

# **MANITOBA INDUSTRIAL POWER USERS GROUP (MIPUG)**

**Presentation to the Manitoba Public Utilities Board**

**Manitoba Hydro 2017/18 and 2018/19 General Rate Application  
February 1, 2018**

# MIPUG Members

## ◎ **Basic Chemicals:**

- Chemtrade Logistics (previously Canexus Chemicals) (Brandon);
- ERCO Worldwide (Virden);
- Koch Fertilizer Canada ULC (Brandon);

## ◎ **Pulp & Paper:**

- Canadian Kraft Paper Inc. (previously Tolko Industries) (The Pas);

## ◎ **Agribusiness/Food Production:**

- Hylife Ltd. (Neepawa);
- Maple Leaf Foods Inc. (Brandon);

## ◎ **Manufacturing:**

- Gerdau Long Steel North America (Selkirk);
- Amsted Rail - Griffin Wheel Company (Winnipeg);
- Winpak Ltd. (Winnipeg);
- Integra Castings (CTD Group) (Winkler);

## ◎ **Pipeline:**

- Enbridge Pipelines Inc. (Southern Mb.);
- TransCanada Keystone Pipeline (Southern Mb.).

# Introduction

- ⦿ MIPUG is an association of 12 major industrial companies belonging to the 3 GSL classes (predominantly GSL 30-100kV & GSL >100kV)
- ⦿ Core focus relates to electricity rates and supply in Manitoba
- ⦿ Represents interests of GSL customers generally
- ⦿ Regularly communicates with other industries/industry groups
- ⦿ Participated in every Hydro rate proceeding since the late 1980s (including Major Capital Project Review, Centra Gas Acquisition and NFAT)

# Priorities of MIPUG Members

- ⦿ Revenue Requirement/Rates based on cost;
  - Concerns over Hydro's 7.9% rate plan
- ⦿ Rates which are fairly distributed across classes;
  - Revenues have exceeded 110% of costs for GSL>30kV for many years
- ⦿ Options to manage electricity bills (and operating costs);
  - Capped Curtailable Rate Program, stalling on load displacement programs, no demand response programs like other jurisdictions
- ⦿ Stable, predictable and necessary changes to rates;
  - Doubling of proposed rate plan not consistent with expectations
  - Importance of the Public Utilities Board
- ⦿ Reliable power supply.

# MIPUG Direct MB Economic Impact (2015)

- ◎ Employee salaries and benefits
  - \$345 Million for 6,200 full time jobs
- ◎ Contract employment
  - \$72 Million for 1,300 jobs
- ◎ Provincial Taxes
  - \$223 Million
- ◎ Capital Investment in Manitoba
  - \$6.4 Billion total
- ◎ Contribution to Provincial GDP
  - Nearly \$2.8 Billion
- ◎ Electricity Purchases
  - Approximately \$165 million/year (2015)

# 10 Year Forecast Additional Electricity Spending Impacts for GSL classes (2019 -2028)

Hydro Proposed Rates vs. 3.95% Baseline Scenario

GSL Total: \$846.5  
million

GSL 0-30kV:  
\$230.5 million

GSL 30-100kV:  
\$190.1 million

GSL >100kV:  
\$425.9 million

# Operating in Manitoba

## Electricity Usage

- ⦿ Energy intensive: 10% to 50+% of production costs
- ⦿ Inability to pass on to end users (price takers, contracts)
- ⦿ Other operating cost increases as a result (local suppliers)

## Disadvantages

- ⦿ Long distances to markets with limited transportation options
- ⦿ Current lack of load management and self-generation options
- ⦿ Lack of access to natural gas for northern Manitoba industry and lack of options for fuel switching for many processes
- ⦿ Pending carbon tax (July 1, 2018)

Competition is Internal as well as External

# Appendix – GSL electricity spending increases (Hydro proposed rates vs. Previous 3.95% rate path)

Year	Hydro Proposed			Baseline			Difference			Total GSL Spending Difference (\$ Millions)		
	Rate Increase	GSL 0-30kV Spending (\$ Millions)	GSL 30-100kV Spending (\$ Millions)	GSL >100kV Spending (\$ Millions)	Rate Increase	GSL 0-30kV Spending (\$ Millions)	GSL 30-100kV Spending (\$ Millions)	GSL >100kV Spending (\$ Millions)	GSL 0-30kV Spending (\$ Millions)		GSL 30-100kV Spending (\$ Millions)	GSL >100kV Spending (\$ Millions)
2017	-				-							
2018	3.36%	103	85	190	3.36%	103	85	190	-	-	-	-
2019	7.90%	111	91	205	3.95%	107	88	197	4	3	7	15
2020	7.90%	120	99	221	3.95%	111	92	205	9	7	16	32
2021	7.90%	129	106	238	3.95%	115	95	213	14	11	25	50
2022	7.90%	139	115	257	3.95%	120	99	222	19	16	36	71
2023	7.90%	150	124	278	3.95%	125	103	230	26	21	47	94
2024	7.90%	162	134	300	3.95%	130	107	239	33	27	60	119
2025	4.54%	169	140	313	3.95%	135	111	249	35	29	64	128
2026	2.00%	173	143	319	3.95%	140	116	259	33	27	61	121
2027	2.00%	176	145	326	3.95%	146	120	269	31	25	57	113
2028	2.00%	180	148	332	3.95%	151	125	280	29	24	53	105
<b>10 Yr. Total (2019 - 2028):</b>		<b>1,510</b>	<b>1,245</b>	<b>2,789</b>		<b>1,279</b>	<b>1,055</b>	<b>2,363</b>	<b>\$ 231</b>	<b>\$ 190</b>	<b>\$ 426</b>	<b>\$ 847</b>

2018 proposed revenue from Appendix 9.1 (Updated); assumes usage levels held equal and across the board increases