to talk about the possibility of applying
20 for this rate increase that's before the Board now, as far
21 back as August of 2000.

22 We engaged in lengthy and detailed
23 consultations with the agency that has the responsibility for
24 funding the First Nations, and we advised them at literally
25 every step of the way, what we expected we would be asking in

1 terms of rates. That information was provided to Indian and
2 Northern Affairs Canada, going back as far as I believe in
3 the fall of 2000, and updated subsequently.

4 They were also participants in the status
5 update hearing, which carried on through November the 1st of
6 2001 through to September the 30th of 2002.

7 They had an opportunity to audit our Cost of
8 Service Study.

9 MR. MICHAEL ANDERSON: The --

10 MR. VINCE WARDEN: But in direct response to
11 your question as to whether or not we consult with customers
12 as to their ability to pay, no, we don't.

13 MR. MICHAEL ANDERSON: Would you agree that
14 the combined circumstances of the rem -- the service itself,
15 it's a relatively high cost service, it's the highest cost
16 service that Manitoba Hydro operates, and the information
17 provided, for example, by Mr. Mills in the previous
18 Proceeding, on September 25th, would mitigate toward doing
19 such an analysis.

20 MR. VINCE WARDEN: Manitoba Hydro's objective
21 is to recover its costs from the customers that we serve, as
22 to their ability to pay those costs, that is not our
23 responsibility.

24 MR. ROBERT MAYER: I'm assuming, Mr. Warden,
25 that you have no doubt about the Federal Government's ability

1 to -- to pay, or at least its ability to tax in order to pay?

2 MR. VINCE WARDEN: Yes, thank you.

3

4 CONTINUED BY MR. MICHAEL ANDERSON:

5 MR. MICHAEL ANDERSON: The focus on Canada, I
6 -- I understand, in terms of your view, would you agree that
7 one (1) response of a customer being unable to pay would be
8 to reduce consumption?

9 MR. ROBIN WIENS: Yes, that's one (1)
10 response.

11 MR. MICHAEL ANDERSON: Which is why I was
12 content for a moment with your earlier comment about your
13 load -- verifying your load forecast.

14 Have you made any attempt to verify your load
15 forecast in respect of any potential changes in consumption,
16 as a response to the substantially higher rate?

17 MR. ROBIN WIENS: I think we have -- we have
18 addressed this in these Proceedings already, and the answer
19 is -- the answer is, no, we -- we went ahead and we forecast
20 our revenues based on the new rates, and on the...

21

22 (BRIEF PAUSE)

23

24 MR. ROBIN WIENS: Based on our load forecast
25 that was undertaken in May of 2002. I think I also noted

1 earlier that the normal direction of response you would
2 expect in response to higher rates would be that, yes,
3 consumption would be reduced, but we don't have a strong
4 basis, and I -- I -- I'm not convinced that if we expended
5 the effort to go and talk to most or all of the customers,
6 that we would, even from that, derive a strong basis for
7 assuming how -- how much lower that would be reduced.

8 We -- we understand and we expect that there
9 would be some reduction in consumption and to the extent that
10 there would be fixed costs that would, in effect, for that
11 year be stranded because of the reduction in consumption,
12 that that would represent a deficit that we would look at
13 carrying forward into the next year to deal with.

14 MR. MICHAEL ANDERSON: And by carrying
15 forward into the next year, you mean -- what would be the
16 result of that? What would your -- would you be seeking an
17 additional increase in rates to cover that deficit from a
18 prior year?

19 MR. ROBIN WIENS: Mr. Anderson, that really
20 depends on what the situation is at that time. It -- during
21 the course of the year a number of other factors could
22 happen. Costs could wind up being less than what we had
23 forecast. Other -- consumption of other classes of service
24 could wind up being more than what we had forecast.

25 We could arrive in the next year and find that

1 -- that we could actually have a rate decrease, even if we
2 were carrying over unrecovered costs from the previous year.
3 So, to answer your question, it's possible but other -- other
4 possibilities are out there as well.

5 THE CHAIRMAN: And, Mr. Wiens, indeed, in
6 this Application there is a significant -- deficit that has
7 occurred over the last number of years which you're not, in
8 this Application, asking to generate funds for?

9 MR. ROBIN WIENS: We made a decision quite a
10 while ago, Mr. Chairman, that while we're concerned about the
11 size of that deficit that we would not include it in the
12 current Application.

13 THE CHAIRMAN: Thank you. Mr. Anderson...?

14 MR. MICHAEL ANDERSON: Yes, thank you, Mr.
15 Chair. I understand that. My interest was in the earlier
16 testimony regarding the ex poste method of dealing with a
17 current year deficit, starting with a clean slate as we had
18 mentioned in our opening comments.

19

20 CONTINUED BY MR. MICHAEL ANDERSON:

21 MR. MICHAEL ANDERSON: Is your capital
22 additions forecast based on your load forecast?

23 MR. CHIC THOMAS: Yes. There's -- those --
24 those two (2) are looked at together when deciding,
25 specifically in the diesel communities, that whether

1 additional capital would be required.

2 MR. MICHAEL ANDERSON: And capital additions
3 in a current year --

4 THE CHAIRMAN: Your mic, please.

5

6 CONTINUED BY MR. MICHAEL ANDERSON:

7 MR. MICHAEL ANDERSON: And capital additions
8 in the current year are -- are based also on that forecast?

9 MR. CHIC THOMAS: I -- I -- unfortunately I
10 don't have the IR in front of me but we have prepared and IR
11 where we're discussed the process in making those capital
12 additions and -- and, yes, it is a cumulative process between
13 the forecast and then consultation with our reps and -- and
14 then the parties involved.

15 MR. MICHAEL ANDERSON: Thank you, I didn't
16 mean to pursue the process further. I know the IR you're
17 referring to.

18 In the event that the load does not
19 materialize and new capital additions actually are pursued,
20 what would be the result?

21 MR. ROBIN WIENS: Well, if the load did not
22 materialize as expected then we would have, and depending on
23 the pathway that -- that this took, we would have more
24 facilities in place than were required to -- to meet that
25 load at that time or we might place facilities in service a

1 year earlier than they would otherwise have been placed in
2 service.

3 MR. MICHAEL ANDERSON: And my recollection
4 that a breakdown forecast of this -- of these costs appears
5 at PUB-36; is that correct?

6

7

(BRIEF PAUSE)

8

9 THE CHAIRMAN: Mr. Anderson, while everyone's
10 looking for that IR, can you give me an indication as to
11 whether or not the Board should stand down or are you near to
12 wrapping up?

13 MR. MICHAEL ANDERSON: I am actually moving
14 into a related but different line of examination and if you
15 wanted -- if it suited the Board to break for lunch at this
16 time, that would be fine with me.

17 THE CHAIRMAN: Maybe that's what we should do
18 then. Thank you very much, Mr. Anderson. The Board will
19 stand down for its lunch break. I'd ask you again all to be
20 back in this room at 1:15.

21

22 --- Upon recessing at 12:08 p.m.

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

24

25 THE CHAIRMAN: Ladies and gentlemen, if I

1 may, it's the appointed hour which we had prior indicated we
2 would reconvene. I've been advised that a Mr. Orecklin would
3 like to make a presentation to the Board at this time. Sir,
4 are you ready?

5 MR. MEL ORECKLIN: Certainly.

6 THE CHAIRMAN: Would you -- in front of you
7 there's a mic -- great. Thanks. When you're ready.

8 MR. MEL ORECKLIN: My name is Mel Orecklin
9 and I'm here to represent myself. I've had a very long-term
10 interest in remote communities. I've lived in the Yukon. In
11 terms of academic background, I'm a professional engineer
12 registered here in Manitoba. I'm a water resource engineer
13 so I have an interest in water resources and hydro
14 generation. And I have an MBA.

15 I've also obtained the Certified Aboriginal
16 Financial Managers designation which is an accounting
17 designation and I just have some very general comments. I
18 don't know the system here in Manitoba very well and what you
19 are or are not allowed to rule on as the PUB.

20 I've spent the last four and a half (4 1/2)
21 years as the co-manager in Fort Severn. Fort Severn is the
22 most northerly community in Ontario, and is very similar to
23 the four (4) communities that we're speaking about today. It
24 is four hundred and fifty (450) people, about the same size,
25 and it's on diesel and will remain on diesel for -- for

1 eternity. There's really no other option.

2 I've lived there most of the time, rather than
3 commuting back here to Winnipeg, I stayed two (2) to three
4 (3) weeks at a time. So, I've got a -- perhaps a unique
5 perspective, in that I've lived in a small remote community,
6 that is not common.

7 And there's just some very general things that
8 I -- I saw in the presentations. The first one (1) is the
9 limit of two thousand (2,000) kilowatts as a break point in
10 the residential.

11 I see this as a -- as a problem, certainly
12 having a -- a break point is -- is a worthwhile thing, and I
13 think that is an excellent concept. The difficulty is how
14 does the user know when they've reached two thousand (2,000)
15 kilowatt hours. There is no alarm system that goes on. And
16 in fact, the feedback will not happen until you receive your
17 bill some time in the future, three (3) to four (4) weeks.

18 If there was a way to tell the person that
19 they're getting near two thousand (2,000) kilowatts, I think
20 it might give an additional impetus to reduce their
21 consumption on the immediate level.

22 Personally, I don't know how I'd ever know it
23 was -- I was getting towards two thousand (2,000). Two
24 thousand's (2,000) a very, very conservative number, and I
25 think it's a very high one (1), I think that's a good place,

1 and -- and I have no objection with that.

2 I -- I started looking at the number of people
3 we're talking about who are over two thousand (2,000), and it
4 turns out that it's about seventeen (17) customers in the
5 four (4) communities. It's not very many.

6 And that this would suggest that some
7 education, training, load management, might be appropriate to
8 help those people.

9 Many of the people I knew in Fort Severn were
10 not what one would call sophisticated. In fact, they didn't
11 really understand things like electrical bills; that paying
12 bills was even a foreign concept.

13 My impression is that the communities here in
14 Manitoba are more sophisticated and better able to cope with
15 this. But what I would want someone to do, and I'm not
16 trying to suggest it's Hydro, it might be MKO, it might be
17 the Band, it might be the technical advisor, is go in and say
18 to these people, you're using a lot of electricity. Why?
19 Why is your rate so much higher than anyone else? Somebody
20 has to do it before this is imposed upon them.

21 For the subsidy in general, my understanding
22 is that the -- the entire cost of producing power should be
23 borne by the diesel zone. Is that correct, by and large?
24 Yeah.

25 I want to just tell the Board about another

1 model. Models are good things, we talked about the theory of
2 rate setting yesterday a little bit. And one (1) of the
3 things I've noticed in small communities is that there's a
4 thing called dis-economies of scale. It doesn't work, normal
5 economic theory can work, but it -- it gets so skewed by the
6 subsidies.

7 Well, in Ontario, for those communities which
8 are served by Hydro 1 remote communities, there is a rural
9 and remote rate protection plan, which pays the subsidy, the
10 difference between the rates, the -- the expenses and the
11 revenues; that is borne by the people of Ontario.

12 So, in Ontario they have recognized that
13 though the -- the communities are by and large First Nation,
14 that the Province of Ontario will bear that cost.

15 And I would suggest that it's really, really
16 unfair to make these four (4) little communities pay all
17 their costs, when everybody else in Manitoba is in such a
18 marvellous situation of paying some of the lowest rates in
19 all of North America, perhaps the world.

20 It just doesn't sit right with me. And how
21 you resolve that in an economic sense, maybe it's what is
22 your circle of the zone? Is it the zone -- four (4)
23 communities that happen to be remaining, they happen to be
24 further away than you can economically extend a transmission
25 line. Or is it the whole Province?

1 Well, I'm a ratepayer in Winnipeg, I'll pay my
2 share of the cost of Tadoule Lake's -- overage cost, the
3 subsidy.

4 On the other hand I think it's reasonable to
5 have a higher rate for commercial customers than you would
6 pay in Winnipeg. To keep the û- the -- the amount of use
7 down the demand. And that brings me to my last concept which
8 is what can you do to assist the community to spend less
9 money on electricity? And the answer is someplace in the
10 area of alternative energy and conservation.

11 And it's a whole range of things that one (1)
12 can try and apply. It's possibly using waste heat from the
13 diesel generator to supply municipal water supply, warm the
14 water or heat a school. It's very site specific and I can't
15 comment because I don't know the communities.

16 It's trying to make sure that every bulb in
17 the community is a low energy bulb. Every single one (1) of
18 them. And you get the bizarre result that if a homeowner
19 goes and changes a bulb and puts in a more expensive long
20 term low energy bulb, one of the 12 watt bulbs instead of a
21 60 watt bulb, who's the major benefit. It's the community,
22 it's not the resident because what they're paying for
23 electricity is five (5) cents, the real cost is eighty (80)
24 cents.

25 The payback on low energy bulbs from a

1 community perspective is probably about a month. And who is
2 suppose to do this? I leave that to you in -- in hopes that
3 you can suggest to somebody that these should û- these things
4 should be looked at. And I don't see it. The houses should
5 be really well insulated. It came as a -- a surprise to me
6 that you don't permit electric hot water. Presumably that
7 means that it's oil fired hot water? Oh, you do permit it.

8 Well, oil fired hot water may in fact be a
9 good option so long as somebody bears the \$1,000 incremental
10 cost of putting in an oil fired hot -- hot water heater
11 instead of an electric one. If you put in wind and I'm very
12 much in favour of -- of wind, it's a really complex thing to
13 balance your loads, balance the minimum generation capacity
14 for your generators so it doesn't go too low and you may in
15 fact have to waste some heat into space heating to keep the
16 load factored up. You don't want to destroy the warranty on
17 your machines.

18 It's a very, very complex matter and it feels
19 to me like Hydro should be the ones who are told that they
20 are going to be the lead agency on a whole range of
21 alternative energy and conservation measures. And what I've
22 seen in Ontario is that nobody was willing to take that lead.
23 Hydro would say, the PUB would not allow me to go in and
24 spend any extra money. So, no, we can't look at wind.

25 We don't have û- that's not in our mandate and

1 if we spent money, the PUB would probably disallow it. It
2 may be the Tribal Council or MKO. That's my most û- I think
3 the best option, but sometimes they have many, many other
4 things to worry about. If I've learned anything about being
5 in a community, there is so much work in running a community
6 that it almost kills Chief and Council. It's really, really
7 hard.

8 And do they have the ability to make sure that
9 every light is changed? Probably they have the ability but I
10 doubt that they have the û- it's not top of the mind.
11 There's a million other things. There's environmental
12 concerns, there's who died yesterday and whether the -- the
13 cat is okay, that municipality simply don't have to deal
14 with. It's just a very complex thing to run a community.
15 Thank you.

16 THE CHAIRMAN: Thank you very much for your
17 thoughtful presentation, Mr. Orecklin. I appreciate the
18 chance to hear you and certainly appreciate your input. Mr.
19 Anderson, are you ready to continue?

20 MS. PATTI RAMAGE: Excuse me, Mr. Chair.
21 Before we proceed I had passed out another undertaking.

22

23

(BRIEF PAUSE)

24

25

THE CHAIRMAN: Ms. Ramage, may I suggest we

1 receive undertaking Number 8 as Manitoba Hydro Exhibit Number
2 13?

3

4 --- EXHIBIT NO. MH-13: Response to Undertaking Number 8.

5

6 MS. PATTI RAMAGE: Yes, thank you. And, for
7 clarification, yesterday there was a undertaking handed out
8 and it was numbered Manitoba Hydro Exhibit 12 and you had
9 asked which undertaking it was in response to and that would
10 be Undertaking Number 2, as noted in the transcript, dealing
11 with the calculation of what the surcharge would be if we
12 maintained the same number of customers in the government
13 rate class, for clarification there.

14 And another housekeeping matter was yesterday
15 we also filed -- or re-filed page 15 and this is just for the
16 record. I had indicated it was Undertaking Number 4 because
17 in my notes it was four (4) and the transcript, for the
18 record, it appears as Undertaking Number 3.

19 I think there isn't -- there will ultimately
20 be a 2A undertaking because I think there was one that wasn't
21 picked up by the transcript that was posed by you, Mr. Chair,
22 regarding Manitoba Hydro -- Quebec Hydro rates that we will
23 be answering in due course.

24 THE CHAIRMAN: Thank you for that
25 clarification. Appreciate that, Ms. Ramage. Mr.

1 Anderson...?

2 MR. MICHAEL ANDERSON: Thank you, Mr. Chair.
3 I've advised Grand Chief Whitebird of your accommodating him
4 at four o'clock and they say they will be here.

5 THE CHAIRMAN: Thank you.

6

7

(BRIEF PAUSE)

8

9 CONTINUED BY MR. MICHAEL ANDERSON:

10 MR. MICHAEL ANDERSON: There were -- having
11 the opportunity at lunch just to look over my notes, there
12 were a couple of matters I just wanted to clean up.

13 Mr. Cox, when you were mentioning earlier that
14 in 1987, Hydro kindly provided billing histories to those
15 account -- in respect of those First Nation accounts that
16 were transferred, I recall that there was also some
17 discussion about what those accounts might.

