

[The Dauphin Herald](#) - Posted: 06/17/2014

## Shame on Struthers

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When Stan Struthers, Minister Responsible for Manitoba Hydro, writes that he is setting the record straight in “Opposition Leader misleading Manitobans on Hydro issues” (*Dauphin Herald*, June 3), he does two things, he misleads Manitobans himself and he certainly does not set the record straight.

He repeats the tired mantra that selling electrical power to the Americans subsidizes the cost of building new dams and transmission lines and keeps energy rates low for Manitobans.

The rates Manitobans currently pay for electrical energy are low, but the reason is historical and is certainly not due to Hydro’s future plans to sell that energy to Americans for less than half what it will cost to generate it in the north and transmit it south.

If Struthers were correct about the role of future exports in keeping our rates low, then why is Hydro telling us that we had better prepare for rates increasing at twice the rate of inflation for at least the next 20 years?

Struthers writes of the “basic business model” that Hydro has been using since the early 1970s.

What he does not state, deliberately, is that the circumstances in those early years no longer exist.

The annual growth rate in the power consumed by Manitobans is a small fraction of what it was.

As well, the circumstances no longer exist because Americans have less expensive alternatives to Hydro’s energy – natural gas, wind and, very soon and certainly within the 78-year timeline that Hydro has given itself to pay for its dams and transmission lines, solar energy.

The evidence of this disappearing market is right in Hydro’s own annual reports which reveal that export revenues have dropped from \$828 million in 2005 to well less than \$400 million in 2013.

Hydro’s “basic business model” of which Struthers writes is to build more capacity than Manitobans need, paid for by Manitobans through their rates, and then to sell the excess at just above the cost of operating the infrastructure, leaving out of that calculation the important initial cost of the infrastructure.

This model makes about as much sense as a taxi company, wanting a larger market share, taking out a large loan to expand its fleet but then setting its rates sufficient only to cover the cost of the gasoline.

Under this model, a ride that cost \$20 before the expansion costs only \$5. That kind of a model can't last for very long.

There is already good evidence that the model no longer works. That's why the \$1.8-billion Wuskwatim generating station on the Burntwood that began producing power in 2012 at a cost in the order of 10 cents per kilowatt hour is losing more than \$100 million per year.

It is losing money because the average price realized for exported electrical energy (both firm contracted and spotpriced) is less than 4 cents per kilowatt hour.

Even Hydro's own annual reports confirm those prices.

This "basic business model" requires Manitobans to pay for the loans required to build the dams, to throw in the cost of the transmission as a "free good" under the guise that it is required exclusively for reasons of system reliability and then to swallow Hydro's and the NDP's argument that it makes sense to sell 10-cent power at 4 cents because it is better to take 4 cents for it than to let the water flow down the spillway to Hudson's Bay.

It is hypocritical and arrogant of Struthers and the NDP to expect Manitobans to believe that the model is being used "to reduce domestic rates" when, in fact, it does exactly the opposite. Shame on him.