

PUBLIC UTILITIES COMMITTEE
10:00 o'clock, Tuesday, April 2, 1974

MR. CHAIRMAN: We'll proceed with the Annual Report of the Manitoba Hydro, Mr. Green.

MR. GREEN: On a point of order. One of the members of the committee, Mr. Chairman, is ill, I believe, and in the hospital--that's Mr. Jenkins. I believe the rules provide that in the case of illness the committee can replace a member straight from the House. So I would like to move that the member, Mr. Johannson, be substituted for Mr. Jenkins on the list of members to comprise the Standing Committee on Public Utilities and Natural Resources, pursuant to Rule No. 7 Subsection 2.

MR. CHAIRMAN: Is it - Mr. Craik?

MR. CRAIK: I'm not familiar with the rule, but presumably it's in order, so no question.

MR. CHAIRMAN: It has been moved that the name of Mr. Johannson be substituted for that of Mr. Jenkins on the list of members to comprise the Standing Committee on Public Utilities and Natural Resources. (Motion Carried.) Mr. Johannson is the new member on the Standing Committee. Mr. Bateman.

MR. BATEMAN: Mr. Chairman, Mr. Premier, gentlemen, before continuing with the report of Manitoba Hydro, I'd like to just do something that I promised Mr. Craik I would do last week, and that is to look up the reference that he was giving to me relative to some statements that the First Chairman of Manitoba Hydro was reported to have made. I have found the reference, Mr. Craik, you were right, it was in the report on the Measures for the Control of the Waters of Lake Winnipeg and Manitoba. However, the thing that you were not correct on is the date of this report. This is a 1958 report and it was a report that was commissioned by the government of that day, in the fifties, to try and bring some measure of control to the waters of Lake Winnipeg, which at that time had been in serious flood as you remember in 1950.

Now, the particular quotations were in answer to questions that Mr. Fogley and Mr. Finlay of the Village of Dunnottar were making relative to the high water levels of Lake Winnipeg, and they were attempting to persuade the board members that were sitting at that time, to regulate Lake Winnipeg, to bring Lake Winnipeg under flood control. And of course, Dr. Stephens said that the control of Lake Winnipeg would be very expensive, which of course, when it was going to be charged against flood control would be the case. And he also, as a member of the board, is a signatory to the main findings of that report, and these are in the first volume of it, and they definitely recommended Lake Winnipeg control within the elevations of 711.4 to 715.5, which would lower the natural high stages on the lake by approximately one foot. Remember at this point in time we hadn't had the 1966 flood, which exceeded all previous floods by more than a foot. So the main recommendations of that report were to bring Lake Winnipeg under control and I think that it also, of course, made very strong comment about the fact that this would only be possible when power could support the costs of bringing it under control.

In the last meeting of this committee, last year rather, I made some very pointed references to that on--I think this is all in the transcript of the session--but just quoting out of my notes that I used for last year's report, I was commenting upon the fact that the Lake Winnipeg report here said that it would be too costly until power potential on the Nelson River is developed. And in the Programming Board studies later, of course, they were looking at a control at Warren's Landing and they were talking about a much greater range of 709 to 715, because they were going to pump it out. But that, of course, didn't have any regard for the flood control benefits. Now, I think in addition to that I'd just like to emphasize the point that all through the earlier years of the studies that were going on relative to Lake Winnipeg--I've had our library dig out a few references, and these are all references to speeches that Dr. Stephens made, and in them he makes very strong the point that Lake Winnipeg is one of the dominant features in the power supply picture in Manitoba, and certainly it was something that was one of the major assets we had. I could, Mr. Chairman, refer specifically to these reports, but I think all I'm trying to do here is to assure you that Dr. Stephens always considered Lake Winnipeg as an integral part of the regulation of the Nelson River. And I think perhaps, the one report or the paper that he presented to the Engineering Institute in May of 1966, before the Programming Board Study was finalized and tabled, but certainly the results of it were becoming evident to him as to the other members of the Programming Board and he does take considerable time in this paper to emphasize the tremendous asset that Lake Winnipeg would be to the power situation in Manitoba. And he also talks about the construction of a control dam at the outlet, which, of course was what the Programming Board recommended.

(MR. BATEMAN cont'd)

There's a number of references I could quote further in this same paper, but I think, Mr. Chairman, that is sufficient to demonstrate beyond the shadow of a doubt that there was a strong feeling that Lake Winnipeg should be brought under control and the report that I was quoting from last week, the Program Board report which of course summed up all those studies, did supersede any of these earlier reports that were quoted, such as this report on the measures of the control of the waters of Lake Winnipeg. Now, Mr. Chairman, I'm ready to proceed with the Annual Report, if that's your pleasure.

MR. CHAIRMAN: Are there any questions at this particular time before we go by . . .

MR. CRAIK: Yes, we've got some more questions, Mr. Chairman.

MR. CHAIRMAN: Just a minute, Mr. Craik. Last day we had Mr. Asper, Mr. Schreyer, Mr. Osland on the list wishing to ask questions. Mr. Asper is not here. Mr. Schreyer, do you have any questions at this particular time?

MR. SCHREYER: Well, Mr. Chairman, to expedite matters I would defer to the next member of this committee, which I believe is Mr. Craik.

MR. CHAIRMAN: Mr. Osland.

MR. SCHREYER: I'm sorry, Mr. Osland.

MR. OSLAND: Well, Mr. Chairman, we were just getting down to what it was going to cost the average homeowner with regards to the raise in Hydro rates, and we were just starting to get into that when we pretty well packed it up the last time. I'd like to go back and I think Mr. Bateman was giving on a 1,200 square foot home what it would actually cost?

MR. CHAIRMAN: Mr. Bateman, do you have a . . .

MR. BATEMAN: Yes, well, I could start off by telling you that we don't normally relate to the square footages of a home. All homes are more or less treated the same. Now, if you have a specific question relative . . .

MR. OSLAND: I'm sorry, I believe it was 1,200 kilowatt hours, wasn't it?

MR. BATEMAN: Oh, 1,200 kilowatt hours, yes.

MR. OSLAND: We were just getting down to where the average person came into the picture. Prior to that we were talking about millions subtracted by thousands and hundreds of thousands, and I got lost. I'd just like to come back to square one where I think it hits the average person I'd like to know, and particularly a small businessman at the same time.

MR. BATEMAN: Well, first of all, dealing with your question about the average homeowner in Winnipeg, if you had--we used the average of 600 kilowatt hours--I can give you both--the 600 kilowatt hour figure which is where the majority of homeowners are. In Winnipeg the standard residential rate is 748 on the old system; it's 895 on the new system for that many kilowatt hours, so that's a \$1.47 of an increase per month. Now, if you were using 1,200 kilowatt hours in a standard residential service in Winnipeg, your old bill would have been \$13.18; your new bill would be \$15.25, or \$2.07 of an increase. Now, then looking at--do you want to give me a particular area that you'd like to check?

MR. CHAIRMAN: Any particular area, Mr. Osland?

MR. OSLAND: Just on small businesses. Mr. Asper and I were having a bit of a confrontation as far as how the business people would come out on this raise. He felt it was going to be astronomical, and I'd like to just take a small business, I don't know just how many kilowatt hours that would . . .

MR. BATEMAN: Well, the general service - that would cover the small business, would it Bob? - the general service rate in the Winnipeg area on the basis of 1,000 kilowatt hours, if you like, he presently pays \$25.15 for the 1,000 kilowatt hours. The new rate provides for a payment of \$27.50, or an increase of \$2.35.

MR. CHAIRMAN: Okay?

MR. OSLAND: Thank you.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: While we're on the rates, Mr. Bateman, the last day I think you indicated that this would bring in, the change in the rate structure would bring in \$15 million out of what was presently an \$80 million budget, or an \$80 million revenue, indicating an increase of about 18 or 19 percent?

MR. BATEMAN: Yes, that's correct.

MR. CRAIK: Did that include the elimination of the 10 percent prompt payment discount?

MR. BATEMAN: Yes, that does include the elimination of the prompt payment discount .

(MR. BATEMAN cont'd) in the -- it was eliminated in Winnipeg last August and this eliminates it in the rest of the province. That is included.

MR. CRAIK: That eliminates it in the rest of the province, so that the \$15 million increase you're talking about includes not only the change in the . . .

MR. BATEMAN: . . . rates, but the elimination of the prompt payment discount.

MR. CRAIK: It's all-inclusive then?

MR. BATEMAN: That's correct.

MR. CRAIK: And the 15 out of the present 80, the balance I presume is export and other items that are contained in the Annual Report?

MR. BATEMAN: No, there are some big customers like the City of Winnipeg and a couple of big mining companies and some export that makes up the balance of the revenue.

MR. CRAIK: Yes. How are they affected in the changes?

MR. BATEMAN: Well, the City of Winnipeg of course is affected by the change in the status of the development of the system, their bill changes as the system changes. The agreement with the city is quite a complex agreement, but they benefit from the sales we make from export, and they also share in the costs of providing a system that makes it possible to make those exports.

MR. CRAIK: Then in no way this affects that agreement? It's immune from your present policy changes?

MR. BATEMAN: That agreement is immune to the rates, yes.

MR. CRAIK: What large company contracts are you referring to?

MR. BATEMAN: Well, we have the International Nickel Company contract in Thompson, and I believe Sherritt-Gordon contract also.

MR. CRAIK: What happens on those? Are they changed or are they immune by virtue of some other contract?