18 But in that you had identified them
19 sufficiently to actually produce billing histories for them,
20 could we please have those accounts identified in terms of,
21 at least, the assets, what they were for each community?
22 There was a considerable amount of examination about this
23 matter and it seems that there's a ready way to clarify it.

24 MR. ROBERT COX: I'll have to see if that is
25 available. I don't have it at my fingertips right now.

1 MR. MICHAEL ANDERSON: All right. I was just
2 quite excited when -- after the discussion about, of course,
3 the passage of time, that there were specific documents
4 produced with respect to those accounts that caught your
5 recollection. So it gave me hope that the paper trail was
6 actually not so far away as it might have appeared before.
7 Thank you.

8 Mr. Warden, in respect to the discussion that
9 we'd had about notifying the First Nations and so forth and
10 your comments that you were really -- seeing that the effect
11 of the rate increase was with the agency that has the
12 responsibility to fund the bills, and I took from that to be
13 Indian and Northern Affairs Canada; is that correct?

14 MR. VINCE WARDEN: Yes.

15 MR. MICHAEL ANDERSON: And you do recall Mr.
16 Mills' testimony in the last proceeding on September 25th in
17 respect of the Department's national funding policy?

18 MR. VINCE WARDEN: Yes, I recall that
19 testimony.

20 MR. MICHAEL ANDERSON: And Mr. Mills kindly
21 submitted, as MKO-10 in that proceeding, Tabs 1, 2 and 3 of
22 the INAC, O & M Policy Handbook that is used nationally by
23 managers, you have that document?

24 MR. VINCE WARDEN: Yes.

25 MR. MICHAEL ANDERSON: Do you also recall Mr.

1 Mills' testimony that the date of the policy was 1983?

2 MR. VINCE WARDEN: Just for clarification.

3 Although the -- the reference that you just made to the
4 document that was filed in the last Proceeding, I don't have
5 it handy here if you're going to be referring to it now.

6 MR. MICHAEL ANDERSON: I won't be. I
7 would've brought a box full to try to be helpful if I had.
8 No, I just wanted to confirm that you acknowledge the
9 document.

10

11

(BRIEF PAUSE)

12

13 MR. MICHAEL ANDERSON: At transcript page
14 4372 of September 25th last year, Mr. Mills confirmed that
15 the date of the Operation and Maintenance Handbook which is
16 national policy was 1983, do you recall that date?

17 MR. VINCE WARDEN: I don't, no.

18 MR. MICHAEL ANDERSON: Do you accept that
19 that's correct?

20 MR. VINCE WARDEN: I'll accept that.

21 MR. MICHAEL ANDERSON: Thank you. Is it
22 Hydro's testimony then that the imposition or shall we say
23 the approval of, the current proposal mindful of the O & M
24 policy that it was established nationally in 1983? Is it
25 your expectation that either that û- that Indian and Northern

1 Affairs Canada, Manitoba Region will somehow fund the First
2 Nations differently than a twenty (20) year old National
3 Policy requires?

4 MR. VINCE WARDEN: I really don't think
5 that's my place or Manitoba Hydro's place to comment on the
6 policies of -- of Canada.

7 MR. MICHAEL ANDERSON: The question really
8 goes to the work done to ensure that the revenues designed
9 into your û- that the revenues that are required by your rate
10 design and designed to be produced by your rates are actually
11 possible to be produced in that you've indicated in your
12 testimony that you're looking to the Agency with the
13 responsibility to fund the bills, to actually fund them.

14 Given that you had the opportunity of having
15 these documents plus Mr. Mills testimony, did you carefully
16 examine it in determining whether or not the revenues that
17 you require as part of your cost to service study will
18 actually be available?

19 MR. VINCE WARDEN: No, we did not. Nor do I
20 think we should.

21 MR. MICHAEL ANDERSON: And why would that
22 be?

23 MR. VINCE WARDEN: Well, I mean -- again
24 stating what I just said, the policies of the Government of
25 Canada are theirs to administer and if funding needs to be

1 increased then they should do so. That's not really our
2 concern. I think it gets back to our discussion earlier
3 about û- earlier about ability to pay. It's really not
4 Manitoba Hydro's concern. Our objective is to recover our
5 cost from those that have a responsibility to pay.

6 MR. MICHAEL ANDERSON: In respect of your
7 comment if funding needs to be increased then it should do
8 so, do you have a reasonable expectation that a twenty (20)
9 year old national funding policy will be modified to
10 accommodate Manitoba Hydro's revenue requirements?

11 THE CHAIRMAN: Mr. Anderson, I think, again I
12 think we're going down an avenue that isn't of great benefit
13 to this Board in determining.

14 I think Mr. Warden has answered the question
15 by saying that in making the Application to this Board they
16 have considered the needs of the community for electricity,
17 they have expanded it and determined this is the revenue that
18 they require in order to fund the diesel cost, the services
19 that are provided in the community and then now it's up to
20 this Board in determining whether or not that works in line
21 with our responsibilities of fair and just rates.

22 MR. MICHAEL ANDERSON: Thank you, Mr. Chair.
23 My interest was just the degree of strategic outlook that the
24 Corporation applied and putting this package together before
25 the Board.

1 THE CHAIRMAN: I understand that, Mr.
2 Anderson, but in fairness to this Panel they probably are not
3 able to answer that question.

4 MR. ROBERT MAYER: And more to the point, Mr.
5 Anderson, a policy manual is not law. If the û- if INAC is
6 legally responsible for the provision of that service, the
7 government can write all the policy manuals it likes but
8 unless it enacts into law or a regulation, it doesn't stand
9 up.

10 MR. MICHAEL ANDERSON: Thank you, Mr. Mayer.
11 Perhaps -- I have taken note that perhaps at an additional
12 future opportunity we require some additional witnesses to
13 explain the administration of federal policy and how First
14 Nations jointly go about modifying a national policy at that
15 time, thank you.

16 In terms of forecasting numbers back to the
17 accounts, I just had a couple of clean ups. On MH -- on
18 MKO/MH-10, I confirm that there were seventy-three (73)
19 accounts.

20 I would just like you to confirm subject to
21 check, that the kilowatt consumption total for those seventy-
22 three (73) accounts, just simply by summing the numbers you
23 provided, is 2,054,100 kilowatt hours. Total consumption for
24 those seventy-three (73) accounts?

25 MR. ROBIN WIENS: We can accept that, subject

1 to check.

2 MR. MICHAEL ANDERSON: Thank you. And that
3 just for illustrative purposes, that that works to an average
4 consumption, simply by dividing the number of accounts by the
5 consumption of two thousand three hundred and forty-five
6 (2,345) kilowatt hours per month?

7 MR. ROBIN WIENS: Same answer, Mr. Chairman,
8 we'll accept that, subject to check.

9 MR. MICHAEL ANDERSON: Thank you very much.

10

11

(BRIEF PAUSE)

12

13

MR. MICHAEL ANDERSON: When we go to CAC-3 --

14

THE CHAIRMAN: CAC/MH-3?

15

16 MR. MICHAEL ANDERSON: CAC/MH-3, thank you,
17 Mr. Chair. It's an exhibit, it's the collection of the pre-
18 ask documents. Excuse me, Exhibit CAC/MSOS/MH-3 is the pre-
19 ask documents that we had all kindly assembled to make the
20 process of using them easier.

20

21

(BRIEF PAUSE)

22

23 CONTINUED BY MR. MICHAEL ANDERSON:

24

25 MR. MICHAEL ANDERSON: And specifically what
I'm looking to inside that set is the letter of September

1 12th, 2003, which is the last letter in that series.

2

3

(BRIEF PAUSE)

4

5 MR. MICHAEL ANDERSON: Unless I have
6 misnumbered the exhibit, it's the pre-ask collection. Is
7 that not CAC/MSOS/MH-3?

8

THE CHAIRMAN: Yes, it is.

9

10 MR. MICHAEL ANDERSON: Mr. Williams is
11 nodding, okay, good, thank you.

11

12 CONTINUED BY MR. MICHAEL ANDERSON:

13

14 MR. MICHAEL ANDERSON: It's the last letter in
15 the collection, dated September 12th, 2003.

15

16

(BRIEF PAUSE)

17

18 MR. ROBIN WIENS: Mr. Anderson, we're looking
19 at that now.

20

21 MR. MICHAEL ANDERSON: Thank you. The
22 consumption under First Nations Total Kilowatt Hours, you
23 have identified as 2,257,013 kilowatt hours?

23

MR. ROBIN WIENS: I see that.

24

25 MR. MICHAEL ANDERSON: And in the letter it's
described as being for the fiscal year ending 2004, could you

1 confirm that please? And I just want to confirm that that's
2 the consumption forecast for that time period, for those
3 accounts?

4 MR. ROBIN WIENS: Mr. Anderson, that is a
5 forecast that was made for the fiscal year 2003/2004.

6 MR. MICHAEL ANDERSON: Thank you.

7 Mr. Thomas, would it be, could you please
8 explain the approximately -- would you confirm first, that
9 there's an approximately 10 percent increase in consumption
10 being forecast between the two (2) time periods?

11 MR. ROBIN WIENS: You are referring relative
12 from the MKO-10 response to the letter of September the 12th?

13 MR. MICHAEL ANDERSON: Correct, Mr. Wiens.

14 MR. ROBIN WIENS: Yeah, the -- the -- the
15 total kilowatt hours with -- which we've accepted, as I said,
16 subject to check, of approximately 2,054,000, refers to
17 actual for the year 2001/2002.

18 And the 200 -- 2,257,000 in the letter of
19 September 12th, is a forecast for 2003/2004, which is two (2)
20 years later. And I will, again, accept, subject to check,
21 that the difference is 10 percent.

22 MR. MICHAEL ANDERSON: Excellent. Thank you,
23 Mr. Wiens. Can you explain why and what is driving -- why
24 there is a 10 percent increase and what is driving it?

25 MR. ROBIN WIENS: I cannot give you an

1 explanation, in any kind of detail at all. The number
2 showing for 2003/2004 is from our load forecast and our load
3 forecast professionals made that determination based on their
4 methodologies and the information that was available to them.

5 MR. MICHAEL ANDERSON: Is the assumption
6 simply a factor plugged into your forecast model?

7 MR. ROBIN WIENS: My understanding is that
8 our load forecast professionals carry out this forecast and
9 do the analysis in great detail and I would assume that they
10 would look at past growth trends, what information they had
11 about new facilities going into the community and so on and
12 that they would make that determination, that forecast, on
13 that basis.

14 I cannot provide you with a whole -- much more
15 detail other than that.

16 MR. MICHAEL ANDERSON: Thank you. I can
17 appreciate that. Would you undertake to provide the detail
18 for the four (4) communities by customer class of what the --
19 where the increases are falling please that aggregate into
20 this 10 percent increase?

21

22

(BRIEF PAUSE)

23

24 MR. ROBIN WIENS: Mr. Chairman, we will
25 undertake to provide something. I would caution that it may

1 not be within the time period so far set aside for this
2 proceeding. But we will have to go back and raise this with
3 our load forecast department and obtain the documents that
4 Mr. Anderson has requested.

5

6 ---UNDERTAKING NO. 11: Provide the detail for the four (4)
7 communities by customer class of where the
8 increases are falling that aggregate into
9 the 10 percent increase.

10

11 THE CHAIRMAN: Thank you for that. You know,
12 when I read the letter and the material that was previously
13 filed, I took it as a response to Mr. Williams -- or for Mr.
14 Harper through Mr. Williams to give him an indication of the
15 amount of electricity used by the First Nations community
16 which was, in essence, his first question.

17 And I remind parties to the last bullet in the
18 letter which indicates the accuracy of the information.

19

20

21

(BRIEF PAUSE)

22

23 THE CHAIRMAN: So, Mr. Anderson, if you're
24 ready to continue, Mr. Wiens is going to do his best efforts
25 but he wasn't sure when, but if you have further questions in

1 mind with this, please proceed.

2

3 CONTINUED BY MR. MICHAEL ANDERSON:

4 MR. MICHAEL ANDERSON: Thank you. I also
5 have one matter that I don't want too far along, Mr. Cox,
6 could you undertake to provide that account list of the
7 transferred accounts based on your -- the billing histories
8 that you have provided -- so kindly provided?

9 MR. ROBERT COX: Yes, I did -- I do believe I
10 did say I would undertake that.

11 MR. MICHAEL ANDERSON: Thank you. I just
12 wanted to confirm that.

13 MS. PATTI RAMAGE: If I could interject for
14 my client, I'm not sure that, in terms of understanding an
15 undertaking, we can check to see if that's available. We
16 can't undertake to provide it.

17 THE CHAIRMAN: Mr. Anderson...?

18 MR. MICHAEL ANDERSON: I understand that.
19 There's a considerable passage of time and I would hope,
20 subject to any comment counsel might make, that if it is
21 found, it will be produced. Thank you.

22

23 CONTINUED BY MR. MICHAEL ANDERSON:

24 MR. MICHAEL ANDERSON: In respect of the
25 comment the Chair made regarding accuracy, is the forecast

1 that was used to produce the number that appears in the
2 September 12th, 2003 letter attached to CAC/MSOS/MH-3, the
3 same forecast that is used to plan your capital additions?

4 MR. ROBIN WIENS: I believe it is, yes.

5 MR. MICHAEL ANDERSON: So, in respect of the
6 degree of accuracy, it is relied upon by the Corporation in
7 making expenditure plans and capital plans?

8 MR. ROBIN WIENS: Mr. Chairman, I'm advised
9 that definitely the load forecast is taken into consideration
10 when planning capital expansion as are a number of other
11 factors. Including for example, the age and condition of the
12 equipment that's already in service in the community.

13 MR. MICHAEL ANDERSON: I understand that,
14 thank you.

15 MR. ROBIN WIENS: Just before we go on, Mr.
16 Chairman, I could refer to - I could refer the Board and
17 participants to the response to the information request PUB
18 MH-37-D in which the Board had requested a cost benefit or
19 equivalent study for capital upgrades to each of the four (4)
20 communities. This is in the past period, not looking
21 forward. But it does describe - it does describe the
22 process involved in approving new items related to diesel
23 plan.

24 MR. MICHAEL ANDERSON: Mr. Thomas had
25 referred to additional capital costs being expected in future

1 years. Do you have a document or a report that's routinely
2 produced by the Corporation and amounts to your capital plan
3 or forecast for the remote service?

4 MR. CHIC THOMAS: Yes, we have something
5 called the Capital Expenditure Forecast.

6 MR. MICHAEL ANDERSON: For the remote
7 service?

8 MR. CHIC THOMAS: Not specifically for the
9 remote service.

10 MR. MICHAEL ANDERSON: Does it include the
11 diesel communities?

12 MR. CHIC THOMAS: If there are such items
13 that would include them, yes.

14 MR. MICHAEL ANDERSON: Does the forecast
15 contain information that is different than what has been
16 filed before this Board, including narrative discussion of
17 things like what Mr. Wilson had so kindly provided and
18 looking at the age of assets and so forth, replacement
19 requirements, et cetera?

20 MR. CHIC THOMAS: No.

21 MR. MICHAEL ANDERSON: So if I asked it to be
22 produced it would provide no additional information?

23 MR. CHIC THOMAS: That's right.

24 MR. MICHAEL ANDERSON: Do you have any
25 forecast document that extends your presently anticipated

1 capital requirements beyond 2004?

2 MR. CHIC THOMAS: That document isn't
3 incorporated into our 2004 study, as I think we'd mentioned
4 before. It's up to the forecast period ending March 31st,
5 2004. As you may or may not be aware, our capital planning
6 extends beyond that period, but for the focus of this
7 document we've only included those capital upgrades planned
8 to the end of March 31st, 2004.

9 THE CHAIRMAN: Mr. Thomas, just for
10 everyone's benefit, that is the same document the Board
11 examined through the update proceeding.

12 MR. CHIC THOMAS: Yes, thank you for that
13 clarification, Mr. Chairman.

14

15 (BRIEF PAUSE)

16

17 CONTINUED BY MR. MICHAEL ANDERSON:

18 MR. MICHAEL ANDERSON: In the material that
19 was provided as part of the status update that the Chair had
20 reminded us of, is there also a matching forecast of
21 consumption for the same time periods; that is, do we have a
22 forward looking forecast of consumption and capital
23 requirements, et cetera, for the time periods that the Chair
24 is referring to?

25 THE CHAIRMAN: Again, and I hate to do this

1 because it's really not my responsibility, but as I
2 understand it, the power resource plan for Manitoba Hydro was
3 not filed because of confidentiality reasons. Is that
4 correct, Mr. Warden?

5 MR. VINCE WARDEN: It is. However, the power
6 resource plan is for the integrated system. It would not
7 include reference to diesel in any event.

8 THE CHAIRMAN: Thank you for that
9 clarification.

10 MR. MICHAEL ANDERSON: Is there an analogous
11 document for the diesel service?

12 MR. VINCE WARDEN: We wouldn't have, to my
13 knowledge, Mr. Anderson, we don't have a stand alone
14 document for the diesel communities with -- with respect to
15 capital. Any capital requirements for diesel are built into
16 our capital expenditure forecast referred to by Mr. Thomas
17 earlier.

18 However, there's no line items identified for
19 diesel. The capital is -- is incorporated within other
20 capital requirements.

