

Gerdau Long Steel North America Manitoba Mill



Manitoba PUB – 02/01/2018

VALUES

Be the **CUSTOMER's** choice
SAFETY above all
Respected, engaged and fulfilled **EMPLOYEES**
Pursuing **EXCELLENCE** with **SIMPLICITY**
Focus on **RESULTS**
INTEGRITY with all stakeholders
Economic, social and environmental **SUSTAINABILITY**

PROFILE

The second largest mini-mill steel producer in North America.

Annual manufacturing capacity of approximately 10 million tons of finished steel products.

Through its vertically integrated network of steel mills, recycling operations and downstream facilities, Gerdau Long Steel North America serves customers throughout the United States and Canada.

Gerdau Long Steel North America employs approximately 10,000 people in the United States and Canada.

Gerdau is the leader in long steel production in the Americas and one of the largest suppliers of special steel in the world

PRODUCT MIX



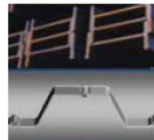
MERCHANTS



REBAR



FABRICATED



STRUCTURAL



FLAT ROLLED



WIRE ROD



HISTORY

- 1907 Started production
- 1988 Acquired by Canam Manac
- 1995 Acquired by Gerdau Group
- 1999 JV fabrication plants with Monteferro (Italy)

SOCIAL RESPONSIBILITY

- Selkirk Hospice
- Safe Workers of Tomorrow
- Food Bank
- Red River Hamper Toy Drive
- Manitoba Heart and Stroke Foundation
- Selkirk Fire Department

PRODUCTS

Manitoba mill products are used in the civil construction and consumer product markets