MR. BATEMAN: The agreement was with INCO runs to 1981, and therefore will not be subject to change until that point in time. The rates we are charging, our new power rates, would bring us about the same revenue on what they're using now. They are paying for much more than they are using. So they've been paying a take--it's a take or pay type contract--and for all these years we've been literally selling the power that INCO is paying for over again.

MR. CHAIRMAN: Mr. Schreyer, on a point of order.

MR. SCHREYER: There is a clarification I think. The way that statement sounded it's as though all of the power that they pay for is being sold.

MR. BATEMAN: Oh, no, no, not all of the power, Mr. Premier. But let's see, the demand contract with INCO - first of all I could explain to you this way: They did enter into a contract with us for developing Kelsey, where they paid all the costs for a portion of Kelsey, and I'm sure you're familiar with that contract. Then they wanted more power and we couldn't get it out of Kelsey, so we had to put a new machine in at Kelsey, and they paid a certain dollar per kilowatt year basis for that power. Then they wanted still more. They wanted then up to 235,000 kilowatts and we couldn't supply that from Kelsey because Kelsey, although you could install that many machines, unless you regulated Lake Winnipeg there was no way you could make that power firm. With the natural regulation of Lake Winnipeg we only have about five machines that are 91 or 92 percent firm, so we had to build a line from Grand Rapids to Thompson, and INCO paid part of the costs of that, subject to other usage, of course. In addition to that they guaranteed to pay us at a rate which was about the standard industrial rate, \$35.00 a kilowatt year at that point in time, for up to 235,000 kilowatts. Now, they haven't exceeded 190, or in that order, this last winter. I could get the exact figures for you, but there's about 35 or 40 megawatts of power that they are not using that they're paying for.

MR. CRAIK: Have you an estimate of what your total revenues will be for the current year?

MR. BATEMAN: Yes. The year that starts yesterday, our estimated revenue, I think is 115 . . . (128)

MR. BATEMAN: 128. It's 128 with the rate increase.

MR. CRAIK: And the year just ended yesterday, the day before yesterday?

MR. BATEMAN: Are 101? (Yes)

MR. CRAIK: I wonder if I could ask you some more about your export plans? You indicated last day that you were not installing capacity to meet the requirements for export, that in fact this was a true surplus power that you were negotiating a sale on. Did I understand

(MR. CRAIK cont'd) you correctly that it wasn't pursued at any length, but I want to make sure for the record, if I have it correctly. As I understand you to say, your sales in the United States is a surplus only to the capacity requirements of Manitoba, that takes you up to the capacity of a given plant. Maybe I could be more specific. In answering the question I asked for the graphs on your left, you indicated that the total distance between the--you know, your straight line requirements and your stairs there, were in fact capacity that was surplus but wasn't installed to be surplus.

MR. BATEMAN: What I indicated, Mr. Craik, was that this is the demand curve for the system from year to year. This is the presently scheduled rate of installation of the Long Spruce turbines completing the last unit in May of 1980. I also indicated to you that it was more economic for us to install those units while we have the camp set up and while we have the opportunity to buy these machines at a lower cost than we would have to pay if we were to spread the delivery time out. The rate of escalation that we are experiencing these days in machinery costs and in metals and so on, we will save more than the cost of money on these Long Spruce units by installing them when it's most convenient to install them as opposed to spreading them out over a longer period of several years, on two counts. One on the basis of the saving in the escalation rates applicable to the labour of installation and applicable to the material indices on the contracts for purchase of them, and the factory labour costs--all of these things, as you know, are going up every year, and consequently we can save money by putting these units in early.

Now, we can also save a substantial amount of money by closing the camp. Once we get the last machine installed at Long Spruce the construction camp can be shut down; we don't need it any more for that particular site. It can be moved to the next site, where again it will save us money on the basis of installing a construction camp for the next construction job. So we are installing this to meet Manitoba's load under the most economic pattern possible, which will provide us with some surplus capacity in excess of the 12 percent that we designed for, that we need, to ensure a reliable system performance.

Now, I also pointed out that by the time you get over to 1982 here, we are down below the 12 percent reserve position, and consequently we will have to either buy some capacity that year or plan to bring the next generating station into service that year.

MR. CRAIK: Well, is there any likelihood that in 1980, or whatever the second line is there, in 1980 you may make a decision next year to add some more steps to the ladder here?

MR. BATEMAN: That is a decision that would depend upon whether we had a market for the power.

MR. CRAIK: Well, you're just saying then, that as of this point all you're planning is that first export. You could change your mind between now and next year or the year after, and add any other ones you wanted to after 1980.

MR. BATEMAN: Well, I pointed out, Mr. Craik, that the export proposal was based on selling this amount of surplus capacity. Now this area under the curve doesn't represent energy, it's just a readiness to serve. And I also point out that this is 20 percent capacity factor energy. This is 20 percent capacity factor energy under that curve. But that is the surplus hydraulic capacity available on the Manitoba system that we can sell for six months into the American market, which we cannot sell into the Canadian market.

MR. CRAIK: What would be the shape of your steps there if you had no export?

MR. BATEMAN: Exactly the same.

MR. CRAIK: You mean that you'd install all those units while you had your camps set up, regardless of whether you could use it in Manitoba, regardless if you had no export possibilities at all?

MR. BATEMAN: Absolutely. The savings are far more in favour of doing it that way than spreading it out. That's why we're putting the 12 units in at Kettle right now, because we can shut the camp down. We can get the units at much--even if those units weren't needed for the system for two years, it's still much cheaper to put them in when you've got the opportunity to buy them at today's dollars, rather than spread them out over the next year or two's dollars, plus the savings in the camp. And this decision to make the 11 and 12 units installed--I've forgotten when the board took that decision, but it was about two years ago, or three years ago, that it was at that time, without knowing that the escalation was going to be as severe as it is today, it was a very economic proposition. Even if the units sat there and did nothing. But the fact is that we perhaps can sell some of that capacity.

MR. CRAIK: When you were before us in 1970-71 and the topic of surplus power was discussed, I asked Mr. Cass-Beggs at the time about the possibility of power export, and the comment at that time was that surplus power was probably worth almost nothing, or next to nothing. He even used the figure somewhere around the order of one cent per kilowatt hour, he thought it was so bad. We now find you . . .

MR. BATEMAN: I think he said one mill per kilowatt hour.

MR. CRAIK: Oh one mill per kilowatt hour?

MR. BATEMAN: Yes.

MR. SCHREYER: If it were one cent, that would be great.

MR. CRAIK: Right. Well, if you can get one cent for it now, you'd probably--you might be doing well too. But he said at the time something to the effect that if you could get one mill per kilowatt hour for surplus you might be doing well. In other words he was saying that surplus power in his estimation wasn't--it wasn't worth anything. But we have now an apparent about-face with regard to surplus, the sale of surplus power as opposed to firm power. Was it the same surplus power you were talking about then as now?

MR. BATEMAN: Yes, but you have to ask yourself why have we had an about-face. What's changed in the world?

MR. CRAIK: Well, you're asking the question, I'd like you to answer it.

MR. BATEMAN: Well, I thought everybody knew about the price that oil is taking. I mean the costs of alternative forms of energy are going up. So surplus energy today is a displacement commodity to displace higher priced thermal or higher priced oil-fired plant, is a much greater valued commodity than we could ever visualize it being even two years ago.

MR. CRAIK: Well, then, the question that has to be asked directly is, what price do you expect to get for your surplus power in seventy--whenever the time comes, as opposed to the general impression its value was four years ago?

MR. SCHREYER: Well, Mr. Chairman, on the point of order.

MR. CHAIRMAN: Mr. Premier, on the point of order.

MR. SCHREYER: I'm sure everyone means well, but questions get into very specifics on anticipated sale price and so on, this relates in turn to negotiations and discussions that are current, and I'm wondering if great elaboration and specific indications here might not in some way harm, and certainly can't help, any current price negotiations that might be taking place at the present or in the near future. I would just ask both the questioner and the answerer to reflect on that for a moment.

MR. CRAIK: Well, Mr. Chairman . . .

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: I appreciate the point made by Mr. Schreyer that there may be negotiations proceeding and nobody would want to, of course, endanger those negotiations, but I think that there would be no harm in the interests of Manitoba or of Hydro for someone to say that the value of this power is at a certain level, which is probably well above what the negotiators in the United States feel it is. And so, Mr. Chairman, there's no--I don't think anybody's interested in seeing any damage done to any negotiations. But the point is that Mr. Bateman has said the price of oil has somehow changed the whole situation on it. I'm a little surprised by his comment in that my sort of general understanding of the position in the north-west United States is that you pretty well--they are flexible in terms that you can burn coal or go to nuclear, and this doesn't seem to be tied into the problem of oil and gas that he's referring to. The question that was raised last day was whether or not, in fact, the Americans are in a very favourable position of saying to Manitoba, "We can burn coal or go to nuclear," because of the relaxed environmental protection laws that have been brought in by presidential order in the United States, and effectively "to hell with Manitoba as far as your export is concerned, unless you can give it to us at a price that is well below what we can produce it for ourselves." And on the basis of what you indicated on costs running on the Nelson River, how can you sell surplus power, say, at less than 15 mills and even hope to get even close to break even?