21

22

(BRIEF PAUSE)

23

24 MR. MICHAEL ANDERSON: As I understand the
25 current it -- issues or items that are having an affect on

1 the current cost of service for the system, as -- if I read
2 PUB/MH-36 correctly, that your requirements for adding
3 capital are having perhaps -- would you confirm that your
4 capital additions are having a large single affect in
5 requiring increases in rates?

6 MR. VINCE WARDEN: I'll get that reference
7 again please, Mr. Anderson?

8 MR. MICHAEL ANDERSON: Yes, it's PUB/MH-36.

9 MR. CHIC THOMAS: I -- I -- I think I can
10 add, Mr. Anderson, that in the Application and the Diesel
11 Cost of Service Study, in the Application I -- I set out a
12 sh -- schedule of the -- of the full cost rates, and it
13 shows the fixed and variable portion.

14 The fixed portion to -- up to ninety (90) --
15 there are some distribution operating costs included in that
16 portion, but 99 percent of it is driven by the -- by the
17 infrastructure installed in the plant.

18 MR. MICHAEL ANDERSON: Could you please
19 repeat the -- the last part of your statement, 99 percent
20 of...?

21 MR. CHIC THOMAS: Well, I just wanted to make
22 the clarification that in the Application, and if I -- you
23 permit me a moment to identify that?

24 MR. MICHAEL ANDERSON: Please, Mr. Thomas,
25 thank you.

1 (BRIEF PAUSE)

2

3 MR. MICHAEL ANDERSON: Is it the table at
4 page 10, Mr. Thomas?

5

6

7

8

9 MR. CHIC THOMAS: Yeah, it's my Schedule 2,
10 in the Application, and it sets forth the rate of seventy-

11 nine point one cents(79.1). Do you have that document?
12 MR. MICHAEL ANDERSON: I am looking at your
13 Application, I'm sorry, is that on page 10 of it?

13

14

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MR. MICHAEL ANDERSON: Oh, I have it, thank
you, Mr. Thomas.
MR. CHIC THOMAS: So you see the seventy-nine
point one cents(79.1)?

MR. MICHAEL ANDERSON: Yes, I do.

MR. CHIC THOMAS: And in between there you
can see the rate and variable portion?

MR. MICHAEL ANDERSON: Yes, I can see that.

MR. CHIC THOMAS: What I was making reference
to is that you'll notice in the -- in the fixed cost items,
there's operating cost distribution, which is -- isn't a
pure fixed cost, but -- but in terms of its function and

1 such, we've classified it as -- as such.

2

3

(BRIEF PAUSE)

4

5 MR. ROBERT MAYER: Does that mean running
6 wires out into new houses in the community?

7

8 MR. CHIC THOMAS: That's all the distribution
9 that comes from the generating station to the metre drop at
10 the home, yes.

10

11 CONTINUED BY MR. MICHAEL ANDERSON:

12

13 MR. MICHAEL ANDERSON: Given these -- the
14 influence of the planned capital additions on the Cost of
15 Service Study and the current rates that are being proposed,
16 I suppose the interest that MKO has in this is that what is
17 being proposed is a substantial change in the rate design,
18 not only in its magnitude but in -- in -- in the manner in
19 which Government accounts in particular, are administered.

19

20 You had commented on new -- other costs
21 coming in next year for diesel capital plant that don't
22 appear in the documents that we have and so forth. I think
23 that it's important for our purposes, and I would believe
24 certainly for the Board's, to have a picture of what the
25 potential approval of this particular application would set
in motion in terms of additional costs being expected to be

1 coming into the system and the rates that might result from
2 them.

3 I -- I realize that there are a large number
4 of documents, but is there something, Mr. Thomas, that you
5 could help us with that's complete, telling a story of what
6 we'd be looking at over the next several years because this
7 is one (1) rate application but it changes a lot of things
8 and sets in motion a pattern for future years?

9 And I'm wondering if there's --

10 MR. VINCE WARDEN: Mr. --

11 MR. MICHAEL ANDERSON: -- a document that
12 summarizes and combines --

13 MR. VINCE WARDEN: Well, Mr. Anderson, --

14 MR. MICHAEL ANDERSON: -- and explains --

15 MR. VINCE WARDEN: -- your best source of
16 information as to capital expenditures is on PUB-36.

17 PUB/MH-36. Now, those are the -- those are the -- those are
18 the historical capital expenditures between 1994 to 2004.
19 There are no major capital expenditures planned beyond that.

20 I think Mr. Thonsan -- Mr. Thomas indicated
21 earlier, the only expenditure of any significance that's
22 planned in the future is some soil remediation costs in the
23 amount of approximately \$5 million.

24 MR. MICHAEL ANDERSON: Thank you.

25 So, Mr. Thomas, there are no -- and I don't

1 mean to be re-asking another member the same question and
2 apologize if I am, there are no additions after the time
3 period provided in PUB/MH-36?

4 MR. CHIC THOMAS: As Mr. Warden had
5 indicated, nothing. Nothing major has been forecast to my
6 knowledge.

7 MR. MICHAEL ANDERSON: My question wasn't
8 intended to -- it was just that Mr. Thomas clarified several
9 other items and I was just providing -- asking him to do the
10 same.

11

12 (BRIEF PAUSE)

13

14 In respect to capital plant that is within
15 the application and within information that had been
16 provided, I'd like to refer you to the MKO -- Manitoba Hydro
17 rebuttal evidence, page 24 of 24. I'd like to do some
18 exploring on the --

19 MR. CHIC THOMAS: Yes, I have that document.

20

21 MR. MICHAEL ANDERSON: -- diesel additions
22 to Shamattawa.

23 THE CHAIRMAN: Mr. Anderson, that's page 24
24 of the 24.

25 MR. MICHAEL ANDERSON: As I read the upper

1 right-hand corner of the document, yes, Mr. Chair.

2 THE CHAIRMAN: Thank you.

3

4

(BRIEF PAUSE)

5

6 CONTINUED BY MR. MICHAEL ANDERSON:

7 MR. MICHAEL ANDERSON: Now, as I look at the
8 total estimated construction costs -- cost, the amount of a
9 Hydro forecast, would you confirm that that's \$16,290,636?

10 MR. CHIC THOMAS: Yes, that's correct.

11 MR. MICHAEL ANDERSON: Would you -- could
12 you tell me where I could find that in the other documents
13 that we've just been discussing? Because when I go to --
14 for example, when I'm working with PUB/MH-36 and I'm looking
15 at Shamattawa Capital Additions, I see references in 2002
16 and 2003 for various additions but as I total them, they
17 don't equal \$16,200,000.

18 MR. CHIC THOMAS: You -- you will note that
19 there are some retirement costs in that PUB/MH-36.

20 MR. MICHAEL ANDERSON: That makes some nets,
21 you know.

22 MR. CHIC THOMAS: So -- so that nets it out
23 and -- and, in addition, in my direct testimony that we have
24 just mentioned, there is the soil re -- remediation cost of
25 approximately \$3 million dollars. So, as I'd indicated,

1 that -- that won't be incurred until, it's estimated, 2005
2 or 2006.

3 MR. MICHAEL ANDERSON: The soil remediation
4 costs listed at the rebuttal evidence on page 24, those
5 costs will be incurred when, again please?

6 MR. CHIC THOMAS: The forecast is for 2005.

7 MR. MICHAEL ANDERSON: We had just pursued
8 costs other than those that were appearing in the documents
9 and you had indicated that there were none and this is a
10 \$2.2 million item. Are there any other similar items that
11 are farther beyond the forecast than what appears on PUB/MH-
12 36?

13 MR. CHIC THOMAS: No, not in terms of
14 Shamattawa.

15 MR. MICHAEL ANDERSON: Are there any in
16 terms of the diesel service?

17 MR. CHIC THOMAS: As we have just indicated,
18 nothing û- nothing major.

19 MR. MICHAEL ANDERSON: What would you define
20 as major without belabouring it, that I'm just curious?

21 MR. CHIC THOMAS: Major we'd defined is
22 something significant, i.e., new Genset. Perhaps some new
23 controllers or the accessory station equipment that has to
24 go into these plants. As a result of breakdown or just
25 aging of equipment and so on and so forth.

1 MR. ROBERT MAYER: Do you not have a dollar
2 figure for major? \$3 million sounds like a lot of money to
3 a hick town country lawyer like me.

4 MR. VINCE WARDEN: We û- for capital
5 expenditure forecasting purposes, we do in fact have a
6 definition -û or have a -- we categorize our -- our forecast
7 into major and non-major items. Anything over \$2 million is
8 considered major.

9

10 CONTINUED BY MR. MICHAEL ANDERSON:

11 MR. MICHAEL ANDERSON: Is that for the û-
12 that's for the Corporation including the grid service?

13 MR. VINCE WARDEN: That is for all forecast
14 capital items yes.

15 MR. MICHAEL ANDERSON: In light of the
16 limited size of this service and the sensitivity of the
17 customers to new costs, is there û- been any thought given
18 to classifying an expenditure as major at a lower level, so
19 that you know, it's brought your -- all of your attention?

20 I'll just say, the first part of my question
21 is, have you given any thought to using a lower threshold
22 for classifying cost as major in the diesel service area?

23 MR. VINCE WARDEN: Well I was just
24 explaining what we use for capital forecasting purposes.
25 That's not to say that divisions responsible for

1 administering the diesel sites would have detailed very much
2 below that, that level of magnitude and they would.

3 MR. MICHAEL ANDERSON: All right, thank you.
4 Are the generating facilities that are identified in PBM/H36
5 in service right now?

6 MR. CHIC THOMAS: Yes, everything is in
7 service as of the end of 2004 as we spoke of.

8 MR. MICHAEL ANDERSON: Will be in service at
9 the end of 2004?

10 MR. CHIC THOMAS: March 31st, 2004, I'm
11 sorry.

12 MR. VINCE WARDEN: Everything essentially is
13 in service as we speak. So there's -- there's nothing major
14 to be put in service beyond this date.

15 MR. MICHAEL ANDERSON: Is there any an --
16 anticipation that once the units û- or the facilities that
17 are being constructed are in service and commission that
18 there'll be an increase in these estimated capital costs,
19 construction costs that you show at page 24 of PBM/H-36?

20 MR. VINCE WARDEN: No.

21 MR. MICHAEL ANDERSON: I'd like to explore
22 some of the light items that you have on this table. Can
23 you please explain the planning studies of one point nine
24 one nine (\$1,919) û- firstly would you confirm that the
25 planning studies are \$1,919,736.

1 MR. CHIC THOMAS: Yes, that's correct.

2 MR. MICHAEL ANDERSON: That's a correct
3 number? All right, thank you. Can you explain what they
4 are?

5 MR. CHIC THOMAS: I think a lot of that was
6 addressed a little earlier in that rebuttal evidence in line
7 items 1 and 2 on page 20 of 24 of that same document.

8 MR. MICHAEL ANDERSON: Could you give me the
9 line reference again please, Mr. Thomas?

10 MR. CHIC THOMAS: I'm speaking specifically
11 about line item 21, right through to 30 and so...

12

13 (BRIEF PAUSE)

14

15 MR. ROBERT MAYER: I don't have that document
16 in front of me, it doesn't say Roddick and Hobbs (phonetic)
17 on it anywhere, does it?

18 MR. VINCE WARDEN: No.

19

20 (BRIEF PAUSE)

21

22 THE CHAIRMAN: Mr. Thomas, the majority of
23 those planning related study costs are for Manitoba Hydro's
24 own staff that are involved in the planning studies, the
25 project management and whatever additional costs were

1 involved?

2 MR. CHIC THOMAS: Yes, sir, that would be
3 internal Manitoba Hydro people.

4 THE CHAIRMAN: Thank you. Mr. Anderson...?

5 MR. MICHAEL ANDERSON: I'm content to let
6 them consult for a moment.

7

8 CONTINUED BY MR. MICHAEL ANDERSON:

9 MR. MICHAEL ANDERSON: But I was going to
10 ask, is -- is it possible to get even a narrative breakdown
11 of what that would be composed of?

12 MR. CHIC THOMAS: I'm sorry, Mr. Anderson,
13 could you just --

14 MR. MICHAEL ANDERSON: The what -- could you
15 provide just even a narrative summary breakdown of what \$1.9
16 million of planning studies for a diesel plant, three
17 thousand (3,000) megawatt diesel plant looks like?

18

19 (BRIEF PAUSE)

20

21 MR. VINCE WARDEN: Mr. Anderson, your -- your
22 question was whether or not we could provide a further
23 breakdown of the \$1.9 million dollars, and we'll undertake
24 to do that. Again, it might take two (2) or three (3) days
25 to put that together.

1
2 --- UNDERTAKING NO. 12: To provide a further breakdown
3 the \$1.9 million.
4

5 THE CHAIRMAN: I thought Mr. Anderson was
6 asking for a narrative. I read that material some time ago,
7 I gather from the response that is in the rebuttal evidence,
8 that -- that planning studies, the management of this
9 project was over a period of in excess of a decade.

10 And so, I understand the accounting system
11 inside of Hydro, that anytime a staff person of Manitoba
12 Hydro worked on this project, his time was allocated to
13 this, and it is only now that you're bringing this amount
14 forward; is that correct?

15 MR. VINCE WARDEN: These planning studies,
16 you're -- you're absolutely correct, could very well have
17 taken place over the last decade, in fact they did.

18 THE CHAIRMAN: Does that help you, Mr.
19 Anderson?

20 MR. MICHAEL ANDERSON: I suppose the item is,
21 is that from the evidence in the testimony that's clear,
22 however, the components of it are -- are what we're
23 interested in. I mean, how much was travel, how much was
24 booked engineering time, how much was OHED (phonetic)
25 assistance, that sort of thing.

1 MR. ROBERT MAYER: It's already been spent
2 as I understand it. I'm trying to figure out where you're
3 going, Mr. Anderson. Quite frankly, I'm getting somewhat
4 frustrated.

5 MR. MICHAEL ANDERSON: Well, one of the
6 early items that I mentioned in my opening comments, of
7 course, was that you're being requested to approve rates for
8 service for these communities. It would seem to me that a
9 primary preliminary step, with respect, would be to
10 determine the prudence and reasonableness of the
11 expenditures that the customers are being asked to bear.

12 THE CHAIRMAN: Maybe I could assist, Mr.
13 Warden. You indicated that you'd look at it.

14 Could you perhaps even separate out and state
15 how much was planning studies, how much was project
16 management, that is once the decision was made to move ahead
17 and I also understand that there were some other costs
18 associated with access road and all of that, that would be
19 included in that material?

20 Is there some way that you can, at least,
21 break out some of that?

22 MR. VINCE WARDEN: Yes.

23 THE CHAIRMAN: Mr. Anderson, is that
24 helpful?

25 MR. MICHAEL ANDERSON: That is, Mr. Chair,

1 thank you.

2

3 CONTINUED BY MR. MICHAEL ANDERSON:

4 MR. MICHAEL ANDERSON: As one of the items
5 that I wanted to clarify in it is that; is it correct that
6 all of the work that was done on planning the Shamattawa
7 land line is reflected in this number?

8 MR. CHIC THOMAS: No, that's not correct.

9 MR. MICHAEL ANDERSON: Well, I was looking
10 at item, line -- the references that you referred me to on
11 page 20 in paragraph 2 between lines 21 and 31 and, as I
12 understand the suggestion by the Chair to take the
13 commentary of -- to be of assistance, it appears to me that
14 a great deal of the time being spent, and -- and including
15 previous comments by Mr. Cox about the numbers of meetings
16 in Shamattawa being mainly related to the land line over
17 that period of time that it was under discussion, so where
18 are the -- where would -- all right, so these costs are all
19 purely related to the diesel plant and have nothing in them
20 related to the land line efforts?

21 MR. CHIC THOMAS: Yes, sir, that's correct.
22 I think what I was trying to convey in the rebuttal evidence
23 is that one of the reasons that -- that the -- that the
24 planning study and -- and the work with the community of
25 Shamattawa to get the new station in place was a result of -

1 - of these studies with the land line and such but, in no
2 way are they included in this number that you see before you
3 now.

MR. MICHAEL ANDERSON: Reinforces my
4 interest in the breakdown relative to the narrative and I
5 appreciate it being suggested to assist but I realize that
6 we need to see the other numbers if it's all diesel
7 planning.

8 Realizing that there's multiple components, I
9 suppose part of the interest in pursuing it was just, from
10 looking at it from -- I don't want to be -- take your role
11 as, you know, feeling a little local when you read numbers
12 like this but, to me, it looks like fifteen (15) man years
13 of a senior engineer spent planning one (1) diesel plant in
14 one (1) community.

15 And I've worked for MKO for sixteen (16)
16 years and I'm thinking, wow. So I'd like to see the
17 breakdown to help understand what, from a simplistic
18 perspective, appears to be a tremendous billing of senior
19 engineering time.

20 MR. ROBERT MAYER: If Mr. Anderson is
21 correct, I'd be really interested in that too.

22 MR. VINCE WARDEN: We'll get the breakdown.
23

24 CONTINUED BY MR. MICHAEL ANDERSON:

25 MR. MICHAEL ANDERSON: Thank you.

1 Similarly, can you explain what goes into -- the site --
2 were the site -- preparation costs four hundred and thirty-
3 five thousand six hundred and twenty-one dollars (\$35,621),
4 Mr. Thomas? Could you confirm that please?

