

MANITOBA INDUSTRIAL POWER USERS GROUP (MIPUG)

Presentation to the Manitoba Public Utilities Board

**Efficiency Manitoba's Three-Year Energy Efficiency Plan
(2020/21-2022/23) Application**

January 24, 2020

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);
- Roquette (Portage la Prairie)

⦿ **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.);
- TC Energy Keystone Pipeline (Southern MB).

Introduction

- MIPUG is an association of 13 major industrial companies belonging to the three General Service Large rate classes
- Core focus relates to electricity rates and supply in Manitoba, lesser focus on natural gas due to nature processes and availability of natural gas (i.e. rural Manitoba)
- Consume slightly more than half of all energy used by industrial sector within Manitoba
- Represents interests of GSL customers specifically and industrial sector broadly
- Regularly communicates with other industries/industry groups, such as Canadian Manufacturers & Exporters (CME)
- Participated in every Hydro rate proceeding since the late 1980s (including Major Capital Project Review, Centra Gas Acquisition and NFAT)

Priorities of MIPUG Members

- ◎ Reliable, economically sustainable power supply:
 - Substantive use of energy is accompanied by significant employment and economic activity that contributes strongly to a vibrant and prosperous Manitoba economy;
- ◎ Stable, predictable and necessary changes to rates that are fairly distributed across classes (i.e. cost-based);
- ◎ Energy efficiency program opportunities that can provide economic benefits to our members without disproportionately impacting those unable to participate:
 - Efforts that focus on the competitiveness of industry in Manitoba and prioritize investments that support efficient, productive and sustainable enterprises.
 - MIPUG is concerned about the short-term rate impacts of the EM Plan, which is the first of several such three-year plans.

MIPUG Direct MB Economic Impact

- ⦿ Employee salaries and benefits
 - >\$350 Million for >6,200 full time jobs
- ⦿ Contract employment
 - >\$75 Million for 1,300 jobs
- ⦿ Provincial Taxes
 - >\$225 Million
- ⦿ Capital Investment in Manitoba
 - >\$6.5 Billion total
- ⦿ Contribution to Provincial GDP
 - Nearly \$3 Billion
- ⦿ Electricity Purchases
 - Approximately \$185 million/year (2019)

Operating in Manitoba

Energy Usage

- ⦿ Energy intensive facilities: 10% to 50+% of production costs
- ⦿ Inability to pass on costs to end users (price takers, contracts)
- ⦿ Indirect impact upon operating costs resulting from local supplier cost increases which do get passed through

Disadvantages

- ⦿ Long distances to markets with limited transportation options
- ⦿ Energy price escalation at rates exceeding most other competitive regions in North America
- ⦿ Current lack of load management and self-generation options

Our Competition comes from across the continent and our markets are mostly outside Manitoba

Efficiency Manitoba Mandate

- The initial Three-Year Plan filed by EM represents the start of a 15-year mandate with aggressive targets for electricity and natural gas savings that are not linked to a demonstrated need;
- The mandated targets are the most aggressive proposed in Manitoba's nearly 30-year history of engagement in energy conservation and come after significant savings opportunities have already been captured by prior Manitoba Hydro efforts;
- Funding for EM expenditures will be provided by Manitoba Hydro, so achievement of the targets will ultimately impact energy rates in Manitoba;
- Industrial participation in the Plan is expected to provide a significant portion of the mandated savings target for the Plan
 - up to 40% of electric and 30% of natural gas savings, but at only 20% and 9% of targeted program spending.

MIPUG Efficiency Participation

- ⦿ Members want to play a key role in achieving the target savings;
- ⦿ Financially justifiable efficiency projects that serve to reduce manufacturing costs and offset corresponding Manitoba Hydro rate impacts are of key priority;
- ⦿ Implementation of energy efficiency projects by our Members is a complex undertaking:
 - Current Efficiency levels versus Best Available Technology vary widely across the industrial sector (i.e. not everyone has the same opportunity).
 - Capital Investment needed to support these Efficiency projects competes extensively with other priorities in each company.
 - Timelines for implementation are by necessity generally encumbered by business conditions and timing of facility maintenance outages, which for some members can be up to five (5) years apart.
 - Large capital investments required for projects can exceed the incentive capital available from Efficiency Manitoba.

Program Success

- ◎ The overall cost-effectiveness of the Efficiency Manitoba portfolio will be highly dependent on engagement of the industrial sector and the MIPUG members that dominate energy consumption;
 - Achievement of the Plan requires direct investment of \$60 - \$75 million by the industrial sector, about \$30 - \$35 million by MIPUG members.
- ◎ Successful Implementation for the benefit of all impacted Stakeholders will require:
 - Targeted savings levels should be based on Manitoba's energy needs to minimize cost impacts.
 - Selective portfolio implementation to maximize benefits at the lowest cost benefits all ratepayers.
 - Encourage flexibility in target program spending between rate classes to achieve optimal and cost-efficient outcomes with minimal rate impacts.
 - Overall program targets that balance Efficiency of Consumption with Competitive Manitoba Hydro rates to ensure long term viability of our valuable manufacturers & exporters.