MR. BATEMAN: Well, I think your--if I could make a few comments there, Mr. Chairman, First of all, it's not north-western U.S.A., it's the north central . . . where we are referring to the interconnection area here. The alternatives, you're right, they do have coal from Wyoming, coal from Montana. They are also subject to escalation and we're protecting ourselves on that point of escalation. When it comes to what the value in the future is going to be, I can't see the value going down in the light of what is happening and what is available, what is

(MR. BATEMAN cont'd) known to be available, in the fossil-fuel reserves of oil and natural gas which the United States--you know, these prices are, well, they have literally more than doubled within the last six-month period, and coal indicates that it's not going to be very far behind. And I can't place very much emphasis on the presidential decree of relaxing the environmental laws, because this is a short-term situation. It will very quickly require these companies to install the pollution control SO2 removal equipment and so on. So I have no concern about the price of energy from the thermal and other plants in the U.S. I think we can displace into that and still make substantial money.

Now, there's a big difference between selling them firm energy or firm capacity in the wintertime when we have to meet our generation requirements, and you're right; I wouldn't sell it at less than it costs us, and I'd want a good mark-up in addition, and I'd want all of the portions of the costs of Lake Winnipeg and Churchill River diversion and transmission, and a mark-up, and our full depreciation, and our operating costs and so on, when I make a sale of firm capacity and firm energy. But when we're talking about this, this is absolutely in addition to what we would get from that plant for Manitoba's own requirements. And as I pointed out last meeting of your committee, the utilization of our plant has been improving over the last few years since we have got better interconnections. We are actually utilizing more effectively the installed capacity that we have, and this is how we can expect to make money - better utilization of our plant. Even though our interest in labour costs are rising, nevertheless the better utilization of that plant is a plus factor. So really we're talking about, in the power game, we're talking about selling something that we can't use anyway. There's no market in Canada for it.

MR. CRAIK: This surplus power, is there a possibility of it being sold at a price less than consumer price in Manitoba?

MR. BATEMAN: No, I would expect that, oddly enough, it will likely turn out to be about the same as our run-off right in Manitoba, or a little better, I hope, when you consider this piece of--here, I'll clarify this--when you consider that piece of capacity with its associated 20 percent capacity factor energy for the summer months will net us just about the same as our domestic customers' return.

MR. CRAIK: But those summer months you referred to last day, would be what you would call your firm package in the total . . .

MR. BATEMAN: Yes.

MR. CRAIK: You're talking now about firm power, not surplus, if I understand you correctly, when you say that the price may work out in the same order. What about the surplus?

MR. BATEMAN: Well, let's get the definitions straight first. This is surplus to Manitoba's requirements. You'll agree with that, will you?

MR. CRAIK: Oh, yes, I'll agree to that.

MR. BATEMAN: All right.

MR. CRAIK: You're talking about--but let's not suggest that that's what you're calling surplus power.

MR. BATEMAN: That is surplus to Manitoba's requirements. We're going to sell it as firm capacity.

MR. CRAIK: That's firm?

MR. BATEMAN: Because it's for the six-month period only. It doesn't come on the top of our load curve here. Anyway we're selling some of the reserve in here. This point in the January of 1980, this point in the December of 1980, represented by these two points on the curve. Now, this six-month period, from May to October, that is the "readiness to serve" type. Now the maximum--they will use that when their load is most severe, and their load is most severe in the June, July, August hot period of time. They will want their 20 percent energy in those months when they need the capacity. Once they've used the 20 percent, if they use the 20 percent in all in the month of July, then we are not obligated to provide them any more energy with that capacity. The capacity will be there but the energy will then be in addition to that. Do you follow that?

MR. CRAIK: Yes. I just want to get it back down to, as far as possible, into layman's terms. You're saying that this surplus now--what surplus we thought was firm package in the summer, may work out around the same value as Manitoba power. What about the non-committed other surplus sales?

MR. BATEMAN: Well, just to clarify one more point. This is surplus to us, firm to them.

MR. CRAIK: Right.

MR. BATEMAN: Now then, in addition to that . . .

MR. CRAIK: We're now to talk about what's surplus to both now.

MR. BATEMAN: Well, no. It's not quite surplus to both, otherwise he wouldn't be buying it.

MR. CRAIK: Right.

MR. BATEMAN: It was a surplus commodity. What we're talking about now is that we have a hydraulic system, which we designed to meet the dry conditions on the Manitoba system. So about one year in ten we have no surplus energy. We just nicely squeak by using our thermal, buying energy where we can, and so on. This arrangement provides that we can buy some energy in that dry year as well as sell it in the wet years. So the other nine years of the ten-year cycle, if it's a ten-year cycle, we can expect to have an average of about 2-1/2 billion kilowatt hours for that period of time, and that is what we are going to sell as surplus energy to Manitoba's requirements.

MR. CRAIK: Chances are you might have somewhere up in the order of your 12-1/2 percent you were talking about before.

MR. BATEMAN: No. You're referring to the 12-1/2 percent that I said was a capacity reserve that must be available to meet contingencies on the system. We must install not only enough capacity to meet the day to day operation, but the contingencies that can happen only too well--you can have a unit out, you can lose a plant, you can have some of our thermal units that are in that reserve of 12 percent, we could lose those just as easily. We must protect against those conditions. We couldn't operate a system without having at least 12 percent reserve and most American utilities now are planning for more than 20 percent reserve.

MR. CRAIK: Will you get more for your surplus as opposed to firm power in terms of rates?

MR. BATEMAN: No. The surplus power I would expect would be priced to meet the displacement commodity that it's displacing. We know what our costs are and we know what the utilities' costs are that we're displacing into. So it will vary from hour to hour and day to day, from week to week.

MR. CRAIK: Well, I believe you said this morning that oil has some bearing--I think last day you said that the price was going to be tied to the price of coal in the United States. I don't know whether you're talking about your firm or your surplus or . . .

MR. BATEMAN: Well, I explained that very thoroughly I thought, Mr. Craik, but I'll go over it once more. The firm energy, or the energy associated with this firm capacity, which is 20 percent capacity factor, will be priced in accordance with the formula of escalation relating to the price of their coal in the Wyoming and Montana fields, delivered to the Minneapolis area. Now, we will only have--this is only a small amount of energy, this 20 percent capacity factor that's associated with that block of capacity--that's the only price that will escalate. The rest of it will be what the cost of production is that we're displacing.

MR. CRAIK: You know, your firm is tied to an American variable, and now your surplus is tied to an American variable, in both cases.

MR. BATEMAN: Well, in normal power system operation, you know, things are not static, they're dynamic. They're moving hour to hour; costs are changing.

MR. CRAIK: You're persuading us that we've got a commodity here that is so great and so good that people are knocking on the door looking for it, and now we find that all the terms of sale are tied to their variables, and this effectively . . .

MR. BATEMAN: No, I didn't say all the . . .

MR. CRAIK: There's a contradiction here.

MR. BATEMAN: No, I think you're misrepresenting the situation, Mr. Craik. I did not say they were all tied to their variables. The capacity will be whatever we agree to--the capacity, a readiness-to-serve charge. We'll get that each year whether they use any of it or not. The small amount of energy that's associated with that capacity is tied to the price of their coal, so that we will not be caught with a fixed price today which ten years from now will be too low. It will escalate in conformance with the alternative cost of energy to them in a standard thermal unit.

Now then, when we come to normal power system operating practices - and that relates to the displacement of energy on one system by another system - these always move to displace the area of higher cost. We know that the Americans have higher cost generation than we have

(MR. BATEMAN cont'd) because they're going to be burning coal or oil or nuclear, and ours is Hydro. So we will displace into those higher cost areas and we will share the savings. That's normal utility practice.

MR. CRAIK: It's pretty difficult to see, when Hydro's costs have doubled in four years, three years, how you can make a long-term commitment to something that is even less predictable, which is, the significant part of it being the costs that are experienced in the United States by the utility there.

MR. BATEMAN: Well, just let me go back one minute then, Mr. Craik. I think what you're telling me, or trying to tell me - if I'm not correct in this you correct me - what you're trying to tell me is that we should not make that sale, we should not build the U. S. interconnection, because we're tying to something that we don't know. So all right, let's not build them. What do we do then? We do exactly the same thing. We've got this load to meet. We install that capacity. We sit in the summertime with this load curve and not that sale, and consequently we'd lose money. The Manitoba system, then, has to pick up all the costs of meeting that load, and meeting that load, and the next year it has to pick up all the costs of meeting that load, the following year it has to pick up all the costs of meeting that load. So we just--fine, we're self-sufficient. We can provide for our own load, we don't have the interconnections, we can't make the sales, so we just end up with higher cost power to Manitobans. Now is that what you're telling me?

MR. CRAIK: Mr. Chairman, I'm not telling you not to make export power sales. What I am saying is that based on Manitoba Hydro's track record of the last two years, I don't have the confidence at this point that Manitoba Hydro is going to drive a deal within the best interests of Manitoba, and can you give me one reason why I should have?

MR. BATEMAN: Well, I . . .

MR. CRAIK: . . . based on the experience of the costs, the statements that have been made before this committee, where the price of production has gone so sky-high in a matter of two years.

MR. BATEMAN: Well, I was going to say . . .

MR. CRAIK: I'm simply asking questions based on that experience that I think are legitimate questions that should be asked by any member of the Legislature at this committee. And with that experience behind, whether or not to try and determine whether in fact the American deal is one that is in the best interests of Manitoba?

MR. BATEMAN: Well, you're just going to have to wait and see.

MR. CRAIK: Well, I think that's a damn poor, you know, set of conditions to be in. I think we should be knowing what is happening.

