

I'd like to take a look back in history to get some background understanding of Manitoba Hydro and its operations:

According to its 51st Annual Report for the fiscal year ending March 31, 2002, MB Hydro had generated no electricity rate increase in 2001-2002, marking the sixth consecutive year of no rate increases for most customer groups. For industrial customers, rates had not increased in 11 years. At the same time, Manitoba Hydro also announced an offer to purchase Winnipeg Hydro from the City of Winnipeg for a cost savings estimated to be \$8 million per year. And a new all-time record of \$588 million in export sales was achieved, up 23 per cent from the previous year.

Jump ahead 10 years and, in their 61st Annual Report for the fiscal year ending March 31, 2012, MB Hydro earned \$61 million in net income for the 2011-12 fiscal year, a decrease in net income of \$89 million and lower than the forecasted net income of \$99 million. Still, this was an increase in the Corporation's retained earnings to \$2.5 billion at March 31, 2012 which contributed to the highest level of equity in the Corporation's history.

Now if we step back a year and take a look at MB Hydro's Annual Report for 2010-11, we read that Manitoba Hydro had conducted a comprehensive risk management review with the help of two external consulting firms – ICF International and KPMG - in order to ensure that major risks were being properly managed. Both external consultants came to the conclusion that Manitoba Hydro's hydroelectric operational risks were being well-managed. Interesting to note that it was the latter company that was, in 2015, accused by the Canada Revenue Agency of Tax evasion schemes.

Taking a look at the Auditor's Report for the same year, on Page 69, we read – and I quote:

“Manitoba Hydro is actively planning a number of major projects such as Keeyask and Conawapa generating stations and the Bipole III transmission line in order to further improve electrical system reliability, to meet the future energy needs of the province and to take advantage of export opportunities. These plans will involve the investment of approximately \$18 billion over the next 10 years which will generate significant returns for Manitobans over ensuing decades. Construction of new generation projects will only proceed once firm export sales contracts are secured, extensive consultations with stakeholders and First Nations are concluded and environmental and regulatory approvals are received.”

Shortly after that report, Manitoba Hydro announced the signing of new export sale contracts with Minnesota Power and Wisconsin Public Service. Combined with the previously announced sale to Northern States Power, these sales have a total value exceeding \$4 billion.

Now, if we take another step back in time to 2008, we find that a former Hydro consultant turned whistleblower came forward to allege that the Crown corporation was miscalculating how much power it could generate and sell. A complaint was filed with the Manitoba Ombudsman's Office accusing it of taking too many risks with Manitoba's supply of power and accusing it of mismanagement which cost it more than \$1 billion. The former consultant also suggested that then-CEO Bob Brennan had been told that future financial forecasts were incorrect. Apparently, when he was supplied with evidence of that, he ignored it.

Later that year, the NDP government ordered a special audit of Hydro based on this unnamed whistleblower's complaint and asked the Office of the Auditor General to make it a priority. However, then-Auditor General Carol Bellringer said that she would not take part in a special audit of Manitoba Hydro and proceeded to hand a file alleging mismanagement of Hydro back to the provincial ombudsman's office.

So the whistleblower complaint ended up being bounced around various provincial watchdog groups, including the auditor general's office. The PUB planned to hold public hearings in order to hear from witnesses and allow Hydro staff to be cross-examined, and only after that would Manitoba ombudsman Irene Hamilton begin her work.

Enough of background history, now I want to take a look at the June 2014 PUB Report on NFAT (Need For Alternatives To) and a Review of MB Hydro's PDP (Preferred Development Plan). The following were some of the conclusions of the Panel:

4.7.0 Conclusions of the Panel - Page 71

- The Panel has less confidence in Manitoba Hydro's forecast in the long term as it does not address the effects of potential structural change from new technologies or grid parity.
- It also found that Manitoba Hydro's electricity export price forecast was optimistic.
- The Panel did not share Manitoba Hydro's view that it could sell all of its surplus dependable energy and capacity as long-term firm contracted sales at premium prices.
- Considering the uncertainty of future export revenues, specifically those that flow from Conawapa, all of these factors add up to heightened and unacceptable risk associated with the PDP.
- The actual construction cost of Keeyask will increase beyond Manitoba Hydro's currently projected capital cost of \$6.5 billion. Budgeting at least for Manitoba Hydro's "high" estimate of \$7.2 billion would be prudent.
- The Panel encourages Manitoba Hydro to sell a portion of its 49% stake in the Great Northern Transmission Line.