5 MR. CHIC THOMAS: Yes, that's correct.

6 MR. MICHAEL ANDERSON: Thank you. What
7 would go into that -- that expenditure?

8 MR. CHIC THOMAS: The site preparation would
9 include the -- the preparation of the final site which
10 includes the excavation -- the -- the excavation of the
11 site, the putting in with the fill and getting it ready to
12 put in the concrete and the base and the buildings and such.

13 MR. ROBERT MAYER: Would it include piling
14 and fencing as well?

15 MR. CHIC THOMAS: No, sir, it would not.

16

17 CONTINUED BY MR. MICHAEL ANDERSON:

18 MR. MICHAEL ANDERSON: And who would do this
19 work? Could you -- who would be actually physically doing
20 the clearing and prepping and laying the -- I understood
21 that the foundation for the plant building is also included
22 in this number?

23 MR. CHIC THOMAS: No. The concrete work is
24 not. It's just getting the site prepped so all the
25 infrastructure can be built upon it.

1 MR. MICHAEL ANDERSON: Up to the point of
2 excavation ready for the remainder of the work to be done?

3 MR. CHIC THOMAS: Correct.

4 MR. MICHAEL ANDERSON: And who would do this
5 work?

6 MR. CHIC THOMAS: It's my understanding that
7 -- that a lot of the excavation work and site preparation
8 was procured either directly with the First Nations or with
9 the First Nations in a -- in a joint venture project.

10 MR. MICHAEL ANDERSON: A joint venture with
11 Manitoba Hydro?

12 MR. CHIC THOMAS: No. My understanding is
13 and I would have to check this. But my understanding is the
14 preferential treatment when we are tendering some of these
15 projects is to -- is -- is to provide the contract with the
16 local First Nations. They're under -- unable to do
17 so. They might do -- do so with some other partner to
18 assist them in that work.

19 MR. MICHAEL ANDERSON: Thank you. If I go
20 to the -- the --. Was there a further clarification that
21 you wanted to provide on that matter, Mr. Thomas?

22 MR. CHIC THOMAS: I was just advised that
23 that also included the -- the -- I think it was the access
24 road going into the new site as well.

25 MR. MICHAEL ANDERSON: Thank you for that,

1 that's appreciated. So when we go to û

2 MR. ROBERT MAYER: I've been to Shamattawa.
3 Access from where? The river or the airport?

4 MR. ROBIN WIENS: From the airport.

5 MR. MICHAEL ANDERSON: And partly because of
6 the comment and Mr. Mayer's, the Vice -- the Vice Chair's
7 comments, and of course I've been to Shamattawa myself many
8 times, would you please provide a breakdown to us of what
9 the four hundred and thirty-four thousand, six twenty-one
10 (\$434,621) looks like. For example, how much of it is the
11 road and how much the road cost.

12 MR. CHIC THOMAS: We could have a look at
13 that, yes.

14 MR. MICHAEL ANDERSON: Thank you. The --
15 the next item I'd -- I'd like to explore because it's of
16 interest, is the plant itself.

17 MS. PATTI RAMAGE: Mr. Anderson, if I can
18 just ask as a little housekeeping matter, if you're asking
19 for something like that, could we attempt to use the word
20 'undertaking' on the record. Because that's the only way
21 it's going to come up on the transcript as something that is
22 on our checklist of needing to be done.

23 MR. MICHAEL ANDERSON: I appreciate that,
24 with a reminder for that, thank you. My understanding is I
25 have an undertaking to provide a breakdown to the degree

1 possible on planning studies and another one on site
2 preparation. Thank you, Ms. Ramage.

3

4 --- UNDERTAKING NO. 13: Provide a breakdown to the degree
5 possible on planning studies and another
6 one on site preparation.

7

8 CONTINUED BY MR. MICHAEL ANDERSON:

9 MR. MICHAEL ANDERSON: So the plant, we have
10 a plant of \$7,599,851, is that the correct number?

11 MR. CHIC THOMAS: That's the number, yes.

12 MR. MICHAEL ANDERSON: And could you explain
13 what that would entail? What goes into \$7.5 million of
14 diesel plant at Shamattawa?

15

16 (BRIEF PAUSE)

17

18 MR. CHIC THOMAS: In -- it would be the
19 Gensets, the tank farm and all the assoc -- and -- and û-
20 and the associated equipment that -- that -- that you need
21 around to you know, to install it to the wires and all those
22 building.

23 MR. MICHAEL ANDERSON: Thank you, Mr.
24 Thomas. And so to û- on to Undertaking Number 3, could you
25 please provide a breakdown of what the plant cost item is?

1 MR. CHIC THOMAS: Yes, we could to that.

2 MR. MICHAEL ANDERSON: Thank you. As -- as
3 an item of clarification between the planning study cost and
4 I'm looking forward to seeing the breakdown, if I go back to
5 the page û- the reference at page 20 that you provided, and
6 some of the narrative pro -- kindly provided by Mr. Cox, it
7 refers to community consultation, site selection, so forth.

8 And at your reference at page 20, paragraph
9 2, lines 21 and so on. I notice now that there -- and I
10 understood that part of the 1.9 million dealt with community
11 consultations. Was that correct? Did I understand that
12 correctly?

13

14

(BRIEF PAUSE)

15

16 MR. ROBIN WIENS: Mr. Anderson, I would not
17 at all be surprised if there was considerable community
18 consultation ongoing as part of the planning process, and
19 that that would be included in the 1.9 million.

20

21 But as we've undertaken to -- to obtain a
22 further breakdown of that, we will try to -- we will also
23 try to make sure that if we can identify that separately, we
24 will.

24

25 MR. MICHAEL ANDERSON: And where I'm working
with that now of course is, there's a separate line item for

1 sixty-two thousand one hundred and twenty-six dollars
2 (\$62,126) entitled, Community Relations. Is the number
3 correct, Mr. Thomas?

4 MR. CHIC THOMAS: That's the number on the
5 table, yes.

6 MR. MICHAEL ANDERSON: Thank you. And what
7 is community relations, apart from the consultations that
8 went into the planning studies?

9 MR. CHIC THOMAS: My understanding is that --
10 is that it's when the work was being done on the project
11 there was interaction with the community about the plant,
12 and -- and information and such.

13 MR. MICHAEL ANDERSON: So, then the nature in
14 which the costs are displayed has a temporal aspect to it.
15 The planning studies were before you got going and the --
16 and the community relations is after construction began; is
17 that correct?

18 MR. CHIC THOMAS: That's my understanding,
19 it'll be clarified in the undertaking we're going to do for
20 you.

21 MR. ROBERT MAYER: I hope the grand opening
22 didn't cost that much money?

23

24 (BRIEF PAUSE)

25

1 MR. ROBERT MAYER: While we have a bit of an
2 interregnum, how long do you expect one (1) of these diesel
3 units to last?

4
5 (BRIEF PAUSE)

6
7 MR. VINCE WARDEN: The generating component
8 of -- of the plant is depreciated over ten (10) years, so
9 that would be the expected useful life.

10 MR. ROBERT MAYER: You depreciate your hydro
11 dams over fifty (50) years and some of them are a hundred
12 (100) years old. How much do you real -- how long do you
13 really -- do you actually change them every ten (10) years?
14 The diesel units?

15 MR. VINCE WARDEN: No, but as the -- as we
16 approach that ten (10) year horizon, we would do an
17 assessment as to whether or not the life can be extended,
18 and if so, we would extend the -- the -- at least spread the
19 depreciation over a longer time period.

20 MR. ROBERT MAYER: And by comparison, how
21 long do one (1) of these micro turbines that you stick in
22 the water at Brochet hopefully, how long would they be
23 expected to last?

24 MR. VINCE WARDEN: I really don't have any
25 experience with that.

1 MR. ROBERT MAYER: I was afraid that might be
2 the answer.

3

4

(BRIEF PAUSE)

5

6

7

MR. MICHAEL ANDERSON: Thank you, Mr. Vice-
Chair.

8

9

CONTINUED BY MR. MICHAEL ANDERSON:

10

MR. MICHAEL ANDERSON: That's good, thanks.
Now, the next item that I have is commissioning at two
hundred and ninety-seven thousand one hundred and ninety-
nine dollars (\$297,199); is that number correct, Mr. Thomas?

11

12

13

14

MR. CHIC THOMAS: That's the number on the
table, yes.

15

16

MR. MICHAEL ANDERSON: What is commissioning?
What would be entailed in that expenditure?

17

18

19

MR. CHIC THOMAS: My understanding of
commissioning is once the plant is installed, our people
have to go out in -- in addition with Government inspectors,
to ensure that everything is working, there's no leaks in
the fuel lines, that it's designed to do what it's supposed
to do, and they basically test the unit without it being on
line.

20

21

22

23

24

25

MR. MICHAEL ANDERSON: If I understand this

1 then correctly, the plant's finished, people have swept up
2 whatever needs to be cleaned up, there's fuel in it, people
3 come and officially start it and -- and observe it
4 operating. How long do they observe it operating? Well --
5 is that what they basically do?

6 MR. CHIC THOMAS: That's my understanding of
7 the process, yes.

8 MR. MICHAEL ANDERSON: And how long would
9 they run it, to confirm a commissioning?

10 MR. CHIC THOMAS: I'm not an engineer, I'm a
11 -- I don't have that information.

12 MR. MICHAEL ANDERSON: Can anyone answer how
13 long a commissioning would take, just to fire it up and make
14 sure it's working? If I understand that's correct, that's
15 what's being done?

16 MR. ROBIN WIENS: This is a process that is
17 taking a plant that has been installed and gets it to the
18 point where it can operate according to its performance
19 specs. So it involves checking out all the numerous aspects
20 of the plant, making sure that -- that everything is able to
21 operate properly.

22 I -- I don't have personal knowledge of this
23 either, but it would involve testing the operations under
24 varying conditions. It may take several days. It may take
25 several weeks. It's something to make sure that now you've

1 got -- once you've got the plant up that you can keep it
2 running.

3 MR. MICHAEL ANDERSON: Using a similar
4 analogy that I did with the planning studies, just my simple
5 way of looking at the numbers, it appears that it's almost
6 three (3) person years for a senior engineer to complete the
7 commissioning and I'm wondering, again, if you could
8 undertake to provide a breakdown of what those costs -- what
9 that expenditure is?

10 MR. CHIC THOMAS: Yes, we could do that.

11 MR. MICHAEL ANDERSON: Thank you, Mr.
12 Thomas. The next item that I'm very curious in, and part of
13 it's because of my role with the Natural Resources
14 Secretariat. We deal with remediation issues within the MKO
15 Region.

16 So, can you please explain what the --
17 firstly, we have an item for soil remediation at \$2,267,922;
18 is that a correct number?

19 MR. CHIC THOMAS: That's the number on the
20 page, yes, sir.

21 MR. MICHAEL ANDERSON: Thank you. What is
22 entailed in that expenditure?

23 MR. CHIC THOMAS: Again, Mr. Anderson, I
24 don't have the full information to provide you with what
25 you're looking for and perhaps if -- if we're going to go

1 through each of the line items and if -- if we're going to
2 go through the same process, we can undertake to do a
3 breakdown on soil remediation and distribution upgrades, if
4 that's --

5 MR. MICHAEL ANDERSON: That would be
6 helpful. That would be very helpful. On the soil
7 remediation though, I'd just like to pursue it a bit in
8 terms -- in terms of why it would be done. My understanding
9 is, you're building a brand new diesel plant; what would be
10 required for soil remediation?

11 MR. CHIC THOMAS: Soil remediation at the
12 former diesel -- the former site in -- inside the town.

13 MR. MICHAEL ANDERSON: Wouldn't that be
14 considered a separate project from the capital cost of a --
15 this new diesel generating plant? But, I'll back up one
16 (1). Is the soil remediation that's listed on this table of
17 costs at a physically different location from the location
18 of the new -- diesel plant?

19 MR. CHIC THOMAS: Yes.

20 MR. MICHAEL ANDERSON: So why is it included
21 in the total of this particular diesel plant project, the
22 installation of a new generator?

23 THE CHAIRMAN: Mr. Thomas, maybe just so
24 that I can just think this thing through. You had an
25 existing plant in the community together with a generator?

1 MR. CHIC THOMAS: Yes.

2 THE CHAIRMAN: And through the planning
3 studies of the last decade or more there was a view that you
4 would like to have a land line and that somewhat delayed or
5 stretched out the planning period but, at the end of the
6 day, there was a decision that you build a new plant, buy
7 some new equipment, but you'd also move in the old
8 equipment?

9 MR. CHIC THOMAS: Yes, sir.

10 THE CHAIRMAN: And that's the reason why you
11 have to have a very sophisticated electronic scheme because
12 you've got three (3) generators now housed in one (1)
13 building but you may not need all three (3) generators
14 running at the same time?

15 MR. CHIC THOMAS: That's correct.

16 THE CHAIRMAN: And so that's the reason why
17 there's a significant effort and time spent to make sure,
18 from a commissioning point -- commissioning point of view,
19 that they're all working in synch with one (1) another?

20 MR. CHIC THOMAS: That's true. And also you
21 have to appreciate, Mr. Chairman, that you have to have a
22 lot of redundancy in the plant because if one (1) goes down,
23 you have to have another standby unit to ensure that the
24 community isn't cut off.

25 THE CHAIRMAN: Particularly when it's in the

1 far North when it gets fairly cold at this time of year.
2 And so, therefore, there's that. Then, once the site has
3 been cleaned up, that is the -- the -- the old plant has
4 been removed, part of the costs of the project, per se, is
5 soil remediation?

6 MR. CHIC THOMAS: Yes. That's correct.

7 THE CHAIRMAN: To ensure that,
8 environmentally, there is nothing left that causes any harm
9 to any of the citizens of, in this case, Shamattawa?

10 MR. CHIC THOMAS: Yes, Mr. Chairman.

11 THE CHAIRMAN: Is that at all helpful to
12 you, Mr. Anderson?

13 MR. MICHAEL ANDERSON: Once again, Mr. Chair,
14 I followed you precisely in terms of visualizing the overall
15 process. One (1) of the reasons of course that would --
16 that I'm pursuing this, is that this particular table was
17 prepared to rebut evidence that was presented by MKO in
18 respect of the possible cost, or the expected cost of a
19 three (3) megawatt diesel generating station.

20 So, I'm exploring what costs are included in
21 this table, which is intended as an offset.

22 THE CHAIRMAN: Yes, all I was --

23 MR. MICHAEL ANDERSON: Which the witness
24 will-- Sorry.

25 THE CHAIRMAN: Sorry, all I was trying to do

1 was assist you in determining why the soil remediation costs
2 are in this new plant costs, that was all I was trying to
3 do.

4 MR. MICHAEL ANDERSON: And I take that as
5 help, it was -- it was so. But in terms of that, I -- I --
6 we're engaging in a dialogue here now, but I take that as a
7 picture of the diesel plant in Shamattawa generally, and the
8 requirements for running that system.

9 But this table is generated to provide the
10 cost of a plant. And that's why I'm interested in pursuing
11 why diesel re -- soil remediation at a site unrelated to the
12 new plant would be booked as a cost related to the new
13 plant, notwithstanding that I had perfectly understood your
14 explanation.

15 THE CHAIRMAN: You can go -- proceed with
16 that.

17 MR. ROBIN WIENS: Mr. Anderson, I -- I think
18 the rebuttal evidence was prepared, as you suggest, because
19 some statements had been made in the evidence supplied by
20 MKO. We were providing an explanation for the cost that was
21 incurred. The projected cost for soil remediation was part
22 of that cost.

23 MR. ROBERT MAYER: And -- and you're required
24 -- the Environment Act requires you to do that remediation,
25 I'm pretty sure of that, I can look to your counsel in that

1 regard.

2

3

(BRIEF PAUSE)

4

5

MS. PATTI RAMAGE: There's no question soil
6 remediation has to be done.

7

THE CHAIRMAN: Whether it has to be done or
8 not, it's just good business practice, is -- is it not?

9

10

(BRIEF PAUSE)

11

12

THE CHAIRMAN: Mr. Anderson, proceed.

13

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

14

15

CONTINUED BY MR. MICHAEL ANDERSON:

16

MR. MICHAEL ANDERSON: I have other questions
17 related to that, but one (1) of the ones I would like to
18 have answered is why is the remediation capitalized and not
19 expensed?

20

MR. VINCE WARDEN: Whenever we incur a
21 substantial cost, such as soil remediation and -- and
22 remediation at all the diesel sites is a fairly substantial
23 cost, rather than attempt to recover that from customers in
24 the -- in the -- the year of the incurrence of that cost,
25 those costs are spread over a number of future years.

1 So, it's -- I hate to use the word rate
2 shock, but it's to -- to avoid rate shock that would other -
3 - otherwise occur.

4 MR. MICHAEL ANDERSON: In so doing though, it
5 be -- and from being -- other than being an expense then, it
6 becomes a fixed cost on the system; is that correct?

7 MR. VINCE WARDEN: It becomes a cost to be
8 recovered from ratepayers over future years, rather than all
9 in one (1) year.

