



Edward Schreyer, former Premier of Manitoba has many designations including Governor General of Canada, a recipient of the Orders of Canada & Manitoba and a Queen Elizabeth Golden Jubilee Medal. He also served as Canada's Ambassador to Australia and a visiting professor of Energy Economics at four European Universities (1995-2001). He is Chair of the Canadian Shield Foundation, an organization that supports field research related to ecology in the Pre-Cambrian Shield area of Canada. A native of Beaujeour Manitoba, he was first elected to the Manitoba Legislative assembly in 1958 as the youngest member ever. In 1965 he moved to Ottawa as a member of parliament before returning to Manitoba to lead the NDP to its first election victory in 1969. In his two terms in office Premier Schreyer was instrumental with implementing lasting projects that continue today, such as, Manitoba Public Insurance, Unicity and projects for water storage for the Nelson River downstream hydro development. Premier Schreyer is very well informed on energy policy and shared his thoughts on the major expansion of hydro dam capacity proposed by the Selinger government in a speech to the Frontier Centre in Winnipeg on June 25, 2013. He was interviewed after his speech.

Frontier Centre: Manitoba Hydro plans to spend 22 billion dollars over the next ten years on major new hydro-electric generating stations in Northern Manitoba and on a transmission line to bring that power to Southern Manitoba. This is on top of another 11 billion to update its existing system. Is this a good time to be undertaking both system upgrades and new capacity?

Edward Schreyer: Well, I have to say it's an unfortunate time because in many ways we are entering into an area of high risk in terms of capital outlay at the very time that the marketplace that we hope to enter into is psychologically in a downturn. Current export market prices are relatively low, very low.

FC: Manitoba Hydro expects that its capital development plan will cause its borrowing requirements to reach 25 billion dollars in 2018, a debt that will be guaranteed by the provincial government. Given the current provincial debt of 17 billion dollars, a number that increases each year as operating deficits are added to it, is there a risk of a credit rating downgrade for the provincial government?

ES: Yes, I suppose there is a risk. I don't feel competent to comment as to the probabilities involved except that the numbers you mentioned are very high, very large in relation to a province of only 1 million . . . 1.2 million souls. So yes, the risk is significant, especially because of the market conditions in which we are entering.

FC: Do you have an opinion on whether the advent of cheaper natural gas in the northern states, which has been Manitoba's export market in recent years, has changed the economics and dynamics of exporting electrical energy?

ES: That's the very point in which I did take a few minutes in my address earlier today to say that that question leads us into an area of very high uncertainty. Why? Because the pattern is not clear. There is on the one hand a lot of talk

about a bonanza of natural gas because of horizontal drilling and fracking. At the same time there are disturbing signs already manifesting themselves to indicate that fracked gas comes on stream like gangbusters, if I may use that expression, but abates or diminishes and decreases very quickly. So we are not justified in my opinion in assuming that there will be a major long term increase in natural gas availability.

FC: So the jury is out?

ES: Absolutely. That's a good way to summarize it. It will be out for the next three or four years but hopefully a pattern will become clear within three or four years and that might be the time to make major decisions.

FC: Should Manitobans be concerned that expansion decisions made in times of low interest rates could come back to haunt them in interest rates return to a more normal range?

ES: That too is an excellent, excellent question. I don't think that it is wise or prudent to make decisions involving large amounts of capital outlay, and using discount rates or interest rates that are based on today's psychology and so on which is to say next to zero. That can't last and therefore I think calculations should be run on numbers such as 5% discount rate and maybe thirty years with which to amortize. That would give you the beginning of a more realistic picture.

FC: According to Manitoba Hydro, a five year drought of the extent of the drought that began in 1988, if it occurred again, could have an impact on revenues and costs of about 1.6 billion. Given that there have been two such droughts in the past fifty years and taking into account all of the other risks that Manitoba Hydro faces, are retained earnings presently in the order of 2.5 billion dollars sufficiently robust to justify the proposed capital expenditure program of over 33 billion?

ES: I can't argue with the observation. The numbers are just overpowering.

FC: Do you think that the impact on landowners and the prime agricultural areas of Southern Manitoba can be adequately addressed by the levels of compensation proposed by Manitoba Hydro?

