

MIPUG Undertaking - PUB Board Question on Chemtrade Logistics Presentation (Dec 1, 2021)

Following the public presentation by Chemtrade Electrochem on December 1, 2021, the PUB Board reviewed the contents of Slide 8 with Mr. Dale Bossons, Director of Manufacturing, requesting “*a breakdown by year of those [rate] increases from 2016 to 2021 for Hydro, BC Hydro, Hydro Quebec, and TVA.*” [Hansard Record PDF p.68, Lines 3 – 16]

Response:

The table below provides a year-over-year examination of energy costs and rate increases by year from 2016 to 2021. It is noted that these comparisons are inclusive of provincial taxes applied to energy used for manufacturing in Manitoba, British Columbia, and Quebec. Comparative energy costs for TVA (US) are not inclusive of state taxes.

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 5Y Change |
|-------------------|--------|-------|-------|-------|-------|-------|-----------|
| BC Price (Tier 1) | 56.57 | 58.59 | 58.45 | 58.18 | 57.19 | 57.39 | |
| BC % Change | 4.3% | 3.6% | -0.2% | -0.5% | -1.7% | 0.3% | 1.4% |
| Manitoba Price | 43.46 | 44.92 | 46.58 | 47.74 | 48.33 | 49.56 | |
| Manitoba % Change | 3.7% | 3.4% | 3.7% | 2.5% | 1.2% | 2.5% | 14.0% |
| Quebec Price | 47.30 | 47.37 | 47.40 | 47.50 | 47.54 | 47.82 | |
| Quebec % Change | 0.6% | 0.2% | 0.1% | 0.2% | 0.1% | 0.6% | 1.1% |
| | | | | | | | |
| TVA (US\$/MWh) | 45.77 | 46.29 | 46.01 | 45.78 | 43.85 | 45.47 | |
| TVA % Change | -15.0% | 1.1% | -0.6% | -0.5% | -4.2% | 3.7% | -0.7% |

Explanations:

- The costs shown in the table above represent the weighted average annual all-in cost of energy in \$ / MWh, inclusive of costs for provincial taxes, riders, demand, and energy charges, except as noted in the case of TVA (US).
- The weighted average annual all-in cost of energy accounts for mid-year changes in utility rates and/or provincial tax rates. Costs for Goods and Services Tax (GST) are not included in these calculations as these charges are fully recovered as input tax credits.
- The following provincial tax considerations were included in the determination of weighted average annual all-in energy costs:
 - o BC – Provincial tax rate applicable to energy used in eligible manufacturing operations decreased from 7.0% to 3.5% effective January 1, 2018, and 0.0% effective April 1, 2019. Electricity is now fully exempt from PST for all purchasers in BC.
 - o MB – Provincial tax rate applicable to energy used in eligible manufacturing operations was set at 1.6% (20% of 8.0% PST) until the PST rate was reduced to 7.0% on July 1, 2019. The resulting tax rate applicable to energy used in eligible manufacturing operations was reduced to 1.4% (20% of 7.0%) at this time.
 - o QC – Eligible businesses are entitled to an input tax refund (ITR) of 100% of the QST paid on expenses (including energy costs related to the use of utilities).

- The five-year percent change in energy costs was determined by subtracting the average weighted energy cost in 2021 from the value for 2016 and dividing by the value for 2016.

Projected 2022 rate increases shown in Slide 8 were drawn from applicable rate applications and/or legislative requirements respecting rate increases presently in effect within the respective jurisdictions.

For illustrative purposes, the difference between the weighted annual all-in energy costs in BC and QC relative to Manitoba are shown in the chart below:

