

Bipole III Coalition responds to a message by Jim Rondeau, MLA for Assiniboia, in the March 2015 edition of Assiniboia Constituency News

A March 2015 Constituency Newsletter issued by Jim Rondeau, MLA for Assiniboia, purports to correct what he alleges to be misinformation about the long-term plans of Manitoba Hydro. In reality, Rondeau further misleads his constituents.

Rondeau states “The bottom line is this: we’re making sure Manitoba families continue to pay among the lowest rates in North America, while also making sure we take full advantage of one of our most important natural resources – hydroelectricity”.

The reality is that, pushed by an inept NDP government, Hydro’s \$36-billion expansion and infrastructure development plan is making what have been low rates a thing of the past. In just the past three years, Hydro rates have increased by 15.6%, not counting compounding. Hydro has applied to the Public Utilities Board for approval to further increase rates by 3.95% in April 2015 and by another 3.95% in April 2016. Even Hydro admits that, by 2033, rates will have more than doubled. A more balanced analysis without the improbable assumptions embedded in Hydro’s preferred development plan reveals that rates are more likely to triple in that period.

So much for the low rates we once enjoyed. Without a dramatic and long overdue change of course, Manitoba’s economic future looks cloudy and bleak. Rates we can’t afford will bring a future with no new industries even if we keep the ones we already have. Industry requires stable and affordable utility rates and a business-friendly environment. As it is, opportunities are passing us over and, worse, some of the industries we had are thinking about moving on to greener pastures.

Not surprisingly, Rondeau’s message does not admit that the real reason his Government promotes Hydro’s long-term plan is Government greed.

Spending wantonly over the past 16 years, his Government thinks it sees an opportunity to triple its annual raid on Hydro in the form of water rentals, capital taxes and debt guarantee fees, a revenue stream that already yields \$341 million annually. What the NDP Government is incapable of realizing is that its dream will never become a reality. It can’t because Hydro’s plan rests on flawed and overblown assumptions about how much electricity Manitobans will need in the future and how much Americans, increasingly seeking energy self-sufficiency, will pay for our exports. What the Government sees is not real. It’s a mirage!

Rondeau quotes Hydro information on the value of past electricity exports – \$5.2 billion in the past ten years. That’s an average of \$520 million per year. Does it not occur to him, when he reports the \$439 million achieved last year, a year in which

featured the coldest winter in 116 years, that even Hydro's own figures show that revenue from exports has dropped precipitously over the past ten years?

Hydro's annual reports record that exports plummeted from \$828 million in 2005 to \$357 million in 2013, rebounding only slightly last year as a result of the cold winter. Dreams of \$16 billion in export revenue over the next 20 years, as forecast by Hydro and regurgitated by Rondeau, are just that – dreams!

Rondeau has swallowed the bait whole. He repeats the party line that Americans will help pay for Hydro's investment by buying unused incremental system capacity until Manitobans need it themselves. That would be a valid strategy if Hydro was not building plant years before it is required. But when the Public Utilities Board was told by experts that Hydro's overheated forecasts of growth in Manitoba load have artificially advanced the year of need for new plant by seven to nine years and that the year of need could be delayed a further ten years by easily achievable conservation and efficiency targets, that strategy fell by the wayside. In its place, ratepayers in Manitoba will struggle with skyrocketing rates just to pay the carrying charges on the overbuilt and underutilized plant represented by Wuskwatim, Keeyask and Bipole III.

On a different tack, Hydro's \$36-billion long-term plan fails to recognize that fracked gas has reset the market for electricity, particularly in Hydro's American export region but also globally. This is dynamite for a plan that rests on borrowing and rate hikes for Manitobans.

But there is an even more compelling reason why the Government's dream will never be realized. A dream that does not take into account competition from rapidly growing American renewables, particularly solar, is yesterday's dream. As the cost of solar technology continues to drive downward and as its efficiency increases, the day is not very far off when cost parity will be reached with traditional sources of electrical energy like Manitoba's hydroelectricity (generated as it is at locations remote from its intended point of use).

Obsolete and less-than-fully-amortized assets will shift to the liability side of the ledger. Without an early change of course, Hydro's current investment will be more of an albatross around our necks than the cash cow our inept Government likes to call it.

Rondeau would be fairer to his constituents if he wrote about the reality in Hydro rather than unquestioningly spouting the spin the utility feeds him.

Bipole III Coalition
29 March 2015