

[The Roblin Review](#), June 21, 2011

As finance minister, Wowchuck should have doubts

Dear Editor,

In a letter appearing in the *Roblin Review* on June 14, Manitoba's Minister Responsible for Manitoba Hydro, Rosann Wowchuk, repeats a per-family figure of \$13.68 per year, advanced by Manitoba Hydro CEO Bob Brennan for the cost differential between a west-side Bipole III transmission line and one on the east. In advancing this figure at a May 30 meeting of the Legislative Committee on Crown Corporations, Mr. Brennan was coached by Ms. Jennifer Howard, Manitoba's Minister of Labour and Immigration, who allowed that she "did take a lot of math in school".

Mr. Brennan's figure considers only the difference in the construction cost of the line resulting from the considerably greater length of the west-side line (1364 km) compared to one on the east (885 km). He uses an out-of-date figure of \$428 million that low-balls that cost difference instead of the more defensible \$512 million determined by the Bipole III Coalition. That is the first problem with Mr. Brennan's calculation. The next problem is that his figure does not take into account the \$320 million present value calculated by the Bipole III Coalition for the actual estimate of the 40 MW of additional power losses with a west-side line which have been identified by Mr. Brennan himself. Finally, it does not take into account the \$160 million cost, again identified by Mr. Brennan, of importing additional power in the event of a single catastrophic outage of Bipoles I and II. This additional cost would occur because a westside Bipole III will have a more limited capacity than an east-side Bipole III to temporarily transmit additional power southward while Bipoles I and II were repaired. If all of these factors are considered, the additional cost of a west-side line cited by the Bipole III Coalition is very nearly a billion dollars, not the \$428 million that Mr. Brennan uses. The basis for the figures used by the Bipole III Coalition is in information provided either by Mr. Brennan himself or by other employees of Manitoba Hydro. It is accessible to the public in various transcripts of the Manitoba Public Utilities Board and in the Hansard record of meetings of the Legislative Committee on Crown Corporations.

Finally, intending to express the cost difference as an annual cost so that a lower number will result, Mr. Brennan starts with this wrong \$428 million figure for the additional cost of the west-side line, and then employs a technique that does not take into account the time value of money. He expresses the figure on a per-family basis and then simplistically spreads the additional cost equally over the next 60 years without taking into account the carrying charges for the up-front additional cost of the line. This flawed approach allows him to arrive at the \$13.68 figure. Surely both Mr. Brennan and Ms. Howard should be able to figure out that Manitobans will not be fooled by this mathematical sleight-of-hand.

Ms. Wowchuk is also Manitoba's Minister of Finance. Instead of unquestioningly repeating this number, she, of all persons, should have doubts about a figure that is so different than other estimates of the cost differential. Does it not seem strange to her that the \$428 million figure that is the basis for the \$13.68 number is so vastly out of line with other estimates of the additional cost of a west-side line and cannot be reconciled with the widely accepted billion-dollar figure for the cost differential as calculated and defended by the retired engineers

of the Bipole III Coalition? How can Manitobans continue to have confidence in this Government?

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