MR. BATEMAN: I have outlined, Mr. Craik, very, what I thought was effectively, what Manitoba Hydro is trying to do. Now then, in addition to this, I also pointed out this is an opportunity for us to buy energy in the dry year. There's also an opportunity for us to have available the spinning reserve that's associated with such a big system as to the south of us, all of which will provide for more reliable service for the citizens of Manitoba. Now, those are real plus factors in such an interconnection. Pardon?

MR. CRAIK: Well, you know, you keep getting into these side areas, and last day, you know, we found out you'd sold 500 megawatts of that capacity, standby capacity type for \$3 million sale--\$3 million per year. I would assume that we could have done, if we're equal partners in this trading, we could have done the reverse. We could have bought that standby safety factor and built it into our system without going to the expenditure on Lake Winnipeg, if you want to get into all these side issues. But, you know, we read in the paper now that Manitoba Hydro says that to get 1,000 megawatts of standby capacity would cost \$50 million a year, so it just doesn't add up. We sell 500 for three and it's going to cost us 50 to get back twice that much.

MR. BATEMAN: But I think you're misrepresenting the situation, Mr. Craik. The \$50 million is firm capacity. This isn't firm capacity.

MR. CRAIK: Well, you don't need firm capacity to firm up the Manitoba system either.

MR. BATEMAN: Why don't we? Do you want . . .

MR. CRAIK: Because you're not going to use it continuously.

MR. BATEMAN: Well, no, but when I do need it. Do you mean to say that we should tell everybody to shut the lights off and go home because we haven't got power? We can't operate a power system that way.

MR. CRAIK: Well, I'd just like to get back, Mr. Chairman, to try and tie down what we were looking at in the range of figures for these two types of power sales, and I'd like to refer to them as firm and as surplus. The firm, I think we're getting close to it, the surplus I still have no idea of what we're talking about in the way of . . .

MR. BATEMAN: Let's first of all, understand what we're talking about here. I'm not yet talking about firm sales on the Manitoba system outside to any other customer at this point in time, other than what we've made to Ontario. But if we are going to sell firm power, then it's a year-round proposition. Now, we're not talking about that yet. The only way we would be able to do that is to advance new plants earlier than we need it ourselves, and we're not talking about that yet. What we're talking about is to improve the quality of service, lower the cost of service to Manitobans, and we can do it with this sort of an interconnection. Now, that's really what we're talking about.

MR. CRAIK: You say, you're not talking installed capacity yet, but you haven't cut off then the option of installing extra capacity to meet those sales?

MR. BATEMAN: I haven't cut off the option to install extra capacity, that's quite true, but I haven't any plans at the moment to install capacity earlier than what Manitoba would want it for their own system requirements. Now, if we found that it was advantageous to sell firm capacity on a year-round basis, then yes we could install plants earlier than Manitobans need it themselves, but remember that that sort of a decision has to be made at least seven years ahead of when we could make the sale, and we will not be able to make that sort of a sale unless we have these interconnections.

Now, then, one other point that I think really must be straightened out. That is that your illusion to the fact that this system could be firm with these interconnections without the storage of Lake Winnipeg, and that is absolutely incorrect. It cannot be firm without the storage in Lake Winnipeg or, a firm commitment for a purchase of capacity or, the installation of the equivalent amount of energy on the Manitoba system. Now, that's the only way we can make this system firm.

MR. CRAIK: I can't argue with you, Mr. Bateman, on that point, it's a technical point in which you are qualified to answer it and I'm not, except that I think I have read pretty clearly in some of the reports that have been commissioned by Manitoba Hydro that that possibility is entirely there, that it would be quite possible and quite feasible to provide the firm standby capacity with an interconnection to avoid the capital costs. I can't refer you to them directly page by page, but I am sure that they're in your own report.

MR. BATEMAN: Well, we had one report--you raised this question last year. I pointed out to you that we did not accept that report because we did not have the confidence that the work that was done was sufficient to meet the criteria that we lay down, and our own simulation studies that we have more confidence in had to be relied upon to more or less check part of that report anyways. So I mean, we went through that last year and we can go through it again. I'm quite prepared to defend the position that we have taken. I don't have to accept a consultant's report if I haven't got the confidence in the report when it's made.

MR. CRAIK: Well, it seems to me, Mr. Bateman, that there is a great deal more around than just a consultant's report that would point to differences of opinion on this claim you're making. But you raised the issue at this point, I didn't. I'm still most interested just to find out what rates we're talking about in these sales that we're making with our neighbours, and I have serious question about the price that Manitoba is going to settle for and the variables that are going to dictate it as to whether it's going to in the long run be equitable. I think to add on to it, is there going to be - on basis of history, is there any likelihood that the National Energy Board will seriously question a sale of this sort?

MR. BATEMAN: Well, of course, they'll question it, but we are anticipating those questions and we are making the sale in line with the established criteria that the Energy Board follows. I have no concern about this sort of an arrangement with the Energy Board holding public hearings, which they will do in due course when the application is made for such a public hearing. But first of all we have to get the first things first. We have to get the deal with the Americans first. We're arguing about the deal which we haven't really finalized yet. Then we have to get an Order-in-Council, and then we have to get an Energy Board hearing. Now, this is going to take several months.

MR. CRAIK: I think the topic's been raised by the First Minister on occasion as to whether or not the National Energy Board will approve and what type of approvals they'll grant

(MR. CRAIK cont'd) for this sort of thing, so I presume raising the question that it may be a concern regarding the type of export you're looking at.

MR. CHAIRMAN: Mr. Bateman . . .

MR. CRAIK: I had two or three others, but perhaps, because they're on the same topic I should drop it and come back . . .

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Yes. Well, Mr. Chairman, I think it's appropriate that one committee member having declared his non-confidence in the Manitoba Hydro and its track record, just as a prelude to my questions, may I say that I don't accept things carte blanche without question, but I believe that the track record of the Manitoba Hydro in past years has been sufficient to at least have my confidence, and perhaps that would be satisfactory to Mr. Bateman, because for the moment at least we have more seats with which to make that confidence effective. I'm not an engineer, and I frankly have to say that much of what has transpired has gone over my head, and I'm sorry I don't understand it better, but I do believe that I understand the basics of it. May I ask the following question: As I understand it, the costs of providing the hydro electricity to the people of Manitoba, the means of it can be done in several ways--and to take a black and white situation--we could generate no hydro electricity and buy it all, that is one way of providing ourselves with hydro-electric power?

MR. BATEMAN: It's one way. I wouldn't recommend it.

MR. GREEN: No, I appreciate that, but it is a way?

MR. BATEMAN: It is a way.

MR. GREEN: I presume that when the engineers are programming for hydro electricity to provide for the needs of the people of Manitoba, that they use various alternatives and the program one that comes out the best is the one that is selected. Now, that's rather simplistic. There are certain assumptions that are made. I presume that you could presumably get to a lower figure if you were to say that you're going to be able to get hydro-electric power from an outside source at a low price for time immemorial, which is an assumption that you cannot make. But that the general assumptions are that you will take all the alternatives, feed them into some type of mechanical box and the box then shoots out which is the lowest way of providing hydro power. That is simplistic, but is that basic to what is done?

MR. BATEMAN: With certain criteria that the system is firm and so on.

MR. GREEN: Yes. After you have decided that, what are the needs, how do they have to be met, is it firm and other assumptions that we've all spoken about, that after that you take thermal, you take imports, you take water resources, through the diversion, through storage on a lake, through normal flows, you feed them into the computer and if you've done a good programming job then your results will come out to show one system to be less expensive than another system?

MR. BATEMAN: Basically correct.

MR. GREEN: Basically correct. Simplistic, but basically correct. Now when one is talking about an increase in hydro rates in the future or now and in the future, on the basis of increased expenditures on the part of Manitoba Hydro, such as the Churchill River diversion, such as Lake Winnipeg regulation and the capital costs then being put into the system with amortization, with interest costs, etc., you find that your system now costs more to operate than it had cost previously?

MR. BATEMAN: Yes. As your system grows, so grows the cost. But your load is also growing.

MR. GREEN: Yes. It may be that your costs grow because the system grows and it is generating more hydro-electric power. Is that correct?

MR. BATEMAN: Yes.

MR. GREEN: Now, I suppose one of the ways in which you could reduce costs is to say that Manitobans are only going to use the amount of hydro-electric power that they are using today. That will be the amount of power that is available, it'll be rationed in a particular way and then it will not cost us more to produce this power except the operating costs, such as labour costs, the normal inflation that takes place would be reflected in hydro-electric inflationary costs as well?

MR. BATEMAN: Oh, no. On the curves I showed last week our products. . .

MR. GREEN: Don't talk to me about those curves, because I'm all right now, once I look at those curves I'll be lost. I'm merely indicating that--and if I'm wrong I want to be

(MR. GREEN cont'd) corrected--that if we said that we're not going to use more hydro-electric power then presumably the only costs that we would have would be the costs of purchases which would be labour, operational costs . . .

MR. BATEMAN: Yes.

MR. GREEN: And if the system depreciates we have to replace?

MR. BATEMAN: Providing you could get a better utilization of that plant, your hypothesis is correct. Your costs would start to decrease.

MR. GREEN: Okay, so far we're okay then. Now, presumably when you chose the capital improvements that we are now proceeding with, you chose them on the basis not that it is going to cost the people of Manitoba more, but it is going to cost them less than doing something else?

MR. BATEMAN: Correct.

MR. GREEN: So that if we wiped out the Churchill River diversion, if we wiped out Lake Winnipeg regulation, and saved ourselves in the one case, \$210 million--and I'm afraid to use that figure, because tomorrow it's going to be \$212 as sure as we are sitting here, and that track record I can attest to--but we could save that \$210 million, we could save the \$150 million . . .