- Given the Panel's recommendation to discontinue spending on Conawapa, the NorthSouth Transmission System Upgrade will not be required.
- In August 2013, Manitoba Hydro suggested that the Preferred Development Plan would have an incremental Net Present Value of \$1.7 billion compared to the All Gas Plan. The incremental Net Present Value is now only \$45 million. Accordingly, it is clear that the economic analysis does not support proceeding with the Preferred Development Plan.
- Manitoba Hydro can contribute to the impact of rate increases in two ways. It can relax its 75/25 debt-to-equity ratio policy to moderate its proposed electricity rate increases. Manitoba Hydro should also mitigate rate increases by seeking to reduce its own expenditures through operational savings.
- Based on current circumstances, the risks related to Conawapa's development far exceed any rewards to ratepayers over the next 50 years. It would not be prudent to continue spending money on Conawapa.

14.0.0 Recommendations

1. The Panel recommended that the Manitoba Government not approve Manitoba Hydro's proposed Preferred Development Plan.
4. The Panel recommended that the Government not approve the construction of the Conawapa Project and the North-South Transmission Upgrade Project.
5. The Panel recommended that the Government direct Hydro to immediately cease any and all expenditures associated with the design, implementation, and future development of the Conawapa Project.
13. The Panel recommended that Hydro relax its 75/25 debt-to-equity ratio policy to moderate its proposed electricity rate increases.
14. The Panel recommended that Hydro implement cost containment measures to moderate its proposed electricity rate increases.
16. The Panel recommended that the Government not approve the construction of any generating facilities, nor approve the beginning of the required infrastructure work for any generation facility, beyond the Keeyask Project, unless such facilities are justified through an integrated resource planning process.

Yes...Hydro needs rate increases to generate more revenue from us the consumer of MB Hydro electrical power...Notwithstanding the fact we in Manitoba may have benefitted from (some of) the lowest hydro rates in the country for years, these current proposed increases are outrageous and insulting considering the decades long dance of Hydro, its leadership and management and the various provincial governments to dodge, obfuscate, deflect, deny or possibly even lie in answer to questions or concerns regarding MB Hydro's business practices, long-term profits projections, fiscal accountability etc. etc. Such questions were beginning to surface as long ago as 2004. Then in 2008/2009 the whistleblower allegations regarding widespread mismanagement. As well, unrealistic suggestions and too-rosy forecasts were being made on projected hydro sales and profits to the US and other provinces. Since then, there have been the questionable calls regarding the Bi-Pole III route and the Keeyask dam project and their sky-high costs and over-runs and why the \$8.7-billion Keeyask dam is now nearly triple the first cost estimate.

And here we are over 10 years later with them asking us, the good citizens of Manitoba, to bail them out and fix their willful mistakes and miscalculations. How have we come to this pass? It seems we, the public, have been woefully underserved and massively disrespected by both Hydro and our provincial governments in this on-going saga. The lack of consideration of and delivery on the basics of proper management of this "jewel" of a Crown corporation is appalling yet the failure to somehow get this almost train wreck back on track might possibly be worse...does it mean bankruptcy if the increases are not implemented?

Does Premier Pallister really think that cutting 900 jobs from one of Canada's top 100 employers in our economy + double-digit rate increases make Manitoba "most improved province"?

In conclusion, it would be far more beneficial for MB Hydro to clean up its own house and correct systemic failures than to assign its failures onto the backs of taxpayers. Otherwise, it would be a continuation of bad decisions, poor management and fiscal irresponsibility, which will only end up as the same scenario in the future, at which time the recourse for the powers-that-be will be privatization. But perhaps that has been the secret agenda all along.

Bibliography

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