ES: You're talking about land values now? To my mind this ought not to be such a thorny question.

FC: We're talking the Bipole transmission line.

ES: In the final analysis whether it's hydro or the floodway, and that's why I respected Duff Roblin, he undertook a number of major projects which involved the acquisition of land, community-owned, privately-owned because there was no alternative. There's only one formula for land acquisition that can stand the test of time and that is independent appraisal followed by a ten, twenty percent override. I don't think we can nor should we want to deviate from that formula ten percent extra for injuries effect and another 10% for forcible taking.

FC: Reasons given for switching the routing of Bipole III from the east side to the west side were environmental impact including the boreal forest and wildlife, impact on aboriginals, impact on Manitoba's reputation as a Green Energy provider. Is the decision to spend as much as an additional billion dollars to avoid the east side of the province for Bipole III justified?

ES: Well, I mean I'm overwhelmed at the notion we should be willingly and knowingly spending so much extra as you're suggesting. That it might be as high as 1 billion dollar of extra cost because of that re-routing to the much longer route, I'm absolutely speechless with puzzlement and indignation. What could possibly justify that? Surely, it's not the whole issue. I try to make the point that every argument I've heard thus far has been not compelling and unconvincing. I can repeat what some of them are.

The whole red herring about the ecology east side, that's basically the ecology of swamp spruce and muskeg and rock and a few other species of trees. There's some flora and fauna but then again there's some diversity of flora and fauna on the west side. Plus the fact that it's 60% longer in distance. That is in itself a factor of environmental impact as well as cost penalty.

The argument about the UNESCO heritage site is almost contrived. I don't think UNESCO will make its decision, positive or negative, yes or no, based on whether or not there is a line of transmission. I ran out of time when speaking today but I was going to make the point that the line of transmission takes up what I calculate to be 1/10, actually less than 1/10 of 1 percent of the land area east of Lake Winnipeg. Think of it. That means 99.9 percent of this wilderness, pristine or otherwise, is left in whatever state it was before the advent of the transmission line. To ignore this is incomprehensible. By the way there's another

argument to be discussed and that is the modern day method of transmission line construction is such that there needn't even be a continuous line underneath the towers and wire. So in other words it's almost like a ballet step from point to point and without getting poetic about it, it's not a heavy footprint. It is not a heavy footprint like a modern highway.

FC: Should Manitobans be concerned that electricity rates that Manitoba Hydro projects to increase a double the rate of inflation over the next 20 years, will make it really difficult for low-income Manitobans to make ends meet. Especially those who have no choice but to heat their homes electrically?

ES: How can one react with enthusiasm or even with equanimity to the idea that rates are going to have to, what did you say, double the rate of inflation? It's the same as saying they will go from the current rate to what to something like 50% higher than what they are now. If it was unavoidable and we were building for our own needs, it's one thing. But where there are obviously extra costs incurred because of arbitrarily decided decisions and involving extra distance, then one has to become completely indignant about it.

FC: Last question; Both the Limestone and Conawapa generating stations were delayed in the past to wait for more favorable market conditions. Eventually Limestone was built. From that past experience, do you feel that a delay in building the Keeyask and Conawapa generating stations, until market conditions improve would be prudent today?

ES: Absolutely prudent. This is not the first time that this or any other utility has had to engage in a measured pause and had to postpone. I can give you all kinds of examples within our own province. The Seven Sisters dam involved a pause of fourteen years between start-up of construction and finalization. There was a pause right in the middle of it. The same was true at Slave Falls which was built by City Hydro. The same is true at Limestone for a few years and it didn't turn out so badly by the way. Limestone was an excellent, excellent example of the fact that you can have a measured pause and come out the better for it. It has been a wonderful asset. We have the right to hope for the same in the case of Conawapa. And then one can go to other examples, not necessarily in the Hydro field. In Ontario, the Government of Ontario in the 70's, stepped in and simply cancelled out of the Spadina expressway project after three hundred million dollars had been expended on it, leading up to it. So, they salvaged as best they could and they made a turning point decision. I don't see anything impossible here.

FC: Thank you Mr. Premier.