10 MR. MICHAEL ANDERSON: But it would be viewed
11 as a fixed cost?

12 MR. VINCE WARDEN: Inasmuch as included as
13 part of capital, it's -- if you like to call it fixed cost,
14 yes, it's like fixed costs.

15 MR. MICHAEL ANDERSON: Okay. And, Mr.
16 Thomas, is it correct that the capitalized soil mer --
17 remediation accrues interest at 7.81 percent until --

18 MR. CHIC THOMAS: As part of the process of
19 the Diesel Cost of Service Study, yes.

20 MR. MICHAEL ANDERSON: So, while the effort
21 might be to reduce the immediate rate impact, that process
22 actually increases its overall long term cost to the
23 customer?

24 MR. VINCE WARDEN: No, it's just recognizing
25 there is a carrying cost associated with not recovering

1 those costs immediately. There's a carrying cost for -- for
2 recovering that over an extended period of time.

3 MR. MICHAEL ANDERSON: But the effect of
4 that, Mr. Thomas, is to increase the overall cost?

5 MR. VINCE WARDEN: No, no, it's not
6 increasing the overall cost. If you sum up the costs,
7 including interest over the period of an extended number of
8 years, it's going -- going to be higher. But the effect to
9 the ratepayer is the same.

10 MR. MICHAEL ANDERSON: Well, that's what I
11 was -- it was the absolute magnitude of the cost that I was
12 asking the question directed to you. Thank you.

13 Now, the other -- the other question here is
14 why is the remediation required? What happened to require
15 \$2.2 million in soil remediation?

16

17 (BRIEF PAUSE)

18

19 MR. ROBIN WIENS: Mr. Chairman, again I'm --
20 I'm not speaking with any degree of expertise on this, but
21 there was a plant in Shamattawa previously, going back to
22 1972. That plant was operated, fuel oil was brought in,
23 fuel oil was taken into the generating facility, over a
24 period of twenty (20) years, I -- I believe it's not
25 uncommon that you are going to have some loss into the

1 environment.

2 And it is good practice, once the site is
3 being restored, that you carry out the soil remediation.
4 And this in fact was done on all the diesel sites where the
5 plants have been decommissioned.

6 MR. ROBERT MAYER: Diesel soaked ground ,I
7 think, answers what you would have done out there, and not
8 only did you have spillage, you also, over those period of
9 years, had some significant vandalism on the site, where oil
10 in fact was spilled, I -- I happen to have been there when
11 those people were prosecuted.

12

13 (BRIEF PAUSE)

14

15 MR. ROBIN WIENS: And it's -- it's common
16 practice now as well, to alleviate any concerns of the
17 community, that they've got an environmental problem in
18 their community.

19

20 CONTINUED BY MR. MICHAEL ANDERSON:

21 MR. MICHAEL ANDERSON: In terms of the -- the
22 past practice of fuel storage, which of course within
23 northern regions are -- I take it though that the
24 description that you've given about over twenty years(20)
25 fuel is spilled into the ground, the installation

1 requirements and maintenance and fuel though, under current
2 regulations, would essentially eliminate soil contamination
3 from a new plant; is that correct?

4 MR. VINCE WARDEN: Essentially I think it's
5 fair to say we're much more stringent today than we were
6 twenty (20) years ago. We have a very comprehensive spill
7 report that's prepared and has to be filed with the
8 environmental authorities and we -- and we do do that, so a
9 spill of the smallest magnitude is -- is reported and
10 cleaned up immediately.

11

12

(BRIEF PAUSE)

13

14 MR. MICHAEL ANDERSON: In a situation where
15 you have customers paying the cost of something like soil
16 remediation which is, of all the items I see here, the
17 second largest individual line item; is that correct, Mr.
18 Thomas? It's a simple look.

19

MR. CHIC THOMAS: Yes.

20

21 MR. MICHAEL ANDERSON: Nothing turns on it.
22 Does the Corporation internally, in a situation like this,
23 where you -- where your approach to assigning costs,
24 isolates
25 the cost of the service, do you internally examine whether
the spill is as a result of the actions of any of your

1 employees?
2

3 (BRIEF PAUSE)
4

5 MR. VINCE WARDEN: With respect to this \$2.2
6 million dollars?

7 MR. MICHAEL ANDERSON: Yes.

8 MR. VINCE WARDEN: No.

9 MR. MICHAEL ANDERSON: I'm thinking that for
10 example, specifically going back to just the way it looks to
11 me, if someone flies up from Winnipeg to repair something
12 and something happened after that, there was a leak that
13 occurred, would Manitoba Hydro's Corporate -- the grid
14 system pay for that, or would you assign that -- the cost of
15 that error to the diesel service?

16 I realize it's hypothetical, and I apologize
17 for that. But I'm wondering if internally you try to make
18 any assessment as -- as to whether it was an inadvertent or
19 avoidable incident, that is resulting in significant cost to
20 the customers in those communities?

21

22 (BRIEF PAUSE)
23

24 MR. MICHAEL ANDERSON: And therefore should
25 be taken by Hydro itself, and not assigned to the diesel

1 community?

2

3

(BRIEF PAUSE)

4

5

MR. VINCE WARDEN: Your question, as you
6 indicated, was hypothetical. We are not aware of any
7 spillage, direct spillage caused by our employees.

8

9

10

11

12

MR. MICHAEL ANDERSON: I -- you had just
indicated that your detailed spill reports, I'm just
wondering if there's a component where the Corporation's
interested in determining whether it may be as a result of
an operations error?

13

14

MR. VINCE WARDEN: If there is, that would be
corrected.

15

16

17

18

19

MR. MICHAEL ANDERSON: And if it was
corrected in the diesel service, if it was an operations
error that appeared in your spill report would that be --
the cost of that be charged to the diesel customers?

20

21

22

23

24

MR. VINCE WARDEN: Your -- your question
really is hypothetical. If there was a major incident that
occurred as a result of an employee error we might have to
consider special treatment of that in terms of cost
recovery. But that -- that situation has not arisen that
I'm aware of.

25

MR. MICHAEL ANDERSON: I appreciate that the

1 comment was hypothetical, I was really seeking corporate
2 policy and you've answered in that way and I appreciate it.

3 Subject to check, would you agree that the
4 cost per kilowatt hour as you dis -- as a result of all the
5 costs that have been listed on this table at page 24 of
6 PUB/MH-36 on the Manitoba col -- Hydro column works out to
7 about two thousand five hundred dollars (\$2,500) per
8 kilowatt -- installed kilowatt?

9 MR. CHIC THOMAS: Subject to check, yes,
10 I'll accept that.

11 MR. MICHAEL ANDERSON: And in doing that,
12 that's really the 7.6 million divided by three thousand
13 kilowatts (3,000), I'm really looking at the plant costs?

14

15 (BRIEF PAUSE)

16

17 If you compare this to Almee's (phonetic) or
18 Stantec's estimate of five hundred and seventy dollars
19 (\$570) per kilowatt which is in MKO -- referred to as an --
20 a piece of analysis in PUB/MKO-21-B ...

21

22 (BRIEF PAUSE)

23

24 MR. MICHAEL ANDERSON: It -- it's -- why was
25 your cost per installed kilowatt nearly five (5) times the

1 quote that Almee had received and identified in our
2 evidence?

3 (BRIEF PAUSE)

4

5 MR. CHIC THOMAS: Could you repeat that
6 please, Mr. Anderson?

7 MR. MICHAEL ANDERSON: Yes. The Almee's
8 estimate, we've agreed, subject to check, that the result of
9 the plant cost only on MK -- Manitoba Hydro's table is --
10 works out to two thousand five hundred dollars (\$2,500) per
11 installed kilowatt. The Almee estimate in the MKO evidence
12 is five hundred and seventy dollars (\$570) per installed
13 kilowatt.

14 Why is -- is your cost nearly five (5) times
15 our cost per kil -- the installed cost per kilowatt in the
16 MKO evidence?

17 MR. ROBIN WIENS: Well, Mr. Anderson, that's
18 part of what page 24 of 24 was intended to address. And I -
19 - I think a comparison based on the 7.6 million, I'm
20 assuming you're looking at that versus the 1.5 million in
21 the -- in the -- in the column -- in the next column of the
22 same row and that's the comparison you're making.

23 But I don't -- I don't think that is really a
24 fair comparison because the response to PUB/MKO-21-B does
25 discuss a value in the range of \$5 million dollars to

1 install the plant and I think that's what we're talking
2 about in terms of the -- the other side.

3 I think our understanding is that the \$5
4 million dollars put forth by OEMI is comparable to the eight
5 one oh six (8106) that -- that we have in the same row on
6 the other side. And by my reckoning, yes, there would be
7 some -- some -- some higher costs related, particularly, to
8 the design and the requirements of that facility such that
9 it would be in the order of 60 percent higher.

10

11

(BRIEF PAUSE)

12

13

14

MR. MICHAEL ANDERSON: Thank you, Mr. Wiens.
We'll look forward to seeing the undertaking on the plant
cost breakdown so that we can see that. Thank you.

15

16

17

I would just like to try to reconcile some
numbers that deal with gross investment. The first is the
2002 progressive -- of a -- prospective Cost of Service
Study, Schedule B1, mar -- for the period March ending --
ending March 31, 2000.

18

19

20

21

And then the second reference, once again, to
my -- the Exhibit PUB/MH-36.

22

23

24

(BRIEF PAUSE)

25

1 MR. CHIC THOMAS: Could you tell us that
2 first reference please, Mr. Anderson?

3 MR. MICHAEL ANDERSON: Certainly, Mr.
4 Thomas. Year 2002 progres -- prospective Cost of Service
5 Study Schedule B1.

6 MR. CHIC THOMAS: Thank you.

7 MR. MICHAEL ANDERSON: You're welcome.

8

9 (BRIEF PAUSE)

10

11 MR. MICHAEL ANDERSON: Would you confirm that
12 the -- that the Schedule B1 and the prospective Cost of
13 Service Study identifies a March 31, 2000 diesel gross
14 investment of 29.37 million?

15 MR. CHIC THOMAS: I'm sorry, Mr. Anderson,
16 we don't have that schedule available. I can make it
17 available --

18

19 (BRIEF PAUSE)

20

21 MR. MICHAEL ANDERSON: Should we make some
22 copies? I'm sorry, I didn't realize it would inconvenience
23 everyone.

24 THE CHAIRMAN: I think that would be useful.
25 If we're going to follow it, unless they -- they feel that

1 they can answer the question.

2 MR. ROBIN WIENS: I -- I think we would
3 prefer to have some copies made and distributed, Mr.
4 Chairman.

5 THE CHAIRMAN: Thank you.

6 MR. MICHAEL ANDERSON: I'm satis -- happy
7 with that, yes.

8 THE CHAIRMAN: Maybe what we'll do is we'll
9 get it copied and we'll take a fifteen (15) minute break and
10 I'd ask you to be back in your seats at ten after 3:00 and
11 that'll give you an opportunity then, Mr. Anderson, to
12 proceed and perhaps clean up.

13 MR. MICHAEL ANDERSON: Thank you very much,
14 Mr. Chair.

15

16 --- Upon recessing at 2:52 p.m.

17 --- Upon resuming at 3:13 p.m.

18

19 THE CHAIRMAN: Ladies and gentlemen, if I
20 may, I call the Hearing back to order. Ms. Ramage, we've
21 got an exhibit you distributed, would you like to have it
22 marked?

23 MS. PATTI RAMAGE: Yes, that's correct, it's
24 the answer to Manitoba Hydro's Undertaking number 7, and if
25 we could have that marked as an exhibit, and if I could just

1 make a brief comment, is the -- in the second paragraph of
2 the document, that begins:

3 ôOther than PowerSmart residential,ö
4 It should be loan program, not load program.

5 THE CHAIRMAN: Somebody's loan may be
6 somebody's load.

7 We'll receive that as Manitoba Hydro Exhibit
8 number 14.

9
10 --- EXHIBIT NO. MH-14: Answer to Undertaking number 7.

11
12 MS. PATTI RAMAGE: And, Mr. Chair, I've just
13 been passed the answer to Undertaking number 6, if you'd
14 like me to distribute that now, or if you'd like me to wait
15 until the next break?

16 THE CHAIRMAN: Do it now.

17
18 (BRIEF PAUSE)

19
20 THE CHAIRMAN: May we receive Manitoba Hydro
21 Undertaking Number 6, investigate the records and advise the
22 Board of what the commercial demand side management savings
23 have been on an annual basis for the last couple of years.
24 We'll receive that as Manitoba Hydro Exhibit Number 15.

25

1 --- EXHIBIT NO. MH-15: Answer to Undertaking number 6.

2

3 THE CHAIRMAN: And, Mr. Anderson, the
4 schedule that you were referencing, that is Schedule B-1, do
5 you wish to have that as your exhibit?

6 MR. MICHAEL ANDERSON: That would be fine.

7

8 (BRIEF PAUSE)

9

10 THE CHAIRMAN: And for informational
11 purposes we'll receive the schedule as MKO Informational
12 Number 4.

13

14 --- EXHIBIT NO. MKO 4: Schedule B-1

15

16 THE CHAIRMAN: When you're ready, Mr.
17 Anderson...?

18

19 (BRIEF PAUSE)

20

21 CONTINUED BY MR. MICHAEL ANDERSON:

22 MR. MICHAEL ANDERSON: You have the table,
23 Mr. Thomas?

24

MR. CHIC THOMAS: Yes, I do.

25

MR. MICHAEL ANDERSON: And the second

1 reference would be PUB/MH-36 as the same line for year
2 ending 2000, March 31st.

3 So I'll start again, and from the table on
4 MKO Informational Number 4, the column total gross
5 investment, the category diesel, it's circled there,
6 confirm that that's \$29,374,581?

7 MR. CHIC THOMAS: That's correct.

8 MR. MICHAEL ANDERSON: Okay. And if we go
9 to the -- what I read as being the comparable number on
10 PUB/MH-36 for 2000, March 31, that number for diesel
11 investment is \$27,595,307; is that correct?

12 MR. CHIC THOMAS: What line are you reading
13 from, Mr. Anderson?

14 MR. MICHAEL ANDERSON: If you look on the
15 left-hand column where it goes down years, I'm -- I'm
16 reading --

17 MR. CHIC THOMAS: Sorry, Mr. Anderson, you
18 were including the distribution as well?

19 MR. MICHAEL ANDERSON: That's right. So,
20 the -- that's correct. The total for -- including
21 distribution, so my question is, can you reconcile these two
22 (2) numbers for diesel investment for the same year end on
23 MKO Informational Number 4 it's been confirmed that it's
24 29,374,581. On MKO -- on PUB/MH-36 it's 27,595,307; do you
25 have that?

1 MR. CHIC THOMAS: Yeah, that's correct.
2 Yes, I have that.

3 MR. MICHAEL ANDERSON: Why -- can you
4 reconcile the numbers? Why are they different?

5 MR. CHIC THOMAS: You'll note that if you
6 look to the far right-hand side of that MKO Info. Number 4
7 there's a -- a direct allocation called diesel?

8 MR. MICHAEL ANDERSON: Yes.

9 MR. CHIC THOMAS: And if you add to the
10 bottom of that column you'll see that it's 27,023,307. And
11 just as a quick reference, without having the complete
12 detail in front of me, the scheduled items in this MKO
13 information request is just the booked items in our
14 financial forecasting system.

15 Whereas in the diesel Cost of Service Study,
16 we also have additional items that are added in there that
17 are outlined in the application, such as general equipment,
18 diesels in stock and those sort of items.

19

20 (BRIEF PAUSE)

21

22 MR. MICHAEL ANDERSON: Thank you, Mr.
23 Thomas.

24

25 (BRIEF PAUSE)

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MR. MICHAEL ANDERSON: And similarly, Mr. Thomas, if we also stay with PUB/MH-36 and go to the lower right-hand corner of the table, we have the diesel assets as of year-end March 31, 2004 at \$39,486,578, is that correct?

MR. CHIC THOMAS: That's correct.

MR. MICHAEL ANDERSON: What I wanted to get your assistance with is to confirm allocations between generation and distribution of that amount. I'm using an allocation for generation of 88.8 percent. Would that be correct, Mr. Thomas?

MR. CHIC THOMAS: I'd have to check that, but subject to check I'll accept it.

MR. MICHAEL ANDERSON: Thank you. And then also subject to check that would result in an allocation to generation of \$35,072,863?

MR. CHIC THOMAS: Again, subject to check I'll accept that.

MR. MICHAEL ANDERSON: Thank you. And then the allocation for distribution would be 11.2 percent?

MR. CHIC THOMAS: Yes.

MR. MICHAEL ANDERSON: Thank you. And therefore then the allocated amount for distribution would be \$4,413,714, would you accept that subject to check?

MR. CHIC THOMAS: Yes, I will.

1 MR. MICHAEL ANDERSON: Thank you. Now if we
2 go then to Schedule 2, Attachment 2 of the Application.

3 MR. CHIC THOMAS: That was Schedule 2 and
4 Attachment 2, was it?

5 MR. MICHAEL ANDERSON: Schedule 2 of
6 Attachment 2 of the Application, yes.

7 MR. CHIC THOMAS: I've got it, yes.

8 MR. MICHAEL ANDERSON: Thank you. I just
9 wanted to confirm that this table indicates that the forecast
10 net investment for the û- for March 31, 2004 is \$29,095,749.

