



**GERDAU**

Shape the future

*December 1, 2021*

**GERDAU**

**PUB - Virtual Presentation**

# Impacts of the IRA

- Background on Gerdau in Manitoba
- Energy and steelmaking
- Business impact of the Interim Rate Application
- Potential win-win solutions for Manitoba Hydro and customers

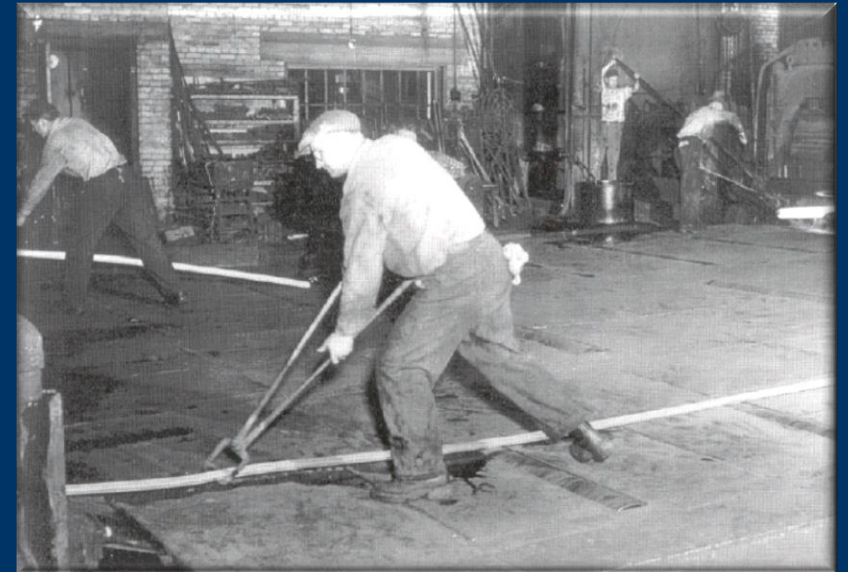


# Gerdau Manitoba



- 580 full time employees
- 300+ employees up and downstream businesses
- 7:1 job generation for each Gerdau employee

- 115 years in operation:
  - Started as The St. Boniface Horse Shoe Works in 1906.
- Safe Work Certified:
  - Highest scoring in Manitoba!



CATERPILLAR®ALCOABLACK CAT BLADESJOHN DEERECROWNESCO®Bobcat.cascade  
CB™

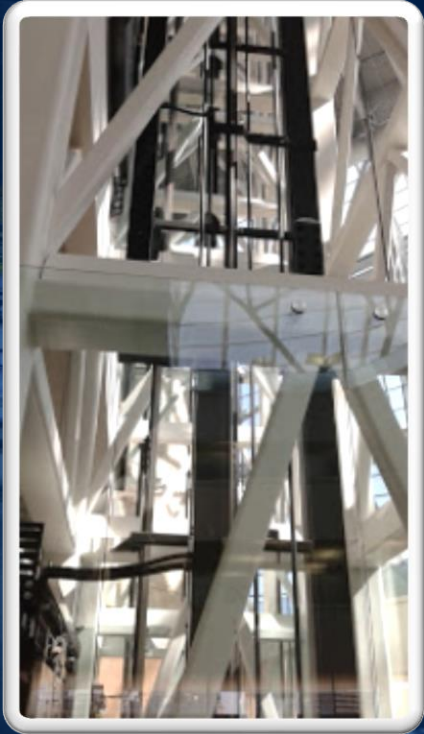
# MANITOBA CUSTOMERS

Global or continental OEM companies.

- **Blades:** Caterpillar, Esco Corp, Black Cat Blades, John Deere
- **Forks:** Crown Equipment, Cascade, Toyoshima, MSI
- **Beams:** Stoughton Trailers, Utility Trailers, Great Dane Trailers
- **Elevator Rails:** Schindler, Otis, Toshiba, Hitachi
- **Al Cathode Bars & Anode Pins:** Alcoa, Alcan
- **Agriculture:** John Deere, Wiese



