



News Release

January 17, 2012

By Order 5/12, the Public Utilities Board (PUB or Board) denies Manitoba Hydro's (MH or Utility) application for rate increases of 2.9% as of April 1 in both 2010 and also 2011, and, instead of leaving in place interim rate increases set previously, the Board approves on a final basis, rate increases of 1.9% as of April 1, 2010 and 2% as of April 1, 2011.

In its final order arising out of MH's two-year General Rate Application, the Board re-affirms its concern as expressed in Order 99/11, which projected that if MH implemented its "preferred development plan" (mainly involving the construction of Bipole III and two new generation stations, Keeyask and Conawapa), which could involve aggregate capital expenditures in the order of \$20 billion, domestic ratepayers are at risk of rate increases twice the over-inflation rate increases now forecast by MH. The Board notes that the Utility continues to withhold from the Board not only its export contracts, which, if filed with PUB, would be reviewed in strict confidence, but also, and perhaps of even more importance, updated forecasts of future demand, export prices and net income.

Since MH developed its plans, there have been major changes in the economic landscape. The projected capital costs associated with MH's development plans have increased substantially; opportunity export prices have fallen; there has been market recognition and development of massive shale natural gas deposits – affecting supply plans in the United States and wholesale market electricity prices; the likelihood of premium prices for clean hydro-generated electricity has receded with the attention now being paid to the economy; industry demand for electricity and the expected growth in industrial demand has fallen; and the Canadian dollar is now near par with the USD.

The Board recommends that government subject MH's major capital development plans to a review by an independent panel with the required level of expertise. The Board's Chairman and Vice Chair differ as to whether Bipole III should mandatorily be considered in the review. To such a review, the Board would share its concerns and the massive information it has compiled from its regulatory jurisdiction over MH, should such review be by a separate tribunal.

A copy of Order 5/12, and past Orders concerning MH may either be reviewed on the Board's website www.pub.gov.mb.ca, or obtained from the Board's Office.

The Public Utilities Board
400 – 330 Portage Avenue
Winnipeg, MB R3C 0C4
Telephone: (204) 945-2638
Facsimile: (204) 945-2643
Toll Free: 1-866-854-3698
Email: publicutilities@gov.mb.ca