11 MR. CHIC THOMAS: I'm sorry, Mr. Anderson.
12 You must be looking at another table.

13

14 (BRIEF PAUSE)

15

16 MR. MICHAEL ANDERSON: And following you to
17 that number what I'm working with is a derivative. If we
18 look at the interest expense on facilities for enhanced
19 supply at the bottom column, second column, bottom.

20 MR. CHIC THOMAS: Yes, I've got it.

21 MR. MICHAEL ANDERSON: And I would like to
22 confirm that that's \$2,272,378?

23 MR. CHIC THOMAS: That's correct.

24 MR. MICHAEL ANDERSON: And the interest
25 applied to net investment is 7.81 percent, is that correct?

1 That's from page 9 of the Application, sorry. It's one of
2 those things where I have several parts of many pages. A
3 derived interest expense, it's about the middle of the page,
4 7.81 percent. The interest rate applied to net investment on
5 both years is 7.81 percent, page 9.

6 MR. CHIC THOMAS: Page 9 of the --

7 MR. MICHAEL ANDERSON: Of Attachment 2 --

8 MR. CHIC THOMAS: Oh, of --

9 MR. MICHAEL ANDERSON: Yeah.

10

11

(BRIEF PAUSE)

12

13 MR. CHIC THOMAS: Yes, I've got that now.

14 MR. MICHAEL ANDERSON: Thank you. So, what I
15 was working on was using the interest exp -- the interest
16 expense on facilities and the -- the interest rate on net
17 investment.

18 And using division, I arrive at a total net
19 investment of \$29,095,749. Would you accept that?

20 MR. CHIC THOMAS: Yeah, I'll accept that.

21 MR. MICHAEL ANDERSON: Thank you. I'm just
22 wanting to know what the difference is then in the two (2) --
23 one (1) is a derived analysis of net investment, and one (1)
24 is a statement of net investment, with -- of gross
25 investment.

1 What's the difference, why would this
2 difference appear between the gross investment of \$39,468,578
3 on PUB/MH-36, and the -- the net investment number that I
4 derive from Schedule 2, Attachment 2 at \$29,095,749?

5 MR. CHIC THOMAS: The net investment is
6 basically the book value, not the gross investment. So, it
7 includes depreciation and -- and the remainder of the
8 contribution.

9 MR. MICHAEL ANDERSON: Thank you, that was my
10 -- thank you, that answers my question.

11 Is -- do you -- anywhere in the Application --
12 partly why I was doing the -- working on a derivative here
13 is, is this value the gross investment less the accumulated
14 depreciation on the record anywhere, so that we can sort of
15 track what's happening with the capital assets in your
16 forecast?

17 MR. CHIC THOMAS: Other than the -- Schedule 6
18 in the Application, other than the -- it shows depreciation
19 and interest there. Unfortunately there is nowhere, where it
20 would show the accumulated depreciation.

21

22 (BRIEF PAUSE)

23

24 MR. MICHAEL ANDERSON: Thank you, Mr. Thomas.
25 Just as a -- without asking you to produce anything new, I

1 realize it's not in the Application, but would you have a --
2 a table that depicts net investment in a form similar to
3 PUB/MH-36, is that sort of something the Corporation would
4 have?

5 MR. CHIC THOMAS: Yes, we would have that.

6 MR. MICHAEL ANDERSON: Would it be easy to
7 produce?

8 MR. CHIC THOMAS: I couldn't produce it now,
9 but it could be produced as an undertaking, if that's what
10 you wish?

11 MR. MICHAEL ANDERSON: I would appreciate
12 that, thank you. It -- it already exists, that's the point
13 I'm asking? Okay.

14 MR. CHIC THOMAS: Yes, it does.

15 MR. MICHAEL ANDERSON: Thank you very much,
16 and if you could undertake to produce that, that would be
17 great, thanks.

18

19 --- UNDERTAKING NO. 14: Provide a table that depicts net
20 investment in a form similar to PUB/MH-36.

21

22 CONTINUED BY MR. MICHAEL ANDERSON:

23 MR. MICHAEL ANDERSON: I'd like to move on to
24 trying to get some better information about the variable
25 costs. We've been working away on the fixed costs side of

1 things for quite a while, and I appreciate your patience.

2 As I read the -- the filing, the fuel cost is
3 really depicted at Schedule 6, Attachment 2 of the
4 Application, as the 2004 prospective cost of fuel handling.

5 MR. CHIC THOMAS: Fuel hauling, yes.

6 MR. MICHAEL ANDERSON: Sorry, yes. And would
7 you confirm that that is \$3.24 million?

8 MR. CHIC THOMAS: Yes, I would.

9 MR. MICHAEL ANDERSON: Thank you. Does this
10 include the -- what does this cost include?

11 MR. CHIC THOMAS: This includes not only the
12 actual commodity cost, but also the cost of getting it up on
13 -- on site and into the tank.

14 MR. MICHAEL ANDERSON: So, all commodity costs
15 and all transportation costs?

16 MR. CHIC THOMAS: That's correct.

17 MR. MICHAEL ANDERSON: Does it include the --
18 the interest on the fuel in the tanks?

19 MR. CHIC THOMAS: No, that's outlined in a --
20 in a separate line item in Schedule 2, interest on fuel
21 inventory.

22 MR. MICHAEL ANDERSON: Where would that
23 appear on Schedule 6?

24 MR. CHIC THOMAS: Under variable cost, right
25 beside operation cost - generation. It would be in that

1 interest line near the bottom, Mr. Anderson.

2 MR. MICHAEL ANDERSON: This is on Schedule 2
3 though.

4 MR. CHIC THOMAS: Yes. You were asking where
5 it is on Schedule 6?

6 MR. MICHAEL ANDERSON: Correct.

7 MR. CHIC THOMAS: Yeah, it's on -- near the
8 bottom where it says "interest".

9 MR. MICHAEL ANDERSON: On Schedule 6?

10 MR. CHIC THOMAS: On Schedule 6; that's
11 correct.

12 MR. MICHAEL ANDERSON: Thank you very much.
13 And if we divide the total fuel cost, which -- by forecast
14 kilowatt hour consumption; would you agree that the variable
15 fuel cost works out to twenty-six point nine (26.9) cents per
16 kilowatt hour?

17 MR. CHIC THOMAS: Subject to check, I'll
18 accept that.

19 MR. ROBERT MAYER: That's pretty close to the
20 number you gave us two (2) days ago, isn't it?

21 MR. ROBIN WIENS: Yes, it is, Mr. Mayer.

22 MR. MICHAEL ANDERSON: Yes, it is.

23

24 CONTINUED BY MR. MICHAEL ANDERSON:

25 MR. MICHAEL ANDERSON: Just as a, without

1 getting into the detail of it at this stage, do you have a
2 ratio for the commodity and transportation costs on the fuel
3 handling item? How much of it is commodity and how much of
4 it is transportation?

5 MR. CHIC THOMAS: No, I'm sorry, I don't.

6 MR. MICHAEL ANDERSON: All right. Okay,
7 moving right along, page 11 of the Application?

8 MR. CHIC THOMAS: Yes, I've got that.

9 MR. MICHAEL ANDERSON: Thank you. I'm
10 looking at paragraph B and, in particular, I'm just looking
11 for the discussion, it begins about -- it begins at line 33
12 of the Development of the revenue cost coverage ratio for the
13 Cost of Service Study included in this application.

14 And I note at line 34 it makes the comment
15 that:

16 "The RCC is a ratio computed for comparable
17 customer classes served from the grid."

18 Would you confirm that this was Zone 3?

19 MR. CHIC THOMAS: Yes.

20 MR. MICHAEL ANDERSON: Former Zone 3, thank
21 you. And that the 85 percent that's referred to in -- at
22 line 36 referred to the -- the Corporation's RCC applied and
23 cost of service studies for Zone 3; is that correct?

24 MR. CHIC THOMAS: Yes, that's correct.

25 MR. MICHAEL ANDERSON: And although you may

1 have applied that RCC, the actual result varied from year to
2 year historically?

3 MR. CHIC THOMAS: Of the RCC, you're talking?

4

5 MR. MICHAEL ANDERSON: Yes.

6 MR. CHIC THOMAS: Yes, that'll vary from year
7 to year.

8 MR. MICHAEL ANDERSON: Thank you. And for
9 the purposes of this particular Cost of Service Study, the
10 RCC for residential customers was selected at 90 percent; is
11 that correct? I'm -- I've switched to page 12, top, line 3.

12 MR. CHIC THOMAS: Yes, that's correct.

13 MR. MICHAEL ANDERSON: And at 99 percent for
14 general service customers.

15 MR. CHIC THOMAS: Also correct.

16 MR. MICHAEL ANDERSON: And these two (2)
17 numbers, of course, have a substantial influence on the rate
18 design itself, in terms of revenues contributed from the
19 Corporation; is that correct?

20 MR. CHIC THOMAS: That determines the -- what
21 -- what we've called MH subsidy of five hundred and fifty-
22 nine thousand (559,000), yes.

23 MR. MICHAEL ANDERSON: And these particular
24 values at 90 percent and 99 percent were values, in effect,
25 chosen to be applied by the Corporation for the purpose of

1 this Cost of Service Study?

2 MR. CHIC THOMAS: I think, as Mr. Wiens had
3 outlined earlier, it wasn't chosen. It's -- it's a
4 historical practice that we have followed for some time with
5 our diesel cost of service studies.

6 MR. MICHAEL ANDERSON: The value that was
7 used historically though was 85 percent?

8 MR. CHIC THOMAS: And as you had previously
9 noted, the variability on the RCC does change from year to
10 year. So, back when it was used, eighty-five (85) was
11 probably applicable, yes.

12 MR. MICHAEL ANDERSON: All right. Thank you.
13 Could you please turn to CAC/MSOS/MH-14.2 please? It's
14 Schedule A2 and Schedule -- yeah, Schedule A2, please, that's
15 CAC/MSOS/MH-14.2, Schedule A2.

16 MR. CHIC THOMAS: Yes, I have that.

17 MR. MICHAEL ANDERSON: Thank you. If we look
18 at this table, it's a depiction of the revenue cost coverage
19 analysis for the retail prospective Cost of Service Study for
20 the Manitoba Hydro system, is that -- for the year ending
21 March 31, 2002; is that correct?

22 MR. CHIC THOMAS: That's correct.

23 MR. MICHAEL ANDERSON: If we go to the line
24 for Zone 3 and go completely to the right-hand column, we see
25 an RCC for the current rate at 89.6 percent; is that correct?

1 MR. CHIC THOMAS: That's correct.

2 MR. MICHAEL ANDERSON: And if we round that,
3 it would be 90 percent; is that correct?

4 MR. CHIC THOMAS: That's correct, but that's
5 not what we've done there, if that's what you're alluding to.
6 The two (2) studies aren't done concurrently and when we
7 chose that 90 percent it must -- you know, it could have been
8 on a -- on a preliminary version of our Cost of Service Study
9 and not the final.

10 And if you'll recall from the Status Update,
11 there -- there was a few versions done, so.

12 MR. MICHAEL ANDERSON: It's a coincidence the
13 numbers are so close?

14 MR. CHIC THOMAS: I would characterize it as
15 that.

16 MR. MICHAEL ANDERSON: All right. Is there a
17 direct relationship between the RCC for Zone 3's from this
18 revenue cost coverage analysis and the value chosen for the
19 diesel Cost of Service Study?

20 MR. CHIC THOMAS: I'm sorry, Mr. Anderson?

21 MR. MICHAEL ANDERSON: Mr. Wiens...?

22 THE CHAIRMAN: Your mic please.

23 MR. ROBIN WIENS: I'd like Mr. Thomas to
24 finish --

25

1 CONTINUED BY MR. MICHAEL ANDERSON:

2 MR. MICHAEL ANDERSON: All right. Thank you.
3 Sorry, I thought that you were -- go ahead please. Is there
4 a relationship between that -- the number in the revenue cost
5 coverage table for the March -- year ending March 31, 2002 in
6 the CAC exhibit, and the RCC chosen for the diesel Cost of
7 Service Study or applied in the diesel Cost of Service Study?

8 MR. CHIC THOMAS: Yes, we use the residential
9 Zone 3 to apply the subsidy; that's correct.

10 MR. MICHAEL ANDERSON: Okay. If we go to the
11 next Schedule A3, general service small and it's also for a
12 revenue cost coverage analysis for the year ending March 31,
13 2002?

14 MR. CHIC THOMAS: That's correct.

15 MR. MICHAEL ANDERSON: And if we go to the
16 extreme right-hand column, "RCC percent at the current rates
17 for Zone 3", the value is 98.8 percent; is that correct?

18 MR. CHIC THOMAS: That's correct.

19 MR. MICHAEL ANDERSON: And in this case
20 rounding it up yields 99 percent; is that correct?

21 MR. CHIC THOMAS: Yes.

22 MR. MICHAEL ANDERSON: And, once again, this
23 value was applied in the diesel Cost of Service Study?

24 MR. CHIC THOMAS: Yes.

25 MR. MICHAEL ANDERSON: Thank you. So, going

1 back to the residential for a moment, hopefully it's not too
2 difficult. I wanted to confirm that the 89.6 percent RCC at
3 current rates for Zone 3 is after the application of the net
4 export credit; is that correct?

5 MR. CHIC THOMAS: Yes, that's correct.

6 MR. MICHAEL ANDERSON: And that the RCC for
7 Zone 3 based on its rate revenues, the actual revenue cost
8 coverage is 55.5 percent; is that correct?

9 MR. CHIC THOMAS: Yes, that's correct.

10 MR. MICHAEL ANDERSON: And if we go -- flip
11 back again to general service small, similarly to confirm
12 that the value of the RCC of 98.8 percent is after the
13 application of the net export credit; is that correct?

14 MR. CHIC THOMAS: Yes, that's correct.

15 MR. MICHAEL ANDERSON: And that the RCC that
16 results from rate revenues for the general service small
17 class, is 65.5 percent; is that correct?

18 MR. CHIC THOMAS: Yes, it is.

19 MR. MICHAEL ANDERSON: Okay. In the diesel
20 Cost of Service Study, did Manitoba Hydro apply any net
21 export credit to the diesel customer class?

22 MR. CHIC THOMAS: No, there was no export
23 credit.

24 MR. MICHAEL ANDERSON: Then would it not be
25 conceptually correct to apply the revenue cost coverage based

1 on rate revenues for use in the diesel Cost of Service Study?
2 From Zone 3 customers.

3 MR. ROBIN WIENS: Well, first -- first of all,
4 Mr. Chairman, the use of the revenue cost coverage after the
5 application of export revenue credit in Zone 3, is a historic
6 longstanding practice, this is what Manitoba Hydro has done
7 throughout, indeed going back into the 1980's, and certainly
8 ever since Manitoba Hydro rates became fully regulated by the
9 Public Utilities Board.

10 So, this is consistent with longstanding
11 practice.

12 Second, to assume a 55 percent revenue cost
13 coverage ratio for the purpose of -- of determining the
14 revenue requirement from the residential class in the diesel
15 zone, implies that in effect, we are allocating a -- a share
16 of -- of net export revenues into the diesel zone.

17 And I mean that is a case that can be
18 discussed, debated, argued on its own merit, but it is -- it
19 is not -- it is not the -- the allocation of net export
20 revenues that has been approved for the purposes of Manitoba
21 Hydro carrying out its Cost of Service Study.

22 MR. MICHAEL ANDERSON: The policy at the
23 present time in the Application for Manitoba Hydro for
24 establishing rates in the diesel zone is to recover the costs
25 of service in the diesel zone from customer rates; is that

1 correct?

2 MR. ROBIN WIENS: From customer rates and from
3 surcharges.

4 MR. MICHAEL ANDERSON: Which are part of the
5 rate design for --

6 MR. ROBIN WIENS: Just to be fair that we're
7 understanding the same thing, from -- from customer rates,
8 including surcharges, except for the portion which we've
9 talked about, which is related to the revenue cost coverage
10 in Zone 3.

11 MR. MICHAEL ANDERSON: And to be clear, the
12 surcharge amounts form part of the rates that you are seeking
13 approval for; correct?

14 MR. ROBIN WIENS: That is correct.

15 MR. MICHAEL ANDERSON: So there -- so, if we
16 look at the performance of -- forecast performance of Zone 3
17 customers, in terms of the revenues produced by rates, they
18 are achieving an RCC of 55.5 percent. Why would a dif --
19 different standard of absolute cost recovery through rate
20 revenue be applied to the diesel service customers, than is
21 being applied to the Zone 3 customers in the grid system?

22 MR. ROBIN WIENS: Mr. Anderson, I think I've
23 answered that question with my previous response.

24

25

(BRIEF PAUSE)

1
2 MR. MICHAEL ANDERSON: As a -- recognizing
3 that the Application speaks for itself, and to the extent
4 that this is possible, Mr. Warden, in the status update
5 proceeding on September 23rd at page 3844 of the transcript,
6 I asked you about this matter, about the application of an
7 export credit to the diesel class.