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**Elevator Guide Rails**



**Forklift Tines**



**Super Light Beam**

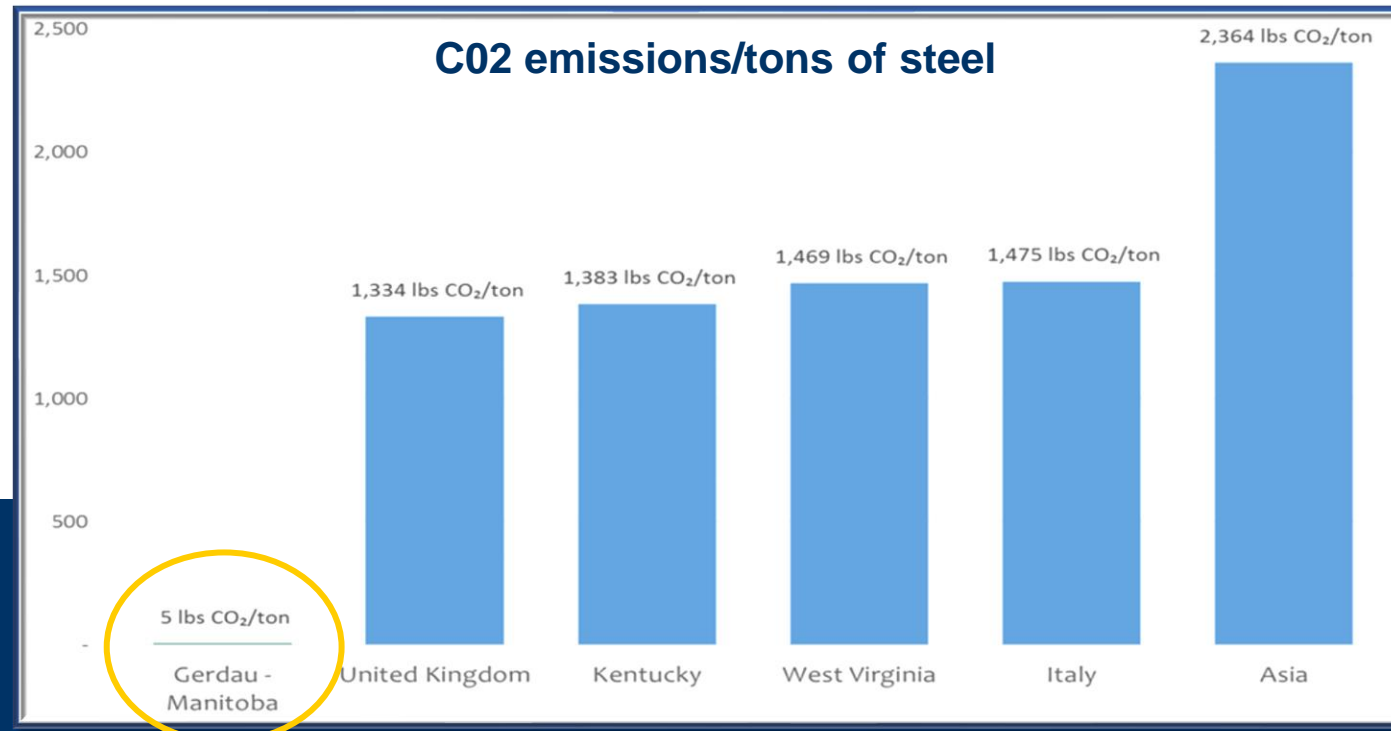


**Blades**



**Rebar**

# Made in Manitoba - Green Steel



- ***Gerdau Manitoba is a source of green Canadian-made steel.***
- ***Recycled scrap metal melted using clean Manitoba Hydro electricity = Low Carbon Footprint!***
- ***The Steel Industry is Emissions Intensive and Trade Exposed:***
  - Purchasing steel from jurisdictions that do not have a price on carbon promotes carbon leakage.

