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WFP Aug 24/13

EDITORIAL

# \$20-billion Hydro plan worrying

**M**ANY have had serious misgivings about the myriad assumptions Manitoba Hydro has had to juggle to justify its \$20-billion capital plans for new hydroelectric generation, which are predicated on substantial rate hikes to Manitobans. The documents the Crown utility has filed for a third-party review of its capital plans give weight to those worries.

The utility has always insisted building the Keeyask and the massive Conawapa dams is a must-do because Manitoba will run short of hydroelectricity for domestic customers. But timing is

everything — building early is costly. And, now, the documents filed with the Public Utilities Board, which will conduct the “Needs For and Alternatives To” review, show Hydro has significantly revised projections for how much is needed and when.



Hydro has again cut its forecasts for how that domestic demand will rise over the next 20 years. The amount of energy required for Manitoba ratepayers by 2030 is now forecast to be 1,104 gigawatt-hours lower than last year's calculations. Hydro says this is due to fewer residential customers than previously forecasted, and lower usage.

The lower forecast has delayed by a year when domestic users will need power from the \$6.2-billion Keeyask generating station. Manitoba Hydro, however, says construction must start in 2014 anyway, because of its contract to supply power to Minnesota Power.

Meanwhile, the start date for Conawapa, which is expected to cost \$10.2 billion, is getting foggier — Hydro's calculations show if power saving, or what is called “demand side management,” were ramped up considerably it could delay the in-service date by four years, to 2030.

The cost of promoting energy conservation — subsidizing new insulation, for example — is cheaper than building hydroelectric dams, but in a province where hydro prices will remain low by provincial government fiat, it's hard to convince homeowners to turn down the thermostat, keep the doors closed and add insulation in the attic.

Critics, including numerous past senior managers at Hydro, have warned construction costs, which have repeatedly blown past projections, erode export revenues, particularly now that energy prices on the open market are so low. Hence, the new Wuskwatim dam will lose money for many years.

Hydro says it needs a start date now for construction of Keeyask to capitalize on export contracts that will subsidize costs. Indeed, it believes it will draw \$29 billion in export revenue in the next 30 years. That's speculative, as it rests upon predictions of what it will sell its power in the U.S., where coal and a glut of natural gas have cut the market. In addition, most of the purported buyers haven't signed to contracts.

The utility has submitted a consultant's report that shows the long-term export price will rise to almost \$70 per megawatt-hour from \$30 by 2034, including a jump of \$10 per MWh in 2020 alone. The Brattle Group says the cost of CO2 emissions — presumably government policy to cut greenhouse gases — will drive that hike.

The many moving parts reveal there are myriad scenarios, premised on whole buckets of predictions, factors and forecasts, that could (or might not) justify an extra-

ordinarily expensive capital project, which effectively puts Manitoba ratepayers on the hook for all the risks. Hydro's own economic evaluation shows how wildly the numbers can swing. For example, its revised cost of financing, a rate that has changed from 5 per cent to 5.4 per cent, causes a \$663 million cut in the value of its preferred capital plan.

The PUB's review is welcome. But Hydro and the NDP government have already decided Manitoba needs to build Keeyask and Conawapa. What Manitobans need is a dispassionate approach to analysing how to meet domestic energy requirements. That should be done by an independent energy authority, disconnected from government and the Crown corporation.