MR. BATEMAN: Yes, but let's make sure that you differentiate between - the \$231 million for Lake Winnipeg includes the generating station.

MR. GREEN: Including the generating station, yes. Well, I am listening so much to the other side that I have to be reminded of that myself. But the fact is that those costs could be avoided. In which case we will lose "X" number of megawatts, and we would have to buy "X" number of megawatts if we were to have the equivalent of what we are spending those dollars for?

MR. BATEMAN: Uh huh.

MR. GREEN: And I presume that "X" number of megawatts would cost us more to provide if we did not have the Churchill River diversion and Lake Winnipeg regulation?

MR. BATEMAN: Right.

MR. GREEN: And therefore if we did not have the Churchill River diversion and Lake Winnipeg regulation, and thus wanted the same number of power which you are programming to meet Manitoba needs, hydro rates would go up more than they are going up now?

MR. BATEMAN: I think that's a fair hypothesis. The limitation on your hypothesis is that you could perhaps couldn't buy as much power as you are anticipating you could.

MR. GREEN: Well, my impression is that you can always buy if you are willing to pay a price.

MR. BATEMAN: Well . . .

MR. GREEN: That the fact is, that what would happen is that if you were willing to pay more than we are paying for Lake Winnipeg, and more than we are paying for the Churchill, and you're willing to buy it from Saskatchewan, that they would sell it to you if you paid them enough, and then they would develop the Churchill River diversion and buy the territory and have power to sell Manitoba, because it would be worth their while at the prices that we would have to pay.

MR. BATEMAN: All right.

MR. GREEN: All I'm indicating is that if you are willing to pay the price, which would be more than what we are now paying, somebody would sell it to you but hydro rates would go up more. Is that correct?

MR. BATEMAN: Yes, that's a hypothesis.

MR. GREEN: Well, then I put it to you as a statement, which I wish to be challenged and corrected if I am wrong and I will not be embarrassed. That the Churchill River diversion and the Lake Winnipeg regulation, to get the amount of power that we are getting, that it is not increasing hydro rates, it is reducing hydro rates?

A MEMBER: Did you just get to that point?

MR. BATEMAN: Well, I could go back, Mr. Green . . .

MR. GREEN: Well, I am suggesting, I'm asking you whether--(Interjection)--well, maybe it's either Mr. Craik or I who do not understand. I'm suggesting that if you did not go with the diversion, if you did not go with Lake Winnipeg regulation, that the costs of providing the same power would be more?

MR. BATEMAN: Well, that was clearly demonstrated in 1967 when the decision was made to go to the Nelson River.

MR. GREEN: I just need a confirmation or a rejection. That to get the power that we are providing with Lake Winnipeg and the Churchill River diversion, if we didn't do them it would cost us more for that power?

MR. BATEMAN: There's a curve in the Programming Board report, Mr. Green, which definitely . . .

MR. GREEN: Back to those curves.

MR. BATEMAN: Well, despite your objection to curves, Mr. Green . . .

MR. GREEN: Well, I like them on bodies, but I do not like them on . . .

MR. BATEMAN: Well, the short term, that was the early years of a hydraulic development of the Nelson River, in 1967 was assumed to cost more than the thermal equivalent, but in a very few years you then got to the point where you had a lesser cost from your hydro development than the equivalent thermal development.

MR. GREEN: I appreciate that and I said that I wanted to take into account the entire program, and the program includes the projected needs, and it includes the projected costs, not next year but over the 20-year period or 25-year period, whichever period you're using for programming, and all I am saying is that to buy the same power that we are getting from Lake Winnipeg and the Nelson in a different way--let's ignore the Winnipeg . . . would cost a certain number of dollars to get that power?

MR. BATEMAN: Uh huh.

MR. GREEN: That you have programmed then to show that that number of dollars is more than if you developed--in other words if you relied on thermal, importing, batteries, dry cells, every other system, it would cost more than Lake Winnipeg and the Churchill River diversion?

MR. BATEMAN: Yes, the full development of the Nelson River for Manitoba is a far more economic power supply than any alternative we see today.

MR. GREEN: So if we had not done that and used the alternative, the hydro rates would go up, but they would go up more?

MR. BATEMAN: Yes.

MR. GREEN: Is that correct?

MR. BATEMAN: Yes.

MR. GREEN: Therefore, by developing the Lake Winnipeg regulation and the Churchill River diversion, we are not increasing hydro rates, we are reducing hydro rates?

MR. BATEMAN: You're maintaining lower hydro rates than the alternative could buy.

MR. GREEN: Of course. All I'm saying is that the rate would be higher without the project than they would be with the project.

MR. BATEMAN: In the long run.

MR. GREEN: Exactly. That's all I tried - I'm not an engineer, but that is all I wanted to find out.

MR. CHAIRMAN: Thank you, Mr. Green. Mr. Craik, you have a question on this . . . ?

MR. CRAIK: Yes, on exactly the same . . .

MR. CHAIRMAN: Do you want to hypothesize?

MR. CRAIK: I don't want to prophesy a thing here. I simply - then if we're going to be put in the position of forcing words into Mr. Bateman's mouth, I want to try and stuff a few in too.

A MEMBER: Keep trying.

MR. CRAIK: Though I don't anticipate that I will be as successful as Mr. Green, in this job . . .

MR. CHAIRMAN: Proceed, Mr. Craik. Just a minute, Mr. Craik. I did have Mr. Dillen . . . oh you have a question.

MR. CRAIK: The final question, Mr. Chairman, that Mr. Green placed here to Mr. Bateman was that - you mean that the course of action that has now been taken has resulted in the cheapest power to Manitoba? Did I understand Mr. Bateman to say "yes"?

MR. BATEMAN: I said in the long run that is correct.

MR. SCHREYER: There's no question about it.

MR. CRAIK: You're suggesting, Mr. Bateman, that had the development plan proceeded as it was headed for in 1969, that you would have provided for long-term power that's more expensive than the course of action that you've taken in the last two or three years?

MR. BATEMAN: I think you're raising a hypothesis, as well.

MR. CRAIK: No, Mr. Bateman, I'm trying to isolate the argument the same way Mr. Green has.

MR. GREEN: . . .to take into account the environmental loss, and he never wanted to take it into account.

MR. BATEMAN: The facts are when we did the Task Force study. . .

MR. CHAIRMAN: Order please.

MR. BATEMAN: . . .we did look at the development of the Churchill River at a number of elevations, and with the best consulting advice we could get, the most optimum elevation for South Indian Lake with due regard for the cost of the environment, was 850. Now, that's in our report and it's in the consultant's report.

MR. CRAIK: 854, Mr. Chairman, . . .

MR. BATEMAN: No, no, not 854.

MR. CRAIK: . . .is in the consultant's report.

MR. BATEMAN: There is absolutely no engineering background for elevation 854.

MR. CRAIK: Well, I just--you know, we're making cases here to ask you the questions, and I simply isolate the last question Mr. Green asked. . .

MR. BATEMAN: You ask the questions.

MR. CRAIK: . . .and I want to ask you then to say that the course of action that was being followed in 1969 would have led ultimately to more expensive power than what you're going to have now?

MR. BATEMAN: No, no, no. You're misrepresenting the picture. . .

MR. CRAIK: That's fine, that's exactly what I want to do, the same as Mr. Green did you know, that's the order of the day, misrepresent.

MR. BATEMAN: No, no.

MR. CRAIK: So, we're going to now eliminate all environmental concerns, all the political input into the decision and simply ask you the question. . .

MR. BATEMAN: Well, Hydro could never. . .

MR. CRAIK: . . .would the course of action that was being followed and embarked upon and a contract, tenders had been called, in 1969, if that had followed through to this day, what would have been the cost difference to Manitoba Hydro?

MR. BATEMAN: Well, I think what we have to clearly identify here is the fact that the Churchill River diversion and Lake Winnipeg, that you're talking about, are really no different in totality, they're different in degree, they're no different in totality than what Mr. Green is talking about. He's talking about both projects. In 1969 you were talking about both projects, but you were talking about a higher Churchill River diversion level.

MR. CRAIK: Well, no, Mr. Chairman, I wanted to set that straight, that there was no commitment to Lake Winnipeg in 1969, at that time, there was no commitment to Lake Winnipeg at that time. . .

MR. BATEMAN: Mr. Craik, I just must disagree with you. I must disagree with you. The Programming Board report. . .

MR. CRAIK: Mr. Bateman, you can dig out--you made the statement that I was committed in 1969 to Lake Winnipeg, I'm telling you that I wasn't. I don't care - I can dig up two reports for every one you'll dig up, and we'll be here till doomsday. But I can tell you in 1969 there was no commitment to Lake Winnipeg regulation and it became even more evident after. . .

MR. CHAIRMAN: Mr. Schreyer, on a point of order.

MR. SCHREYER: Mr. Chairman, this is an opportunity for asking questions. Questions are asked and then elaboration is entered into to prevent the answering of the question. Surely the person that is in the best position to indicate what the engineering analysis and position was in '64, and '66, and '68 and '69, and '73 and '75, is the Chairman of Manitoba Hydro. Both of us being politicians, perhaps can desist for awhile telling the engineers what to do.