8 At line 9 of that page you had replied:

9 "Mr. Anderson, the Cost of Service Study is
10 on our Board agenda for next month,
11 October, and immediately after the Board
12 has had an opportunity to comment on that
13 Cost of Service Study, in which the issue
14 of export revenue allocation is
15 discussed, I would prefer not to comment
16 upon it, until our Board has had the -- had
17 an opportunity to review it."

18 Is there anything that's possible for you to
19 share from the Board's discussion of the application of the
20 export credit to diesel customers?

21
22 (BRIEF PAUSE)

23
24 MR. VINCE WARDEN: Yes. In between -- get my
25 timing right here, but in between the Status Update Hearing

1 and the intent to take this to the Board, we received an
2 Order from this Board, from the Public Utilities Board, which
3 did not agree with our methodology of allocating export
4 revenues, therefore, it has not been pursued further with --
5 with the Board of Manitoba Hydro.

6 MR. MICHAEL ANDERSON: I just wish to be
7 clear, the disagreement was with respect to a proposed change
8 in your method of allocating; is that correct?

9 MR. VINCE WARDEN: Yes. We had brought to
10 this Board at the Status Update Hearing a proposal to change
11 in the method of allocating export revenues such that the
12 residential class would share in a greater portion of those
13 export revenues; that was -- that proposal was not accepted
14 and has gone no further.

15 MR. MICHAEL ANDERSON: And then, in terms of
16 your interpretation of the -- this Board's order, and I was -
17 - of course, the other board I was referring to is the Board
18 -- the Board's order, why would the Board's Order preclude
19 the application of export credits to the diesel customer
20 class?

21 MS. PATTI RAMAGE: We can't -- you're talking
22 the Public Utilities Board? You're asking us --

23 MR. MICHAEL ANDERSON: I was answering -- we
24 were talking, I think, about two (2) separate things here
25 then. Mr. Warden was speaking about the Board's decision in

1 respect of an application to change the method for allocating
2 net export credits; is that correct, Mr. Warden, is that what
3 you were discussing?

4 MR. VINCE WARDEN: I was discussing a
5 proposal that was brought before this Board. Your question
6 is?

7

8 CONTINUED BY MR. MICHAEL ANDERSON:

9 MR. MICHAEL ANDERSON: Is there anything in
10 this Board's decision that would preclude the allocation of
11 net export credits to the diesel customer class?

12 MR. VINCE WARDEN: Yes, there is.

13 MR. MICHAEL ANDERSON: Why? What is --
14 that's what I was asking, what is your understanding of the
15 Application?

16 MR. VINCE WARDEN: I -- I don't think it
17 would be appropriate for us to comment on why the Board came
18 to the conclusion it did with respect to the allocation of
19 those export revenues.

20 MR. ROBERT MAYER: Mr. Warden just doesn't
21 want to repeat again why he thinks we're wrong.

22

23 CONTINUED BY MR. MICHAEL ANDERSON:

24 MR. MICHAEL ANDERSON: If -- if I dare to
25 venture that -- in this direction -- the essential nut of it

1 though is cost causation; is that correct?

2 MR. VINCE WARDEN: It goes beyond that
3 really, but I think I would prefer not to get into that
4 discussion.

5 MR. MICHAEL ANDERSON: All right.

6 MR. ROBIN WIENS: Mr. Anderson, we might
7 invite you to read the relevant passages of -- of Order 7/03
8 produced by this Board.

9 MR. MICHAEL ANDERSON: I have done so. Thank
10 you. The -- and not -- okay. In terms of the understood
11 distinctions between the concepts of cost causation for the
12 grid service and diesel customers that may give rise to an
13 application of the export credit to diesel customers, do you
14 consider mitigation costs a cost of service?

15 MR. ROBIN WIENS: Could you be a little more
16 specific, Mr. Anderson, when you say "mitigation costs", that
17 can cover --

18 MR. MICHAEL ANDERSON: Okay.

19 MR. ROBIN WIENS: -- a pretty wide territory?

20 MR. MICHAEL ANDERSON: Environmental or
21 socio-economic mitigation costs that may be related to
22 Manitoba Hydro operations?

23 MR. ROBIN WIENS: Ultimately, any cost that's
24 incurred by Manitoba Hydro for -- for any purpose ultimately
25 has to be recovered and the only source of recovery of those

1 costs are the ratepayers of Manitoba Hydro.

2 MR. MICHAEL ANDERSON: I was just commenting
3 on a question of -- a matter raised by Chief Ila Bussidor
4 this morning. She had made a comment that her community was
5 affected by the CRD. I assume that that includes the
6 development plus the down river portion of the Churchill
7 River between the coast and her community.

8 Without her here, it's hard to do that but she
9 had indicated and made a statement that her community was
10 affected by CRD, would that not link them more closely to the
11 mitigation interests and costs of the Corporation?

12 MR. ROBIN WIENS: Well, Mr. Chairman, I'm --
13 I'm going to tread very carefully here, but -- because I --
14 I'm not aware of the consequences to which Chief Bussidor was
15 referring. I -- I -- I don't believe that -- I don't believe
16 that her community is one (1) of the five (5) northern flood
17 agreement communities, I don't dispute, and I'm not able to
18 dispute that that community was or wasn't affected by the CRD
19 or any of the other works of Manitoba Hydro.

20 But I -- I would think that normally if there
21 were affects of that, that they should be resolved in a forum
22 other than a General Rate Application.

23 THE CHAIRMAN: Indeed, Mr. Wiens. This
24 Application that we have before the Board for diesel rates
25 for the four (4) communities involved, there are no

1 mitigation -- general mitigation costs associated with the
2 Churchill River Diversion, or any other diversion; is that
3 correct?

4 MR. ROBIN WIENS: That's correct, Mr.
5 Chairman.

6 THE CHAIRMAN: Mr. Anderson...?

7 MR. MICHAEL ANDERSON: Without intending to
8 try anyone's patience, my -- my interest was just in thinking
9 that in the event that it were established that such costs
10 did occur, and existed, would that be sufficient linkage to
11 trigger the application of an export credit?

12 MR. ROBERT MAYER: That would undoubtedly
13 trigger an extra cost -- a mitigation cost that would have
14 been charged to the Churchill River Diversion, and
15 subsequently to power -- to downstream -- to downstream
16 future sites, I would expect.

17 At least we're going to get the same answers
18 here, we're getting -- getting at the other place.

19

20 (BRIEF PAUSE)

21

22 CONTINUED BY MR. MICHAEL ANDERSON:

23 MR. MICHAEL ANDERSON: There was a -- a basic
24 question I wanted to ask again, just as a clean up on MKO/MH-
25 10, the table attached to it, page 2 of 2.

1 And that links back to our discussion plus the
2 undertakings that we received, regarding the bill
3 comparisons. I only have a couple of matters on this one
4 (1). Do you have them both?

5 MR. ROBIN WIENS: Sorry, I have MKO/MH-10,
6 page 2, what was the other reference?

7 MR. MICHAEL ANDERSON: MKO/MH-10-2, and then
8 the bill comparisons at Attachment 1 of the Application.

9

10 (BRIEF PAUSE)

11

12 MR. ROBIN WIENS: Yes, so we now have them
13 both.

14 MR. MICHAEL ANDERSON: Thank you very much.

15 I noted with great interest the discussion
16 about the number of customers, as it was first done, there
17 were people intuitively did the math, and 6 percent, thirty
18 (30) customers, and it was evolved into -- we started looking
19 at bills, and started to sort out how many customers would be
20 affected by the revenue increases that were designed into the
21 rates for each of the customer classes.

22 It -- as I understand the evidence, could you
23 confirm that we've determined that a relatively small number
24 of customers would be affected by the rate increases that are
25 being proposed; is that correct?

1 MR. ROBIN WIENS: You know, I think we've gone
2 on the record on this yesterday, and perhaps even the day
3 before. I think we've -- we've supplied information --

4 MR. MICHAEL ANDERSON: You have.

5 MR. ROBIN WIENS: -- regarding the numbers of
6 customers, and in both the residential and general service
7 categories. But I -- I don't have that -- those -- those
8 papers in front of me right now.

9 MR. MICHAEL ANDERSON: I don't need you to
10 with -- to take them out, where -- what you've just said is
11 fine for the purposes of my questions, so thank you for the
12 preface.

13 But when you use the term customer, you mean
14 account; is that correct? When we're talking numbers of
15 customers for the purposes of the analysis we're discussing?

16 MR. ROBIN WIENS: I think that would be pretty
17 close.

18 MR. MICHAEL ANDERSON: That a customer and an
19 account --

20 MR. ROBIN WIENS: I mean, they're -- they're
21 -- you know, sometimes you have one (1) customer that has
22 more than one (1) account, sometimes you may have one (1)
23 account that has more than one (1) meter. But generally I
24 think we're talking about, this is a meter to which we
25 deliver energy.

1 MR. MICHAEL ANDERSON: All right, and that's
2 exactly what I was wanting to go to right now, that on
3 MKO/MH-10, do you actually know how many customers are
4 actually involved?

5 What I mean to say is, most of these accounts
6 are multiple accounts paid by an individual customer, i.e.,
7 the four (4) First Nations.

8 So, I was listening with fascination to the
9 numbers of customers and the billing comparisons, when in
10 fact there are maybe -- for -- for the First Nation's
11 customers, four (4) potential customers, possibly. And I'm
12 wondering if you actually have a determined answer for that?
13 How many actual customers --

14 MR. ROBIN WIENS: You are -- you are quite
15 correct, Mr. Anderson, that this refers, and is even headed,
16 Accounts. They are specific -- they may be specific points
17 of delivery, and you may also be right that when you look at
18 all of these, there may indeed be only four (4) customers.

19 In fact I would not be surprised if that was
20 the case, because these are First Nations accounts. And
21 there are four (4) First Nations.

22 And -- and to assist us to some extent in
23 understanding that, that was the references that I made
24 earlier this morning to pages 45, 47, 53 and 56, of INAC
25 Exhibit 2, which I don't intend to have everyone at this

1 point withdraw.

2 But I thank you for that confirmation that
3 although we -- we -- in trying to understand the impact of
4 the rate changes on a number of customers, when you boil it
5 all down, you'll agree for the purposes of this question,
6 that it may be as little as four (4) customers for First
7 Nation accounts; is that correct?

8 MR. ROBIN WIENS: For First Nation accounts.
9 I had thought we were also involving the discussion of
10 residential and general service accounts?

11 MR. MICHAEL ANDERSON: Yeah. No, that's why I
12 was -- you -- predicating my questions with MKO/MH-10, which
13 are First Nation accounts that would be billed at the
14 Government rate.

15 So, these seventy-three (73) accounts would
16 merge into four (4) customers?

17 MR. ROBIN WIENS: That could very well be.

18 MR. ROBERT MAYER: If you're -- if you're
19 ultimately successful, the end result will merge into one
20 (1).

21 MR. ROBIN WIENS: That -- that also, Mr.
22 Mayer.

23

24

(BRIEF PAUSE)

25

1 MR. MICHAEL ANDERSON: There -- there's a
2 matter -- a document that I would like to file as an exhibit,
3 Mr. Chair, if it's possible. I have given this to counsel
4 last evening. At this part -- actually, no, this one (1), I
5 apologize, I hadn't provided, I had one copy (1) at the time.
6 This is simply the asset listing printed by Indian and
7 Northern Affairs Canada.

8 THE CHAIRMAN: Would you show it to Ms. Ramage
9 or --

10 MR. MICHAEL ANDERSON: Yeah.

11
12 (BRIEF PAUSE)

13
14 THE CHAIRMAN: Ms. Ramage, have you had a
15 chance to look at it?

16 MS. PATTI RAMAGE: Only the front page of it,
17 Mr. Chair, it's a -- it's a -- I don't know how many page
18 document, it starts at 1 and ends at 331, and I'm quite sure
19 there's not three hundred and thirty-one (331) pages here.

20 I have some serious concerns about this going
21 in. I don't know who the author is, I -- I don't -- we
22 haven't been able to examine. It's not Manitoba Hydro's
23 information, and to put questions to Manitoba Hydro about it,
24 when they haven't been able to see it ahead of time.

25 I was aware that Mr. Anderson had it, because

1 he had told me on Tuesday that it was there, and we had
2 requested to see -- our client to review it, and they haven't
3 seen it until it's been handed to me now.

4 My view is that there's a process in place for
5 distribution of materials. I -- I think Manitoba Hydro is
6 fairly liberal about seeing documents, having them seen for
7 the first time, for example, like Mr. Williams had -- had us
8 run through numbers yesterday.

9 And -- and when we can follow numbers through
10 the materials that's one (1) thing, but to have a document
11 that has -- has been in existence, presumably for some time,
12 it's dated April 26th of 2003, it's clearly -- the full
13 document is over three hundred pages (300) and we have not
14 seen it until this minute is -- I don't think it's
15 appropriate to put it in front of this Board. It should have
16 gone in last year at this time when -- when materials were
17 being submitted.

18 THE CHAIRMAN: Thank you, Ms. Ramage.
19 Mr. Anderson...?

20 MR. MICHAEL ANDERSON: I can advise that we
21 did -- I did have a copy of this document only earlier this
22 week so, in terms of the timing, it would not have been
23 possible for me to present it last year. I'll just make that
24 as a comment.

25 I did show a copy but because of the length of

1 it I just didn't have them directly to distribute so I had
2 them produced. Essentially, what it is it's an asset listing
3 showing the date in service for many of the accounts, in
4 fact, that are in INAC Exhibit 2.

5 And the idea was is that there was a
6 considerable amount of discussion about the timing of certain
7 of these assets and many years. We have dates 1984, 1987,
8 the rate orders and so forth.

9 MR. ROBERT MAYER: Who created the document?

10 MR. MICHAEL ANDERSON: Indian and Northern
11 Affairs Canada. It's a sta -- it's an asset list produced by
12 the Department.

13 MR. ROBERT MAYER: Then they should be the --
14 that document should be put in through a witness from INAC.
15 Hydro can't answer for that list.

16 MR. MICHAEL ANDERSON: Well, the purposes of
17 my questions were primarily to Mr. Cox about the in-service
18 dates of these assets in these communities because some of
19 the questions that were asked would have been clarified, to
20 some extent, by it.

21 I do appreciate the production difficulties
22 for Ms. Ramage and others.

23 THE CHAIRMAN: Mr. Anderson, I'm certainly
24 reluctant to, at this point, or this juncture of the Hearing,
25 to -- to put that in front of Manitoba Hydro. I think

1 there's the question of procedural fairness.

2 Are there some general questions that you
3 could pose to the witnesses that may give you some assistance
4 in confirming, or otherwise, some of the information you may
5 have received from INAC.

6 MR. MICHAEL ANDERSON: The types of questions
7 that I have in mind, Mr. Chair, were attempted by parties and
8 it was because of the apparent uncertainty about some of the
9 responses that I produced the document. So, the answer is
10 no, and if it's not appropriate then I won't submit it at
11 this time.

12 THE CHAIRMAN: Thank you.

13

14 (BRIEF PAUSE)

15

16 THE CHAIRMAN: Mr. Anderson...?

17 MR. MICHAEL ANDERSON: Yes, Mr. Chair. Thank
18 you. I'll ask -- there were some documents that I was able
19 to produce and circulate to counsel yesterday evening and the
20 two (2) that I would like to circulate now, if possible, Ms.
21 Ramage, were -- is the letter from Mr. Wilson of Manitoba
22 Hydro regarding the Shamattawa land line and a letter that
23 was sent to us, I notice that we were -- from Acres
24 International (phonetic) regarding a land line to Shamattawa.

25 Those were -- were produced yesterday evening,

1 Mr. Chair.

2 THE CHAIRMAN: Ms. Ramage...?

3 MS. PATTI RAMAGE: That's correct. I'm just
4 trying to find my copy of them.

5 MR. MICHAEL ANDERSON: This is sounding more
6 promising.

7 THE CHAIRMAN: Do you have any --

8 MS. PATTI RAMAGE: Sometimes you just have to
9 lift the binder.

10 THE CHAIRMAN: Do you have any difficulty in
11 those documents being distributed?

12 MS. PATTI RAMAGE: Maybe I -- I could comment
13 on the documents because I did see them last night. One is
14 written by a Manitoba Hydro representative in 1997 and it's
15 with respect to the Shamatta -- Shamattawa land line
16 proposal.

17 The other is a document addressed to Mr.
18 Anderson from Acres International. I -- I'm concerned where
19 we're going with this because I don't think Manitoba Hydro
20 can answer about discussions that should be -- asked to
21 answer questions about any communications Mr. Anderson had
22 with the consulting firm.

23 And I have concerns about the overall timing
24 of û- of -- of these documents in terms of again we've had a
25 lot of time that they could have been to Manitoba Hydro

1 because I -- I am myself aware that when it comes to the
2 Shamattawa land line, that any document will be preceded by
3 several hundreds of pages of other documents and -- and
4 followed by several hundreds of pages.

5 And I -- and Manitoba Hydro hasn't had an
6 opportunity to put these documents in context. However, I --
7 having said that, if Mr. Anderson would like to ask them
8 questions, we can see where it goes. But I -- I am very
9 cautious about these documents.