Flats

Special Sections



Rounds



Squares

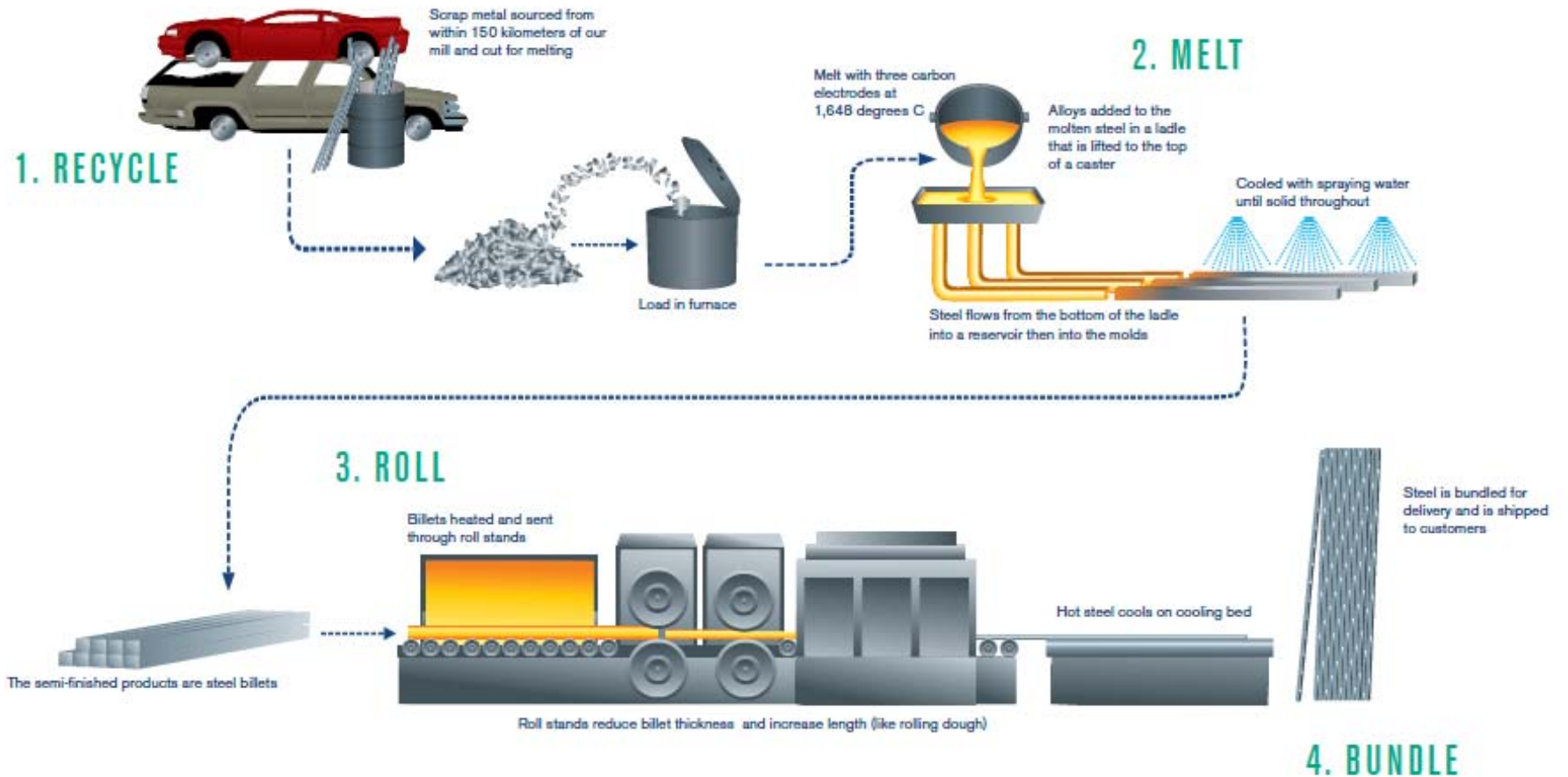


Angles



MC Channels

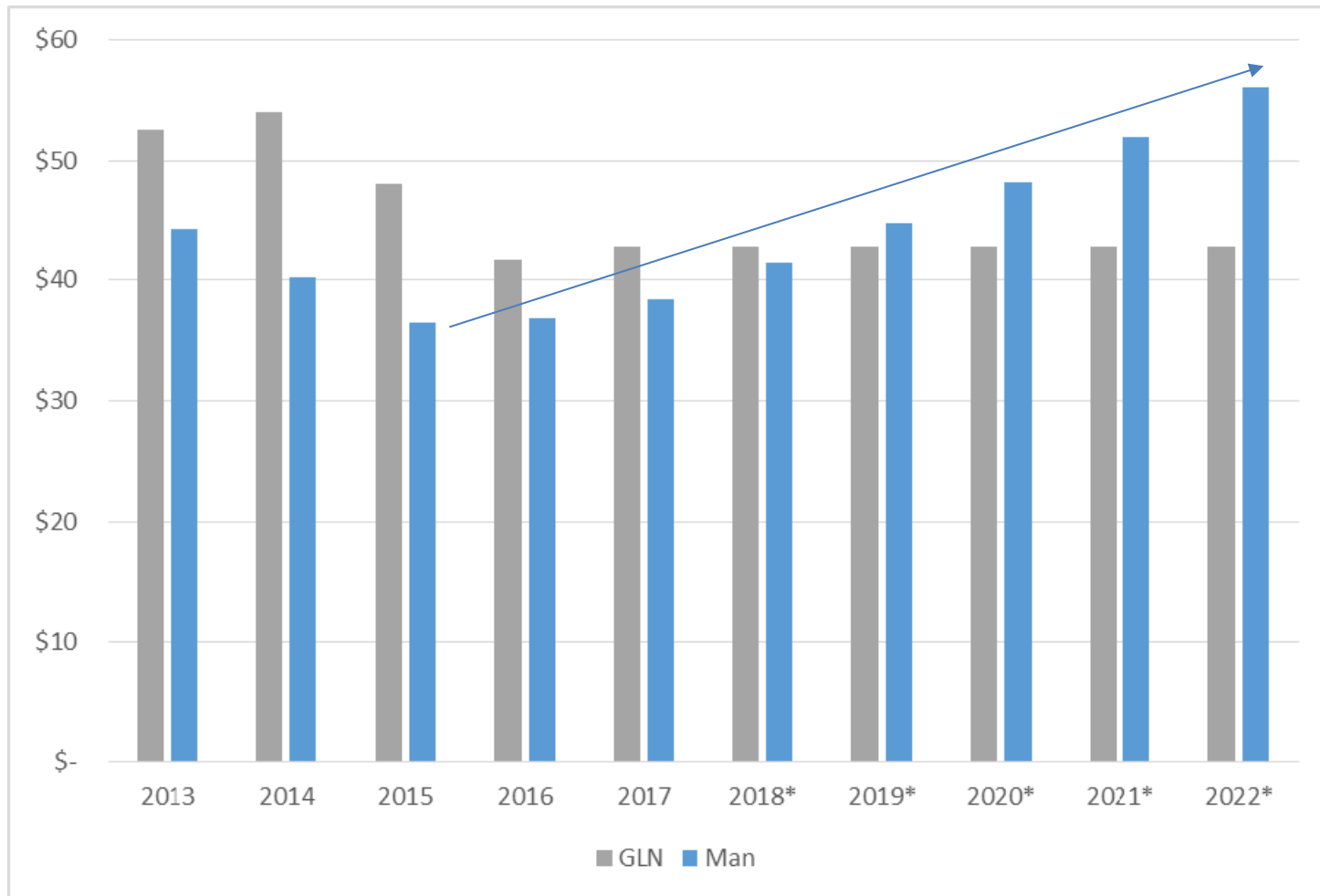
Process Flow



Gerdaу's Economic Impact in the Province

- 44.5 MM Wages, 528k Property tax, \$13 MM in CAPEX, \$8MM Power
 - 1 cent/kWh = 1.8 MM/year
- Number of employees at the steel plant – 436
- Additional 300+ employees at:
 - Gerdaу – Manitoba Metallica Raw Materiala
 - Gerdaу Winnipeg Recycling Depot
 - Monteferro American – Birda Hill and Steinbach locationa.
 - TC Industries – Selkirk
 - Black Cat Bladea –2 planta in Selkirk
 - Bradley Steel Processora – Winnipeg
- Gerdaу also supporta many other Winnipeg based industria – with over 721 vendora in the province of Manitoba
- Largest Recycler in the province – 400,000 tona/yr scrap
- One of the largest shippera in the region – 150 trucka and 25 railcara/week

Unsustainable Rate Increases



Managing Energy Costs

Gerdaу's load is very flexible and in every location we operate, except MAN we are able to manage our load and reduce our costs.

✓ Demand Limiting Control

- The plant trims the peak usage to reduce demand charges (impacts production)
- Manitoba Hydro has an extremely high Demand Charge - Hurts cyclical businesses.

✓ Energy Efficiency Initiatives

- Down Day Load Reduction, extensive metering allowing us to control behaviour. EE projects.

Curtable Rate Program

Gerdaу has been urging Manitoba Hydro for years to open subscription for additional MW's into the Curtable Rate program. This is untapped capacity, how much of the recent investments could have been avoided?

