Manitoba Hydro’s Financial Quagmire

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by
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• 1996 - Catastrophic outage of Bipole I & II
• 1997 - Work commences on new line for reliability
Initial plan

- Line on east side - 900 km
- Cost - approx. $1 B (billion) ($1.0 million/km)
- In service – 2017
- No converters until 2024
2003

• Government directs Hydro to avoid the east side
Selling “Green”

• 2004 - Robert Kennedy Jr. from National Resource Defence Council supports government to avoid east side
• 30,000 e-mails received by Government, from American environmentalists - to avoid east side
• David Suzuki also supports avoidance of east side
Engineering Controversy

• 2005 – Outside consultant, Transgrid Solutions, confirm Hydro Engineers conclusions

• 2011 - report leaked to public
2007

- Gary Doer makes public announcement: Bipole III on west side
- American environmentalists are happy
- Hydro engineers are furious
West side line

- 1400 km line (55% longer) + converters
- Costs more - $3.3 B
- Higher losses
- Larger environmental footprint
- Lower Capacity
- Less secure – through ‘tornado alley’
Plan starts to spin out of control

• Problem:
  need additional revenue

• Solution:
  export sales to U.S.
  Interconnection capability = 2,000 MW
  (Hydro total generation = 5,500 MW)
• Problem:
• Need new generation
• Solution:
  Build Keeyask- 695 MW- $6.5 B (more cost)
• Problem:
  • Existing market soft

• Solution:
  Find new market - Wisconsin
• Problem:
• Can’t access Wisconsin
• Solution:
  Build new line – $1.0 B (more cost)
• Problem:
• Additional exports exceed Keeyask capacity
• Solution:
Build Conawapa 1,385 MW – $10.7 B (more cost)
• Problem:
• Keeyask & Conawapa overload Bipole III

• Solution:
  Build northern AC transmission – $0.5 B (more cost)
Plan submitted to PUB - 2014

- Bipole III - $3.3 B
- Keeyask - $6.5 B
- Wisconsin line - $1.0 B
- Conawapa - $10.7 B
- Northern lines - $0.5 B
- Total - $22.0 B
Cost Comparison

- Initial plan (east side) - $1.0 B
- Final plan (west side) - $22.0 B
- Hydro’s current total assets - $15.0 B
Relocating BP III Fall-out

- Manitoba did not need generation until 2024 and with aggressive DSM, not until 2034
- Requirement for revenue precipitated huge costs for generation and transmission
- UNESCO rejected Heritage Site
July, 2014

• PUB ruled that work must be stopped on Conawapa and associated northern AC transmission
“Mother Jones” Quotation

- When you’re up to your rear-end in alligators it’s easy to forget the original objective was to drain the swamp
Export Sales

- Profits = Revenue - Costs
2014 PUB Scoping Manipulations

- Manitobans pay following Sunk Costs:
  - a) Entire Bipole III cost ($3.3 B)
  - b) $1.4 B of Keeyask cost ($6.5 B)
  - c) $0.4 B of Conawapa cost ($10.7 B)
Estimate controversy

- 2005 - Initial estimate - $2.2 B (1400 km line + converters)
- 2009 – new estimate $4.0 B (leaked)
- Outside consultant engaged to review estimate; reduced to $3.3 B
- Sept., 2014 – estimate increased to 4.6 B (40 % increase)
NDP Gov’t’s “$3,600” Lie

• 2011- “Manitobans won’t pay a cent for Bipole III; export sales will pay for it”

• Truth:
  Manitobans will pay for it all!
  2014 PUB Hearings - Bipole III ruled as a sunk costs.

• $4.6 B / 1.27 M (population) = $3,600 for every man, woman and child !!!!
ALL SHOOK UP?
Southern Manitoba Routing Issues

- Convoluted route selection
Government Spins & Lies

• East side will cause forest deforestation
  Truth: nothing more than “a thread on a football field”

• Bipole III won’t cost Manitobans a cent
  Truth: Sunk costs in PUB submission means Manitobans pay for it all

• Bipole III route on west side so we can sell power to Saskatchewan
  Truth: DC transmission used for point-to-point transmission; Existing interconnections-300 MW
More lies

• If we run line down east side, Americans won’t buy our power
  Truth: Wisconsin interested in green generation, transmission is Manitoba's business
• West line will cost family of four, only $13.68 per family per year
  Truth: Above number reflects construction costs only; ignores losses, reliability, capacity
Benjamin Franklin Quote:

• For the want of a nail the shoe was lost
• For want of a shoe the horse was lost
• For want of a horse the rider was lost
• For want of a rider the battle was lost
• For want of a battle the kingdom was lost
• And all for the want of a horseshoe nail
Cost Implications

• Hydro total current assets - $14.5 B

(include all Nelson River stations, Winnipeg River station, all substations, transmission lines, buildings; in fact all construction in Hydro’s lifetime)
Issue at 2011 PUB Hearing

• Export contracts withheld
  Hydro claimed it would affect future negotiations