MR. BATEMAN: Mr. Chairman, I would like to really emphasize for the committee that the Government of Manitoba, of the day, entered into an agreement with the Government of Canada, which I would have expected they would have followed through on. And that agreement called for regulating Lake Winnipeg, and the studies on which that agreement were based clearly indicate that if you were going to have loads as large as we've had, or in this case they were assuming a lower load for Manitoba, and an export of power to United States, that you needed both the Churchill regulation and Lake Winnipeg in the same year to make the system

(MR. BATEMAN cont'd). . . firm.

MR. CRAIK: That agreement also called for high level diversion of South Indian Lake.

MR. BATEMAN: There was no high level. Where did it say high level? Let's find out.

MR. GREEN: Yes, take out the agreement, show me where it says high level.

MR. SCHREYER: Yes, let'd do that.

MR. BATEMAN: The agreement did not call for any special elevation on South Indian Lake. It said substantial. . .

MR. CRAIK: The power line agreement, agreement for the financing of the power line. . .

MR. BATEMAN: No, no.

MR. CRAIK: . . . called for conditions that were changed after 1969, in which no particular concern was taken whether the Federal Government was concerned or you were concerned. . .

MR. SCHREYER: Changed after '67.

MR. BATEMAN: No. The agreement with Canada in 1966 relative to the financing of the DC transmission line did not specify an elevation for South Indian Lake. Now, this Programming Board report, on its comments on Churchill River diversion flow, which is what the agreement was based on, it said here that South Indian Lake reservoir studies were also very dependent upon the selected Nelson River design flow. For a variable diversion maximum Churchill River diversion flows were varied from 20 to 40, 000 plus an experimental run at 50, 000, and it became apparent in the early stages that the higher the maximum flows, whether constant or variable, the greater is the amount of thermal electric energy which is displaced by Hydro, thus resulting in lower over-all energy costs. Now, this became even more obvious as the Nelson River design flow increased, and consequently since maximum dependable flow is in the order of 37, 000 the range of constant flows into Split Lake was varied from 21 to 37. Now, you see, you can't get more out of the Churchill than is in the Churchill. If you were going to take it all out in a large flow for a shorter period of time, that was one way of using it. If you're going to use it - it's the energy from the Churchill that's most important.

MR. CRAIK: Well, Mr. Bateman, nobody's questioning that and certainly that's always been the crux of the issue. You got no new water out of Lake Winnipeg, but you got a lot of new water out of Churchill.

MR. SCHREYER: Oh, my God, what a simplistic. . .

MR. CRAIK: That's right, Mr. Speaker. . .

MR. BATEMAN: But you can sure use. . .

MR. GREEN: We've been arguing it for a long time. . .

MR. CRAIK: Mr. Chairman, I would ask then Mr. Bateman if he's going to quote from this to go to the Water Commission report which is even later than this, in 1972, that was presented by Mr. Cass Booy and his associates. . .

MR. GREEN: What did the Water Commission report say?

MR. CRAIK: Well, I suggest to the Minister that he perhaps read the. . .

MR. GREEN: I did.

MR. CRAIK: . . . even the Letter of Transmittal in the Water Commission Report to see if he can find vindication in there for the control of Lake Winnipeg.

MR. GREEN: I would like to know whether Cass Booy wants the Churchill River diversion, so let's not approbate and reprobate.

MR. CRAIK: We'll take it into. . .

MR. CHAIRMAN: Order, please.

MR. CRAIK: We'll take it into the Legislature and talk about it there, because I don't have the reports here.

MR. GREEN: Right, let's do it.

MR. BATEMAN: Well, Mr. Chairman, I am here to answer questions for Hydro, I am here to present the report of Hydro. We've been three meetings and we haven't got to the report yet. Now I'm not saying that we shouldn't ask the questions but I would like to think that there are other places to carry on this sort of a discourse. I also, Mr. Chairman, must at this point in time, make some comment and I feel very strongly about this, that Mr. Craik is questioning the track record of Hydro, and I'd like to go on record that I'm very proud of the people that are working for Manitoba Hydro and they as far as I'm concerned can stack up against any group of engineers or financial people anywhere in North America, and I think that they are respected by their equals and their peers in all parts of the North American Continent.

A MEMBER: Hear, hear.

MR. CRAIK: Mr. Chairman, let's make the record clear - I said I questioned the track record of Manitoba Hydro in the last few years, particularly as regards to their ability to drive a good bargain with the Americans for export sale of power, and this in no way is impugning the activity of any individual in the Manitoba Hydro. I'm basing it on what's happened in the last two or three years.

MR. CHAIRMAN: Mr. Schreyer on a point of order?

MR. SCHREYER: Mr. Chairman, I'm wondering whether the proceedings of this meeting should, and the rules should permit of a sort of gratuitous comment about the track record in the last few years, relative to negotiations on export because I would imagine that Manitoba Hydro has had some dealings with respect to extra provincial sales in previous years, and I wonder very much if there is any difference inasmuch as the people involved are basically the same people, so I'm wondering why the passage of time, all of a sudden should change competence.

MR. CHAIRMAN: Mr. Green.

MR. GREEN: Mr. Chairman, on the same point of order, for a very good reason, and you know the record will show what was said and both Mr. Craik and I are therefore putting ourselves a little bit on the line as to what he said. My recollection of what he said is that he has no confidence in Manitoba Hydro - those were his words - negotiating with the United States, particularly because of its track record in the past few years; and he did not specify its track record of negotiations, he was referring to its - and this I'm making, as I understood it, he was referring to its track record vis-a-vis hydro electric power in Manitoba.

MR. CHAIRMAN: Well, Mr. Green, I believe the statement has been explained, we can proceed with the report.

MR. SCHREYER: No I have a couple of questions.

MR. CHAIRMAN: Mr. Schreyer;

MR. SCHREYER: Yes. Just two questions, Mr. Chairman. With respect to the Canada Manitoba Nelson River agreement, and with respect to the agreement entered into at the time of the financing agreement on the DC Transmission line, was provision made in those two agreements relative to Lake Winnipeg regulation or were the agreements, both of them, silent on that matter?

MR. BATEMAN: I could refer one to the agreements - I haven't got them with me, Mr. Chairman, but the agreement on financing the transmission line does refer to Lake Winnipeg does refer to the Churchill River, does refer to Kettle and to the transmission, which really are the four same components that were contained in the Programming Board report.

MR. SCHREYER: Well I'm aware, Mr. Bateman, that the Programming Board report enumerates the four initial essential components of Nelson River development of which four components is the inclusion of Churchill River Diversion unspecified as to volume and Lake Winnipeg regulation. That's in the Programming Board report; I know for a fact it's in the Canada Manitoba Agreement, and I'm just not certain off-hand whether it is specifically referred to; these same components are specifically referred to in the DC transmission agreement, although I suspect they are.

MR. BATEMAN: Have we got a copy of the DC transmission line financing agreement?

MR. SCHREYER: While that's being obtained, Mr. Chairman, I'd like to pose the second and really only the last question I have for the moment, and that is, that in making the comparisons of lease-cost alternatives to Manitoba Hydro much of the questioning this morning has been evoking answers from you which perhaps in a sense tend to put the matter on a basis of a static model, but obviously the only relevant kind of lease cost alternative comparisons have to be based on a dynamic model. Given the increased costs of construction, given the increased costs of alternative fuels, given the increased costs of utility operations and rates in other jurisdictions that surround us would you as head of the corporation express relative optimism or guarded optimism about Manitoba Hydro's ability to in a dynamic energy pricing world, to maintain the same ratio of costs and rates to consumers as those utilities that we have always compared in the past, Ontario Hydro - let us assume that Manitoba Hydro rates and Ontario Hydro rates were roughly on the basis of one to one ten years ago, five years ago, are you relatively optimistic we can maintain that same ration of cost into the future?

MR. BATEMAN: Well that's a very difficult thing to project into the future but I feel confident that our costs are not going to increase any more than any other utility's costs,

(MR. BATEMAN cont'd). . .and particularly when we look at the long-term we at least know what our energy costs are going to be. They're fixed. Once we build these hydro plants, they're fixed, so we have the advantage of knowing in the long-term what these costs are going to be.

Now, if we were like Ontario Hydro where they're now beyond most of their hydro development and into nuclear and conventional thermal generation, I think they have to project perhaps greater increases than we would project. It's not going to cost them any less to build the facilities and there are higher operating costs of those facilities than there are of the associated hydro facilities. So I have no hesitation about putting my neck out if you like to the future that Manitoba's rates will compare very favourably on into the future, with what they are now, relative to the other utilities.

. . . . Continued on next page.

MR. SCHREYER: I wonder, Mr. Chairman, if the last point of the first question can be dealt with?

MR. CHAIRMAN: Mr. Bateman.

MR. BATEMAN: Well in the agreement - this is the financing agreement - it says that "Manitoba shall, at Manitoba's expense, design, construct and place in service, the electrical generating facilities according to a schedule which calls for the station to be placed in initial service on or before the 30th of November, 1971." Now, what are the generating facilities? The generating facilities are defined in the agreement as: "The electrical generating facilities includes (1) The station; (2) a control dam on the Churchill River at the outlet of South Indian Lake, a diversion structure for releasing water into the Rat River (a tributary of the Burntwood River which flows into the Nelson River) and certain other ancillary works for the purpose of making available considerable water storage on South Indian Lake, and to increase the power production on the lower Nelson River, and to increase the potential capacity of the hydro electric sites along the route of the Churchill River diversion; and (3) a control dam, spillway and flood control works to be located in the vicinity of the outlet of Lake Winnipeg, which works will be designed to permit the levels of the water of Lake Winnipeg, and the outflow to the Nelson River, to be regulated and controlled." And that's in the agreement, Mr. Chairman.