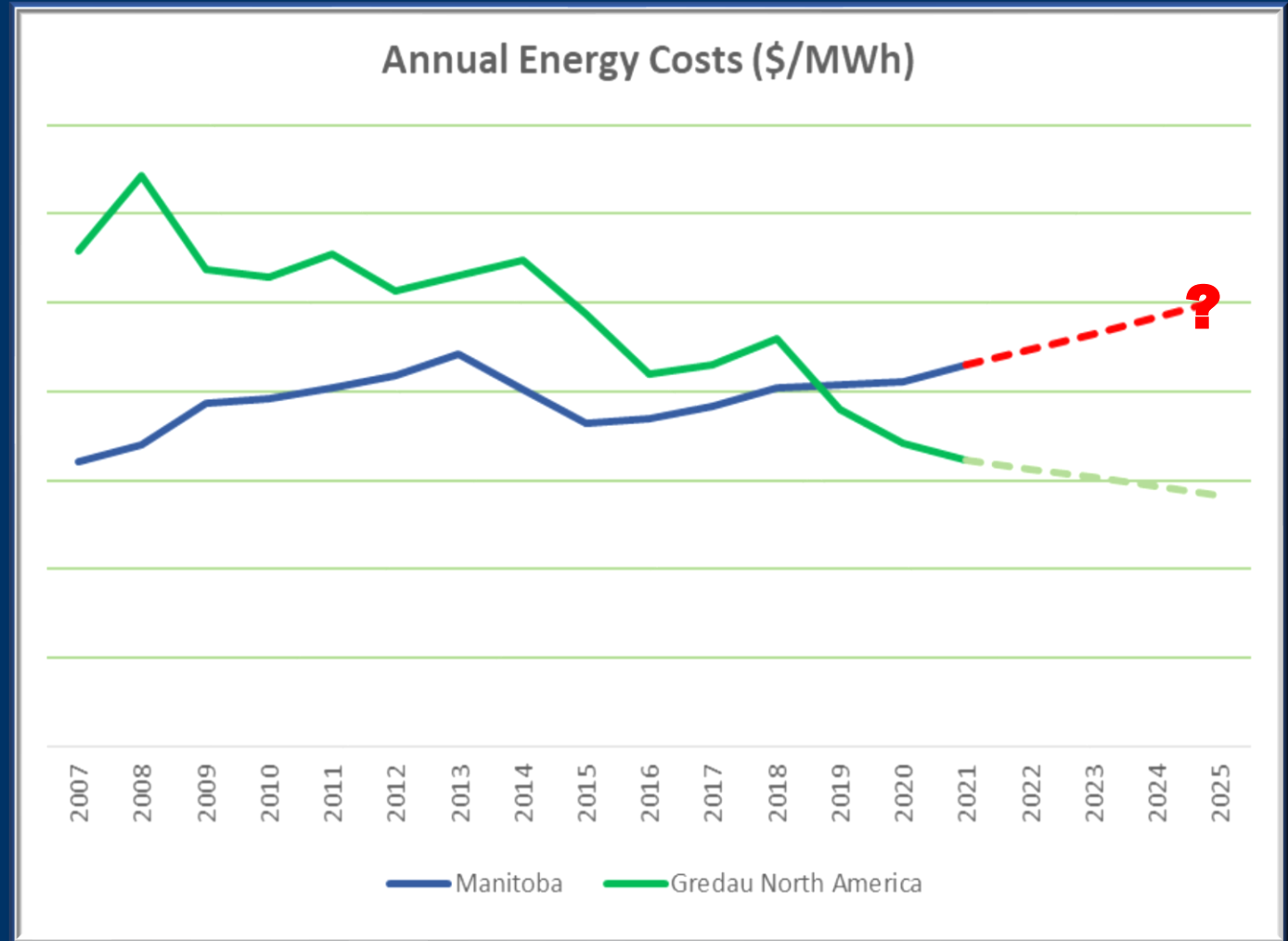
# STEELMAKING

**Power: 56,000 kW or 30,000 houses (3 times Selkirk)**

- Energy represents the third largest variable cost for the mill after scrap and labour
- Budgeting and forecasting is critical to our business
  - We cannot automatically pass on cost increases to our customers
  - We compete worldwide beyond the borders of Manitoba
  - We hedge and contract to limit volatility and secure margin
  - An unexpected rate increase of 5.2% is unreasonable and not budgeted
  - Further, the forecast of year over year increases will erode the competitive position of our mill
- Manitoba Hydro & Gerdau: Develop alternatives to rate increases to manage costs... Think outside of the box

# Opposing Cost Trends

- Gerdau Manitoba's electricity cost advantage continues to erode
  - Rising power costs close mills
- Energy Intensive Trade Exposed
  - Compete internally & worldwide
- High power costs will threaten capex, tons allocation and production expansion
- Low energy costs are achieved through innovative rate programs





# The Win-Win Approach

Develop alternative rates that create shared benefits!

