



# Sodium Chlorate Plant

## Brandon, Manitoba

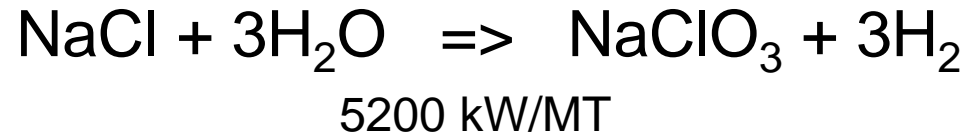
**Michael J. St. Pierre**  
**Chemtrade**  
**February 1<sup>st</sup>, 2018**



- **2017 Sales:** \$1.5 Billion
- **Domicile:** Canada
- **TSX:** CHE.UN
- **Employees:** 1,400
- **Facilities:** +60 in North America, 1 in Brazil
- **Brandon:** Largest Sodium Chlorate plant in the world  
320,000 tonnes per year  
100% of product exported out of province

- **Customers:**            **Pulp and Paper**
- **Use:**                    **Bleaching of wood pulp**
- **Requirement:**       **Lowest delivered costs**
- **How:**                    **1) Raw materials**
  - Electricity and Salt**2) Economies of scale**
  - Large investments, long term thinking
  - Difficult geography and weather**3) Transportation**
  - 100% of product exported out of province
  - 75% of product to US

## ■ Reaction:



## ■ Electricity consumed

- 223 MVA / year (~5% of the provincial load)
- ~\$70,000,000 / year
- 70% of raw material variable cost

## ■ Rate increase impact

- 1% rate increase: >\$700,000/year cost increase
  - year 1 impact of 7.9%: >\$5.6 million)
- 10% decrease in production volume → \$7,000,000 reduction in Hydro Revenue

# Brandon – Sodium Chlorate

## *Celebrating 50 years in 2018*



- **\$600 Million:** Total 2016 direct, indirect and induced contribution to Canada's GDP.
- **\$130 Million:** Total direct economic benefit of Chemtrade's Brandon plant in 2016.
  - **67%:** Portion of Chemtrade's direct economic benefit that remains in Manitoba.
- **\$90 Million:** Increased planned capital expenditures would provide an additional economic benefit. Over the next five years.
- **\$2.5 million:** Municipal and Provincial taxes paid by Chemtrade in 2016.
- **\$7.5 million:** 2017 Payroll (excluding benefits)
  - **\$115,000:** Average 2016 salary of Chemtrade's workforce compared \$77,000 median Manitoba family income in 2015.
- **\$160,000:** Support of local community groups

- **\$50 million sustenance (next 5 years)**
- **Publicly announced a further \$50 million of discretionary capital**
  - Upgrade facility
- **Discretionary capital on hold pending outcome of PUB hearings**
- **Can choose to spend capital more productively elsewhere**

- **Quebec has announced a 0.8% increase effective April 2018.**
- **BC has frozen any increases, pending review and has renewed energy savings programs like Freshet and DSM Curtailment to give customers alternative means to try to mitigate costs.**
- **IHS Global Bleaching Report indicates that ‘Wholesale baseload electricity costs in the three main sodium chlorate producing countries are projected to decrease in 2018 and again in 2019.’** (Finland, Sweden and France) (*IHS Global Bleaching Report, Oct. 2017*)
- **US jurisdictions allow private confidential contracts on power (below tariff rates)**



- **Not guardians of the province**
  - No mandate to speak for government.
  - They have 'not' considered elasticity of electricity demand.
- **Stance as a 'Publicly Traded Company' is flawed**
  - They are not a publicly traded company.
  - They did not make a publicly traded company decision – Keeyask.
  - Could have saved \$3.4 to \$4.2 billion of debt (no demand, no return).
  - Retained earnings timing has no basis in commercial reality.
- **Need a firm guiding hand**





- **The market is changing fast**
- **Need a compelling long term strategy**
  - Grow industrial load in province.
  - Leverage world scale assets, green and low cost power.
  - Compete against other jurisdictions.
- **PUB has an important and distinct role to play**
- **PUB must provide leadership**
  - Clear signals for next 10 to 20 years.
  - Establish Manitoba as place to do business going forward.



- **Justification for 7.9% rate increase is flawed.**
- **Manitoba Hydro is NOT a publicly traded company.**
- **Proposed rate requests are not conducive to the economic well being of the province.**
- **The world is changing fast.**
- **Electrochemical industry an indirect way to export power.**
- **PUB must not allow a 'zero sum game' (Hydro vs. Industry).**
- **Must use power as a strategic tool for economic growth.**
- **Must keep electricity costs 'As low as possible' to ensure a relative cost advantage.**