10 THE CHAIRMAN: Mr. Anderson, are -- are all
11 of the documents associated with a land line related issues?

12 MR. MICHAEL ANDERSON: They would be in terms
13 of possible consideration of alternative supply to the
14 community of Shamattawa. And in terms of the expenditures
15 that may -- that are occurring and may occur in future
16 regarding diesel capital additions.

17 I would -- I would comment though, Mr. Chair,
18 that the letter from Acres has in fact, some time ago, been
19 provided to Manitoba Hydro and Mr. Cox and his colleague Mr.
20 Wilson had both -- had both seen them. Some -- some time
21 ago. So part of an exchange that û- and Manitoba Hydro has
22 in fact been involved in in the past.

23 MS. PATTI RAMAGE: Probably back in 1987. I
24 may have even seen these in the historical documents but --

25 MR. MICHAEL ANDERSON: 1997.

1 MS. PATTI RAMAGE: Yeah, but having said that
2 I û- I am concerned whether this is even part of these
3 proceedings.

4 THE CHAIRMAN: Ms. Ramage, understanding your
5 concern and appreciating the hour that we're at today, Mr.
6 Anderson, would it be agreeable to you that you pose your
7 questions to the Hydro Panel and if they're in position to
8 respond fine, if they're not, then that is another issue.
9 But for the Board's benefit, I -- I would suggest that the --
10 the material not be marked as an exhibit at this particular
11 point in time. Is that agreeable?

12 MR. MICHAEL ANDERSON: If that's the decision
13 of the Board, of course. Is it to be circulated however?

14 THE CHAIRMAN: To û- you can check later to
15 whoever -- whomever you like, but not to the Board at this
16 point in time until we're satisfied that -- that it is
17 relevant to this proceeding and it is information that would
18 assist us in dealing with the Application before it. Then at
19 that point in time we can determine whether or not we should
20 see it.

21 MR. MICHAEL ANDERSON: All right. As an
22 alternative timing suggestion, I noted a moment ago, Mr.
23 Chair, that Grand Chief Dennis Whitebird has come into the
24 building. And I would be prepared to think about this, if
25 you will, while -- while you entertain Grand Chief

1 Whitebird's presentation, if that's suitable to the Board.

2 MR. ROBERT MAYER: And after you finish
3 thinking, we're probably going to adjourn.

4 THE CHAIRMAN: Thank you, Mr. Anderson.
5 Welcome, Grand Chief Whitebird. I understand you would like
6 to give the Board your views with respect to the Application
7 before it. When you're ready sir, there's a device in front
8 of you, there's a little button, push the button, the light
9 will come in and then you can speak. Thank you.

10 GRAND CHIEF DENNIS WHITEBIRD: Thank you and
11 good afternoon. My name is Grand Chief Dennis Whitebird. I
12 am representing the Assembly of Manitoba Chiefs and I
13 represent northern communities, Northern First Nation
14 Communities in -- in the northern part of our province.

15 I want to make a short presentation in support
16 of those First Nation Communities and -- and those people
17 that'll be impacted the most by any increase in rates towards
18 their hydro. Manitoba Hydro are proposing to increase
19 customer rates on those customers that are served by diesel
20 powered generators which would affect our communities in the
21 north.

22 I am here today to address the issue. I am
23 hoping through this forum, we can convince you the Public
24 Utility Board that the cost of service in the diesel zone
25 must be considered in a different light to ensure the rates

1 are just and reasonable.

2 I've had the opportunity to review the
3 proposal made by MKO and I concur with their recommendations.

4 In addition, I want to em -- emphasize at this
5 juncture, that the Manitoba Hydro has certain obligations to
6 pursue the efficiency and distribution of power, and at the
7 same time look at the economic factors of that power.

8 The First Nation communities that are going to
9 be affected by these new proposed rates are going to be hit
10 hard, in all circumstances.

11 The funding for our communities are already
12 depleted, and the funding continues to be inadequate. There
13 are many cultural, recreational, and social needs that will
14 be affected if this sudden increase in hydro rates in our
15 communities takes place.

16 Our communities are already totally reliant in
17 some cases on social assistance. They have high
18 unemployment, and the welfare budgets are already over-
19 expended.

20 I believe the increase in rates will -- will
21 devastate tho -- those First Nation Governments and will
22 become one (1) of the highest expenditures to grapple with by
23 the First Nation.

24 The Assembly of Manitoba Chiefs does not
25 support the Manitoba Hydro proposal at this time. To

1 increase the rates on -- in these communities that depend on
2 diesel generators.

3 The increase of 2.1 percent for every kilowatt
4 or two point one (2.1) cent, I guess that is, for every
5 kilowatt hour is unacceptable.

6 In the alternative, the Assembly of Manitoba
7 Chiefs recommends that the Public Utility Board to reject the
8 proposal and have Manitoba Hydro resubmit a just and
9 reasonable proposal based on the recommendations by First
10 Nations. This would be more acceptable by First Nation
11 people.

12 I further recommend that dismantling of diesel
13 generating stations and replaced with more contemporary means
14 of generating hydro power. I recommend that this be done
15 within a short period of time, I would recommend a one
16 year(1) time line for planning.

17 We have experienced many environmental impacts
18 within these communities, relative to diesel spillage,
19 particularly in one (1) community where \$18 million dollars
20 would be the cost for a clean up for one (1) of the
21 communities.

22 The Churchill Diversion Project has affected
23 our traditional hunting, fishing, and harvesting of
24 medicines. The First Nations have tolerated these losses,
25 and it would seem that they continue to pay these losses by

1 paying to Manitoba Hydro.

2 The Assembly of Manitoba Chiefs would welcome
3 joint hydro development projects between First Nations and
4 Hydro. There is already a precedence on -- on this with
5 other First Nation communities.

6 I believe aboriginal title to our resources,
7 including water, must be addressed at the forefront, when
8 dealing with First Nations and First Nation rights.

9 The Treaties and the subsequent transfer of
10 resources to the Provinces through Natural Resources Transfer
11 Act, of 1930, does not give authority to the Province to take
12 ownership of water, hence, hydro power.

13 We as First Nation people have a place to have
14 joint initiatives in the -- in the production of hydro.

15 I reiterate that Manitoba Hydro must go back
16 to the drawing board and develop a proposal jointly with
17 First Nations, which is affordable and acceptable to the
18 community. Thank you very much.

19 THE CHAIRMAN: Thank you, Grand Chief Dennis
20 Whitebird.

21 When you talk about having more -- a more
22 contemporary service, are you talking about a land line
23 service, sir?

24 GRAND CHIEF DENNIS WHITEBIRD: I'm talking
25 about land line service and alternative measures towards

1 development of hydro in the areas.

2 THE CHAIRMAN: Such as the micro turbines?

3 GRAND CHIEF DENNIS WHITEBIRD: Micro turbines,
4 wind turbines, any alternate measure.

5 THE CHAIRMAN: And it is your view, on behalf
6 of the Chiefs you represent in the northern communities, that
7 this Board should reject the Application of Manitoba Hydro?

8 GRAND CHIEF DENNIS WHITEBIRD: Yes.

9 THE CHAIRMAN: Are you familiar with the fact
10 that this -- the rates for diesel service in the communities
11 that are served by it have not changed for the last eight (8)
12 years?

13 GRAND CHIEF DENNIS WHITEBIRD: I am familiar,
14 sir.

15 THE CHAIRMAN: And you --

16 GRAND CHIEF DENNIS WHITEBIRD: I'm also
17 familiar that the -- the cost for -- for servicing our First
18 Nation communities have not changed since 1986.

19 THE CHAIRMAN: That is the revenue that you
20 receive, you mean?

21 GRAND CHIEF DENNIS WHITEBIRD: That is the
22 revenue that we receive for -- for social programs, for Hydro
23 purchase.

24 THE CHAIRMAN: And you're of the view that in
25 rejecting this application that would assist you in balancing

1 your own budgets then?

2 GRAND CHIEF DENNIS WHITEBIRD: I -- I -- I'm
3 -- what I'm saying is that the -- the impact of -- of any
4 rate increase by Manitoba Hydro in these communities, and if
5 you will look at the northern geographical region that we
6 talk about, it -- it mainly includes First Nation people that
7 live in the area and -- and the target is going to be mainly
8 First Nation people that depend on a budget that -- that is
9 set by the Department of Indian Affairs.

10 And -- and, as such, their rates are -- are
11 supposedly relative to the rates given by -- the same rates
12 as other Manitobans but we have not experienced that. In
13 terms -- I see this guy shaking his head. You don't
14 understand what I'm -- point I'm trying to make here.

15 The -- the rates in social welfare budgets at
16 the First Nation level are set by the rates of the province
17 and, therefore, we don't receive the same level of -- of
18 reimbursement from the Department of Indian Affairs for the
19 expenses that we incur.

20 So I'm not saying, in any way, that -- that
21 there -- there's any kind of subsidy by Manitoba Hydro onto
22 our budgets. What I'm saying is these -- these rates should
23 be consistent in terms of discussions that we have with --
24 with relative to budgets in our communities.

25 THE CHAIRMAN: Mr. Whitebird, forgive me,

1 Grand Chief, my difficulty, and I've sat through a number of
2 presentations today, my difficulty, it -- it to me, it
3 appears that the concerns expressed by you and your
4 colleagues has been that the source of revenue that you have
5 received from the federal government or the Government of
6 Canada has not significantly changed since 1986.

7 And that is probably the cause of the majority
8 of the difficulties that you now have; do you agree with
9 that?

10 GRAND CHIEF DENNIS WHITEBIRD: We are not
11 funded according to -- to our -- our -- our -- the
12 infrastructure or the -- the -- the assets that we have in
13 our communities. Although the -- the Department of Indian
14 Affairs, the federal government, says that we -- we work and
15 operate under -- under a formula but those formulas are not
16 followed.

17 THE CHAIRMAN: Thank you. Does the Board
18 have any questions. The Vice Chair, Mr. Mayer...?

19 MR. ROBERT MAYER: Grand Chief, I -- the
20 reason I was shaking my head is because I don't know what
21 INAC has told you -- told your people and your First Nations
22 with respect to how they arrive at the number that they use
23 to grant to the First Nations to offset their power costs,
24 but we, in a previous hearing, heard some evidence from INAC
25 and my impression of it was almost laughable.

1 They were taking numbers that were unrelated
2 to, firstly, any northern place whatsoever. Appeared to come
3 up with a formula that might have worked somewhere near the
4 Niagra Peninsular. Didn't take into account the special
5 circumstances that were obviously being faced by the four (4)
6 diesel First Nations and applied that formula on a 100
7 percent, 90 percent, 80 percent and 20 percent basis in
8 making the grants.

9 What -- what I was shaking my head about when
10 you -- when -- when you described the grants from INAC, as I
11 say, I'm not sure what they were telling you how they come
12 with those numbers, but that's what we were told.

13 And I think we at the Board, are having some
14 concerns, because there seems to be -- we've been here now,
15 this is our third day, I think, and the biggest problem
16 appears to be the issue of the surcharge, which is where most
17 of the increase comes, and who is responsible for that
18 surcharge, that was originally intended to be a government
19 surcharge, which would have been borne by the -- borne by the
20 funding bodies.

21 Then there is evidence before us, sir, that
22 back in 1987 the First Nations requested that the facilities
23 that have to be powered by Hydro, your -- your Band Hall,
24 your -- your arena, if it happened to have been in place at
25 that time, the facilities that were -- or that used to be

1 funded completely by Indian Affairs, that the Bands had
2 requested that they be transferred to the Bands, or -- and
3 that the billings for Hydro be transferred directly to the
4 Bands. That is the evidence that was before us.

5 And I want to know, firstly, I don't -- you
6 certainly weren't in the position you are in now at that
7 time, but I wonder if you were in any position of authority
8 at that time, to be able to confirm or deny that, because
9 I've heard other comments in that regard?

10 GRAND CHIEF DENNIS WHITEBIRD: I'm not sure
11 where you're leading with the question, but let me point out
12 that I -- I am very familiar with it -- with the funding
13 formula of the Department of Indian Affairs, and you're very
14 correct, that the formulas were driven by -- in an area of
15 the Niagra Peninsula, very close to Toronto, Canada. That's
16 where the formulas were -- were designed, in Toronto, not in
17 Northern Manitoba, you know, which -- which has experienced
18 very critical circumstances, as it relates to weather.

19 And -- and communities that are inaccessible
20 by -- by -- by road, communities that depend on -- on a
21 winter road for -- for the delivery of oil, or diesel, or
22 fuel of any kind.

23 So, tho -- those formulas, to begin with, are
24 -- are outdated and they should not be applicable to the
25 northern communities. I agree a 100 percent right there.

1 But in terms of -- in terms of the transfer of
2 billings, any -- any kind of billing process, I'm not
3 familiar with the -- with First Nation communities requesting
4 that they be transferred to the First Nation community. I'm
5 not familiar with that, and I won't comment on that.

6 MR. ROBERT MAYER: Thank you very much, sir.

7 DR. KATHI AVERY-KINEW: With respect, Mr.
8 Mayer, I think the evidence is that INAC requested the
9 transfer of billings, not the First Nations.

10 MR. ROBERT MAYER: I'll clarify that again. I
11 thought the evidence was -- INAC said that they -- that the
12 First Nations asked that the billings be transferred. We
13 have not heard that from the First Nations, by the way. We
14 -- but we have heard it from INAC.

15 THE CHAIRMAN: On that note, we will discuss
16 that later after we hear our final submissions. Grand Chief
17 Dennis Whitebird, thank you very much, sir, for taking time.
18 We know that you're a busy individual, and we certainly
19 appreciate you coming in and giving us your advice, thank
20 you.

21 GRAND CHIEF DENNIS WHITEBIRD: Thank you very
22 much.

23 THE CHAIRMAN: Mr. Anderson, have you had a
24 chance to reflect, or is it your wish that we stand down?
25

1 (BRIEF PAUSE)

2

3 THE CHAIRMAN: Mr. Anderson, I -- what I'm
4 trying to get my mind around here. The letter from Acres,
5 that you made reference to, who was that letter to?

6 MR. MICHAEL ANDERSON: It was to myself.

7 THE CHAIRMAN: So, I guess the question is
8 where --

9 MR. MICHAEL ANDERSON: It was --

10 THE CHAIRMAN: -- what is the relevance of
11 that letter to this Proceeding?

12 MR. MICHAEL ANDERSON: The -- there's a chain
13 of links between -- that I wanted to pursue about options for
14 providing something other than diesel service at Shamattawa,
15 that begins at MKO/MH-18, with the filing of a January 20th,
16 1988 forecast for a transmission line there.

17 There's additional discussion that followed
18 that, that's actually related to the discussions in fact,
19 that Mr. Cox has referred to, that have taken place at
20 Shamattawa, that Mr. Wilson's 02/25/97 letter links to.

21 Mr. Wilson's letter triggered the effort that
22 resulted in the letter from Acres. So it's part of the
23 history record of ex -- exploration of something other than
24 diesel plant and we felt that it was important to introduce
25 the ideas that are strung together in -- in light of a nearly

1 \$17 million dollar investment in diesel capital facilities in
2 Shamattawa.

3 MR. BYRON WILLIAMS: Mr. Chairman, Byron
4 Williams here, if -- if I might be permitted, my clients may
5 wish to, without commenting on the ultimate conclusions of
6 MKO, they may wish to comment on the relevance of this as
7 well in -- in support of the position of MKO.

8 But I -- it's -- it's right near the end of
9 the day and I -- I -- I think we might be able to address
10 this issue, kind of, offline, more efficiently than -- than
11 we do. And I might be able to assist Mr. Anderson in -- in
12 putting his -- his questions to -- to Hydro.

13 THE CHAIRMAN: Mr. Mayer has got his finger
14 on the button. I'll allow him to go and then -- and then
15 I'll get back to you, Mr. Williams.

16 MR. ROBERT MAYER: Whenever Byron offers to
17 mediate what appears to be a problem, I'm generally in favour
18 of that process. My question was going to be, before
19 Mr. Williams offered his assistance, was to point out --
20 actually I was -- my question was, how can the provision of
21 alternate service, at this point, be relevant to a rates
22 application?

23 We don't have before us a needs and
24 justification application but we're now talking about a rates
25 application. My concern would be with the relevance and I

1 trust that you -- all of you will discuss that and you will
2 arrive at an understanding that we will be told about
3 tomorrow.

4 THE CHAIRMAN: Thank you, Mr. Mayer. Mr.
5 Williams, I appreciate your kind offer. I would instruct
6 counsel, all counsel in the room, to sit down and discuss
7 this issue, bearing in mind that the application we have
8 before this Board is to set rates which were originally
9 intended to be put in place for April 1st, 2003, we are now
10 in 2004 and also mindful of the Board's jurisdiction with
11 respect to capital items.

12 So, within that, I will -- we will stand down
13 and reconvene at 9:00 a.m. tomorrow morning and hopefully at
14 that time I'll give you an opportunity, Mr. Peters, to put on
15 the record what may or may not have been agreed to. Thank
16 you.

17
18 --- Upon adjourning at 4:28 p.m.

19
20 Certified Correct

21
22 _____
23 Carol Geehan
24 Court Reporter
25