- Manitoba Hydro's Win:
  - Increase revenue by increasing steel production volumes
  - Improve grid reliability
  - Address the impact of potential drought or other scenarios
  - Lower system costs
- Customer's Win:
  - Produce steel competitively



# Gerdaу's Requests

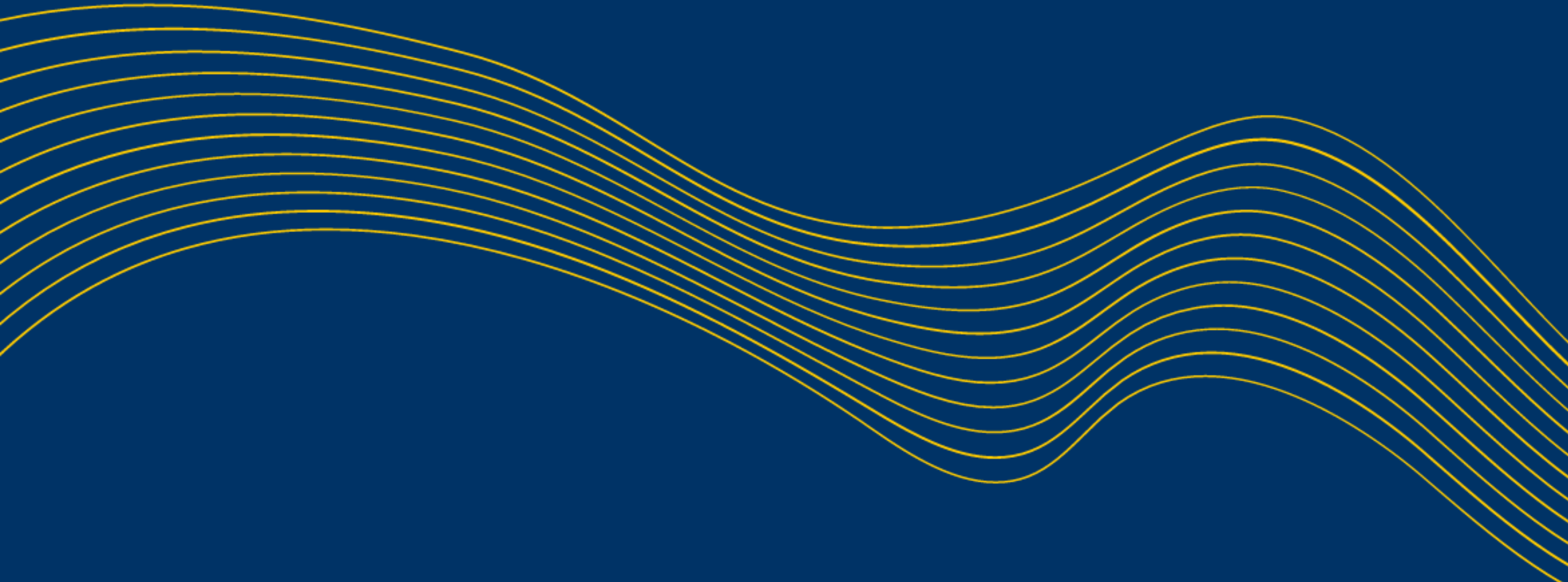
- 1. Reduce/Minimize the unexpected 5.2% rate increase**
- 2. Investigate and collaborate with Gerdaу and other industrial users to develop alternative rate options (Appendix)**
- 3. Stability and predictability of rates**
- 4. Manitoba Hydro to improve transparency regarding cost allocations and forecasting**



A series of approximately 15 thin, parallel, wavy lines in a light yellow or gold color, flowing across the top half of the image from left to right. The lines have a rhythmic, undulating pattern.

**THANK YOU!**  
**QUESTIONS? COMMENTS?**

**#THEGERDAUWEARECREATING**



# APPENDIX

#THEGERDAUWEARECREATING

# Improved Rate Options

- **Expand “Curtailable Rate Program” participation**
  - Increase participation will provide greater load relief for Manitoba Hydro
  - Address “contingency” during generation or transmission challenges
- **Demand Response**
  - Develop incentives allowing customers to provide load relief
  - Relieves system stress and provides added demand for revenue generation
- **Coincident Peak Rate**
  - Allow customers to reduce demand during peak periods
  - Reduces system stress
  - Lowers overall power costs for all customers by reducing generation costs



# Improved Rate Options

## Continued...

- Improve the “Surplus Energy Program”
  - Adjust criteria to expand customer participation
- Market Driven - Time of Use
  - Create “time windows” to improve utilization
- New tariffs that support Energy Intensive Trade Exposed businesses