MR. CHAIRMAN: Mr. Graham. Mr. Schreyer.

MR. SCHREYER: And that agreement was signed I . . .

MR. BATEMAN: This is the agreement of 1966. It was actually signed in February '77 (?) but dated February, 1966 between the Government of Canada and the Government of the Province of Manitoba.

MR. GREEN: Signed by both parties.

MR. BATEMAN: .and signed by both parties.

MR. CHAIRMAN: Mr. Graham

MR. GRAHAM: Mr. Chairman, I would like to go back a bit - I'm sorry I wasn't here for the initial presentations - but was I correct, Mr. Bateman, when you, in my interpretation that the sale price to the United States will be a fluctuating price, dependant on the price of coal in the American market? Was that a correct assumption?

MR. BATEMAN: There are two factors here, one is that the minimum costs that we're assigning to that small block of energy that would go with the summer surplus capacity is going to be tied to the escalation in coal prices in the two supply contracts that Northern States Power would have with Montana and Wyoming coal supplies, so it would escalate.

MR. GRAHAM: You assume that it would escalate then?

MR. BATEMAN: Oh yes, there's no question about it.

MR. GRAHAM: What effect will the loosening of environmental controls in the United States have on the coal-fired electrical generating stations?

MR. BATEMAN: Well I think the feeling is, in the short-term they might permit burning some of the lesser desirable coals with higher sulphur content in the short-term, but in the long-term you've had equally strong statements from the Administration of the Environmental Act that they are not going to permit this to carry on. They are going to enforce the law. This is the law of the United States and I'm sure it will be enforced.

MR. GRAHAM: Mr. Bateman, I'm not a criminal lawyer, nor am I an engineer, I'm just a farmer, but when you get into a horse trading deal of this nature where there's a reciprocal type of agreement, you - I would assume that you want to take a look at the type of horse that they're trying to trade for the type of horse that you have to offer. Is that a fair . . .

MR. BATEMAN: That's good horse trading.

MR. GRAHAM: . . . a fair assumption? Also at the same time, Mr. Bateman, you're not selling all your power to the United States, you're selling the major portion to Manitoba users. Well is that not correct?

MR. BATEMAN: Yes.

MR. GRAHAM: What relationship will the price that you sell to Manitoba users bear to the price that you sell to United States users? Will there be any direct relationship at all?

MR. BATEMAN: Well I was explaining earlier, Mr. Graham, that there will be a relationship all right. I wouldn't like to disclose specifically what that relationship is because we haven't made our final negotiations yet, but this amount of surplus, Mr. Graham, this amount of surplus that's under the red, you see that's - we must install plant to meet that point in Manitoba's load growth, and also that point over there in Manitoba's load growth; so

(MR. BATEMAN cont'd) consequently we have this surplus with due regard for the outages that we have to have for machines out in the summer for our maintenance program, we still have a large block of surplus capacity that we can sell a portion of it to the only market that's available to us. We cannot sell that east or west because they have the same temperature conditions, and so on, as we have.

MR. GRAHAM: Mr. Bateman, I'm going to tell you as a user of Manitoba Hydro that I would be God damned mad if the price that you sold that power to didn't bear a direct relationship to the price that I've got to buy power, and if the price of Hydro is going up 25 percent in Manitoba, and you say it's going up 10 percent per year for the next several years, if the sale price to somebody else didn't go up on a corresponding rate I would be good and mad.

MR. SCHREYER: Well then why weren't you mad because that's been happening for 20 years, for 20 years. That's been happening for 20 years, now let that be . . .

MR. CHAIRMAN: Let's proceed with the report.

MR. BATEMAN: We're not talking about a thousand megawatts here, Mr. Craik, this is not a thousand megawatts. --(Interjection)-- No I'm not talking about a thousand megawatts. I made that clear last week and again this week. This is five hundred megawatts.

MR. CRAIK: Your line of capacity, Mr. Chairman, though your line of capacity is a thousand megawatts.

MR. BATEMAN: The capacity of the line will be a thousand megawatts.

MR. GREEN: Mr. Bateman, with regard to the . . .

MR. CHAIRMAN: Mr. Green, on a point of order.

MR. GREEN: No. I wanted to follow up a question if I could that Mr. . . .

MR. CHAIRMAN: Mr. Graham are you through with your questions?

MR. GREEN: I want to follow on the same question.

MR. CHAIRMAN: Go ahead.

MR. GREEN: Yes. Would this be the same as having a domestic price for wheat which is designed to meet the costs of the farmers' costs of production, and selling the additional wheat on the market for whatever they can get?

MR. BATEMAN: Very similar situation.

MR. GREEN: Well I don't know that many farmers would be mad about that. They've been screaming for it for many years.

MR. SCHREYER: Mr. Chairman, if I may, with Mr. Graham's indulgence, put this one question. Manitoba Hydro from time to time over the past many many years - I would think almost a generation - has it not sold power, what you would call spill or sell power to SPC Saskatchewan Power, at rates in the order of - this may not sound plausible - but in the rate in the order of one or two mills?

MR. BATEMAN: Yes, we used to sell power to Saskatchewan before we developed the connection to the U. S. We were displacing very low cost power in Saskatchewan and we got very low returns for it, but when we opened up the market to the south we've been getting a much better return for our energy on the southern interconnection than we have either east or west.

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: Well, Mr. Chairman, is it not true that the rate for power in the Province of Manitoba has not changed appreciably for quite a few years. We have been at a basically static level. I'm not suggesting for onemoment that the price that we sell to the United States should be the same price that we sell to in Manitoba, because in Manitoba we have many many prices. I pay a different price for power than the Member for St. Matthews pays because of my location, because of the nature of my business, and if I use - if I was running a smelter I imagine I would pay a different price again if I was an industrial user. So we do have different rates, but the point that I'm trying to make is that if our domestic rates go up, as we have every indication they will and continue to climb, and we are then endeavouring to sell power and it's quite conceivable that the price that we sell will not go up and could go down if the States start to buy cheaper coal. . . .

MR. CHAIRMAN: Mr. Graham.

MR. GRAHAM: . . . I as a consumer would be very irate . . .

MR. CHAIRMAN: Mr. Graham these questions were being asked for a considerable period of time at the beginning of this committee meeting today and it seems that you could read the answers given in the transcript, and I don't see the purpose in going over it the

(MR. CHAIRMAN cont'd) second time.

MR. GRAHAM: There is a very definite purpose Mr. . . .

MR. CHAIRMAN: Well the purpose - I think we've had the answers given. If Mr. Bateman wishes to repeat those - Mr. Bateman.

MR. GRAHAM: Mr. Chairman, Mr. Chairman, I am not finished yet. I was interrupted by the Chair.

MR. CHAIRMAN: Proceed Mr. Graham.

MR. GRAHAM: The United States is not paying one cent towards the cost - we the producer, or the users in Manitoba and the people of Manitoba are expected to pay for the entire cost of the construction of this, and therein lies the basic difference. If we are going to be paying the cost, then the rates that we pay as users, and we're sitting on both sides of the fence here, I think that any surplus that we sell should have a direct relationship to the rates that we as users have to buy.

MR. CHAIRMAN: Mr. Bateman.

MR. BATEMAN: Well, Mr. Chairman, just to set Mr. Graham's mind at ease on this point I can tell you, Mr. Graham, that we're designing a system to provide Manitobans with the lowest cost power that's possible to provide them with. Now we are also going to be able to have lower cost power if we invest in these interconnections, than we would have without these interconnections.

MR. GRAHAM: How much lower?

MR. BATEMAN: Well whatever we make on this interconnection, take the cost of the transmission lines out of it, then that's all money that you and I don't have to pay for our power. This is all money that is using plant that's surplus to Manitoba's requirements. You see when you were asking about this question, we have to meet that point in our load curve, we have to meet that point over here. Now we install - this is the installed capacity line so we have all this that's sitting on our system doing nothing in that summer period and that, if we can sell it, means that you and I are going to have lower power rates than if we can't sell it.

MR. GRAHAM: What you are selling, Mr. Bateman, is insurance to their system and when you're buying from them, or making any arrangements for purchase from them, you are buying insurance for your system.

MR. BATEMAN: Well the word "insurance" is not quite proper here. I'm buying some insurance for our system on the basis of being able to buy some energy in the dry year, but I'm also buying the reliability that is going to associate with this in the power supply, which I find very hard to put a dollar and cent sign on because you can get values all the way from 40 million up to 140 or 150 million, but the main point is, and this is the real crux of this, that if we don't have these interconnections we must provide exactly what you see on that diagram for Manitoba's load alone so that you and I can be sure of an adequate supply of power for Manitobans.

MR. GRAHAM: That's right.

MR. BATEMAN: Now then, there is no market for this power in Manitoba in the summertime. There is no market for it in Saskatchewan or in Ontario with anything that we can reach with the present interconnections in Ontario, but there is a market for it in the United States, and we can tap that market by building the interconnections and selling the power to them; which is going to mean that you and I are going to have lower cost power.

MR. GRAHAM: Mr. Bateman, when you build dams and you put your regulations on, isn't that the very purpose to hold that off the summer market so that you can use it in the wintertime?

MR. BATEMAN: Yes but we still have a fairly good run-off in the Winnipeg River and the Saskatchewan River, and certainly in all the tributaries to the Nelson, that you have no way of controlling at all. All you can hold is what comes into Lake Winnipeg, that's what we're going to be holding, but there's lots of other run-off that - there will be lots of surplus energy in the system even with Lake Winnipeg because we can't take it above 715.