Time Of Use Rates

- Gerdaу was active in developing the TOU rate, approved by MH's Board
- If implemented this will provide manufacturers with a tool to reduce costs

Incentive Rates

- Our operations in Tennessee qualify for a manufacturing incentive credit, worth millions of dollars and is justified based on our economic contribution to the state. Jobs, capex, consumption, etc.

What could be done?

- Preferred Development Plan
 - More risk sharing/reduced benefits for Government for Preferred Development Plan
 - Reduced/eliminate 100 basis point Adder for Manitoba Hydro Debt Guarantee (was 50)
 - Corporate capital tax reduction/elimination for Keeyask/New Transmission Line
 - Reduced water rental fees
 - Don't stray from the debt/equity plan presented in the NFAT review (75% debt in year 20)
- Industrial Rates
 - Demand Response Programs
 - Open the existing program for new subscription and work with customers to develop new options.
 - Time-Of-Use Rates
 - Implement TOU as soon as practical for the Industrial Classes of customers
 - Economic Incentive Rates
 - Recognize that companies that are Energy Intensive and Trade Exposed (cant pass on price increases) must not see a 7.9% y/y increase in cost or investment/jobs/economy will suffer.
 - Either lower allocation to EITE or a credit for economic contributions must be developed and sustained to encourage continued investment.
- TCPL Hearings
 - Continued support of Centra Manitoba in their intervention efforts at the NEB to maintain lower and more stable natural gas costs