MR. GRAHAM: All I say, Mr. Bateman, is that I find it very difficult as a consumer of Manitoba Hydro to see the logic, and you have all your engineering facilities on that, but can you sell it to the users of Manitoba Hydro that it's justifiable when their expenses, their price is going up, that you can turn around and sell it at a price that may very well be declining?

MR. BATEMAN: I won't sell it at a price that's declining.

MR. GRAHAM: Well you say you're tying it into the price of coal and the price of coal

(MR. GRAHAM cont'd) can decline. It can go up and it can go down.

MR. BATEMAN: Well I find it very hard to appreciate it going down, Mr. Graham, but we have set a floor price on this. Don't forget this is surplus to Manitoba's requirements. If we don't sell it, we don't get the revenue. We then have to pay more ourselves to cover those costs. What we can sell on extra provincial circuits is going to save us from a rate increase, just as I pointed out last meeting that we would really have implemented the rate increase that the Municipal and Public Utility Board recommended we implement in 1970, and we would have implemented that in 1970, which was a 14-1/2 percent increase, if we had not had the interconnections and sales of power over those interconnections which resulted in substantial revenues to Manitoba Hydro over the periods, all of which you and I would have had to pay if we hadn't had those interconnections.

MR. GRAHAM: The only thing I'm trying to say, Mr. Bateman, is when you get into a horse trading deal you try your best to impress the other fellow that you've got a two minute horse, it's not a three minute horse.

MR. GREEN: Mr. Chairman, I wonder if I, on this point, if I can just try to see whether I . . .

MR. CHAIRMAN: Well, Mr. Green, I can put you on the list.

MR. GREEN: Well it was on the same point, and I thought if I could add to Mr. Graham's question that it might clear up the situation. Is not the difference between the fact of what you can charge Manitoba and what you can charge in the United States, is that in Manitoba everybody is clued into our hydro electric system and you therefore charge the cost of the system. If the United States people were clued in in the same way and merely accepted our charges when we put them on, there would be no difficulty charging them the same figure but they have a choice of buying or not buying. Now you may not like that, it's a reflection of government monopoly, but isn't that the distinction between dealing with the people who are your - who own the utility and are consuming it themselves, and dealing with somebody else?

MR. BATEMAN: Well I think you've outlined it.

MR. CHAIRMAN: Mr. Craik.

MR. CRAIK: Well, Mr. Chairman, before we leave this, and particularly the matter of the reading of the programming or the agreement with the Federal Government, I want to at least for the record sake get one clarification on it. Reference is made in the agreement, fairly extensively, about South Indian Lake Diversion. In the final comments reference is made to Lake Winnipeg control, and I think the probably intent in reading it is to indicate that all are on an equal basis, and certainly if it wasn't intended it certainly has been used in argument and in debate that it was referred to in that agreement, therefore it was always part of the plan, and Mr. Chairman, I think this is the most important thing to clarify on the record. I'd like Mr. Bateman to indicate for the record whether at the time when the major changes to the system were made in 1969, as to whether prior to that time any serious consideration was given or consideration was in fact being given in 1969 to the building of Lake Winnipeg control as a first step, and I think that's the gut issue here. It's always been the issue here as to when and if Lake Winnipeg control would be built. Well I think that this is the answer we didn't get this morning and it's the key to it all, the fact that it's referenced in the agreement with the Federal Government cannot be used alone as a vindication of building Lake Winnipeg control at this point.

MR. SCHREYER: Mr. Chairman . . . but there is a speech in the Legislature by the former premier.

MR. CRAIK: Well you have to look, Mr. Chairman, at all of these things, the year and the date is the critical thing.

MR. CHAIRMAN: Mr. Craik, I believe there has been considerable debate on that question. The fact is that we're proceeding on the basis as it is now going and I don't see the merit to continue debating that particular issue as to what happened and how, and what is happening today.

MR. GREEN: Well, Mr. Chairman, on the point of order I believe that Mr. Craik can ask a perfectly legitimate question, and I think that the question is a proper one and could be answered. What I do not agree with is the preface that there is - that it has been continually at issue as to whether in 1969 Lake Winnipeg was a part of the sequence which was to take place at the same time as the Churchill River diversion. Nobody has ever suggested that in 1969 that that was the case. We are aware that in 1969 there was a change of thinking; that

(MR. GREEN cont'd) between 67 and 69 there was much more heavy emphasis placed on the Churchill River diversion and emphasis taken off the Lake Winnipeg. Nobody has argued that that is not the case. So the question is all right, but stating that that is the issue between us is not correct.

MR. CHAIRMAN: Can we proceed? Mr. Blake. Mr. Craik.

MR. CRAIK: The question that I asked was not directed to Mr. Green but to Mr. Bateman.

MR. GREEN: But you put a preface to your question.

MR. CRAIK: Mr. Bateman is perfectly in order to answer in the same manner as Mr. Green if he was to see fit, and I asked the question because I think it's important for the record.

MR. CHAIRMAN: Mr. Bateman.

MR. BATEMAN: I think, Mr. Chairman, we've been over that question before. I think my answer is the same now as it was then, and that is that when we were looking at that load estimate in the Programming Board report, and when I first came back into planning in 1967, we were looking at load growth that was much less than it turned out to be in the early 70's, so sure with that sort of background the Programming Board said five years, we thought we could stretch it to six. We said we didn't need Lake Winnipeg before 78; that didn't mean to say we were going to start building it in 78, that meant that we were going to have it in service by 78.

Now as it turned out the government of the day changed and placed a different sense of values on the resources associated with the diversion of the Churchill River and a re-examination of that, a straightforward engineering re-examination of it showed that when you consider all of these values it was no longer the most economic scheme, the high level diversion - the 850 was the more economic, so . . .

MR. CRAIK: The 850. Would you go so far as to continue and say if you had Lake Winnipeg.

MR. BATEMAN: No, no.

MR. CRAIK: If you had Lake Winnipeg.

MR. CHAIRMAN: Mr. Craik, we've been debating this, the answers have been given. Let us proceed, Mr. Blake.

MR. BLAKE: Yes, Mr. Chairman. A question Mr. Bateman. In negotiations with the United States for the purchase of power . . .

MR. CHAIRMAN: Order please.

MR. BLAKE: . . . would the anticipated power that they intend purchasing from us have any - be required by them in connection with their Garrison Dam Irrigation project? And if so, would this have any bearing on your negotiations with them?

MR. BATEMAN: No, none at all. They are entirely - the Garrison Dam project is being - it's a federal project and we're dealing with a private power company and some co-operatives, so there's no association whatsoever.

MR. CHAIRMAN: Can we proceed with the page by page examination of the report? (Pages 1 to 14 were examined and passed)

Page 15 -- Mr. Craik.

MR. CRAIK: Mr. Chairman, on the revenue, can you indicate whether Manitoba Hydro is yet considering going back into the more extensive advertising of all electric heat consumption? There was some curtailment a year or so ago in view of the different energy picture. As a result of the oil and gas increases in prices, is there any decision as yet as to whether Manitoba Hydro will actively . . .

MR. BATEMAN: No decisions yet but we are still supporting promotional advertising with others like the contractors, the building developers, and so on. We have a published joint program on that.

MR. CRAIK: In relation to the same thing, is there any effort being made to re-evaluate the building code for electric heat purposes, is there any inclination with the higher prices to go to different building standards?

MR. BATEMAN: Our policy always included more than the national building code insulation requirements, as I understand it. We had a six inch ceiling insulation and a four inch wall, which I think made abundant good sense. The building codes are under review by the National Building Codes in Ottawa.

MR. CRAIK: But there isn't any move afoot yet to change the type of structure?

MR. BATEMAN: Not that I'm aware of, Mr. Craik, No. I'm sure this will get more

(MR. BATEMAN cont'd) attention in the future.

MR. CHAIRMAN: (Pages 15, 16 and 17 were examined and passed) Page 18 pass - Mr. Blake.

MR. BLAKE: Mr. Bateman, would you just care to comment on some of the term bond issues that are coming due this year. Are they being refinanced?

MR. BATEMAN: Yes, I did mention that. We had series 1B which is 3-1/2 percent due March 15, 74 - that has been refinanced and . . .

MR. BLAKE: At what rate would that . . . ?

MR. BATEMAN: Well I would have to defer to Mr. Pydee our treasurer.

MR. CHAIRMAN: Mr. Pydee would you please come forward. Use the mike.

MR. PYDEE: It was refunded through a bond issue having a coupon rate of 8-3/8 percent.

MR. CHAIRMAN: Thank you, Mr. Pydee. (Pages 19 to 21 were examined and passed)

MR. BATEMAN: Maybe, Mr. Chairman, on page 21 I should tell you that that picture - I'd like to comment on the fact that we are I believe this afternoon placing the fifth and last gate in the Jenpeg control structure, which doesn't even show in this picture, but which will indicate that we can now, as of this summer some time, bring Lake Winnipeg under control, partial control anyway. So the fifth gate is going in this afternoon.

MR. CRAIK: Will the power facilities be in operation next season?

MR. BATEMAN: No the power generation, first generation from that plant was scheduled for 1976.

MR. CHAIRMAN: (Pages 22 to 27 were examined and passed)

MR. GREEN: I move that the report be received.

Motion presented and carried.

MR. CHAIRMAN: Committee rise and report.