

**PRESENTATION BY
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FEBRUARY 27, 2014
BEFORE THE MANITOBA PUBLIC UTILITIES BOARD**

**RE: NFAT PUBLIC PRESENTATIONS
REVIEW OF MANITOBA HYDRO'S
PREFERRED DEVELOPMENT PLAN**

As I indicated in my December 12, 2012 presentation before this Board I am still of the opinion that Manitoba Hydro's predictions, projections forecasts etc. are not accurate and it would be folly to encourage Manitoba Hydro to follow its preferred development plan.

Based on comments made by CEO Thomson I sent him a March 18, 2013 letter in which I asked for information related to comments that he and others were making to the public regarding Hydro matters related to this NFAT hearing and Hydro's preferred plan.

I did not receive a written response from Mr. Thomson. He did pass the buck to one of Hydro's lawyers a Ms. Ramage. Ms. Ramage's reply to my March 18, 2013 letter stated that because my questions / concerns were of a technical nature as opposed to Customer Service Concernsthat Hydro would not be responding to my questions / concerns stating that during this NFAT Hearing that Hydro is confident that the matters raised in my correspondence will be fully canvassed in that process. In a subsequent letter to Mr. Thomson I asked where in Hydro's 5000 page NFAT submission could I find the answers to my questions / concerns but I never received a reply. However, in the January 23, 2014 edition of the Winnipeg Free Press Mr. Thomson espouses the value of the 5000 page document to justify Hydro's forecasts but for some unknown reason he could not or didn't want to tell me where I can find, in that 5000 page document, the answer to my questions / concerns. One of those questions that I believe to be important to this Hearing was:

..... How much higher (the actual accurate amount) would our residential rates of 7.183 ¢ / kWh be without the benefits of the allocated export revenues used for decreasing residential rates?.....

Hydro's one and only response to my set of questions was how much more our rates would have been during a 10 year interval due to export revenues which did not answer my question related to the current ¢/kWh. Apparently one purpose of the new generation stations is to support export opportunities. However, if residential rates have a 20 year term of 4% increases per year are export revenues going to decrease residential rates enough, over a 20 year period and beyond to justify new generation at this time. Now if Hydro could tell me, us, the actual amounts that today's residential rates would be increased without the benefit of export revenue then the value of new generation might just be shown to be unjustified with respect to Hydro's contention that new generation is needed for exports. If the benefit of export revenues to decrease residential rates during this 20 year re-structuring plan and beyond is so small, maybe non-existent, why would any residential ratepayer want to be shackled for decades with excessive rate increases.

The following chart represents different scenarios that contain certain conditions that remain constant and others that fluctuate. One condition that is constant is the annual residential rate increase of 4% which is the same as Hydro's preferred path and the other constant is the chart assumes there is no export revenue available to decrease residential rates.

NO EXPORT REVENUE CHART FOR THE CURRENT 7.183 ¢ / kWh Rate

scenario	the % of current residential rate without export revenue assistance	target residential rate without export assistance	annual increase to residential rates	years to reach target residential rate
#1	125%	8.979 ¢ / kWh	4%	app. 6.5
#2	120%	8.620 ¢ / kWh	4%	app. 5.5
#3	115%	8.260 ¢ / kWh	4%	app. 3.5
#4	110%	7.901 ¢ / kWh	4%	app. 2.5
#5	105%	7.542 ¢ / kWh	4%	app. 1.5

Based on the recent poor export revenues I believe that the ability of export revenues to decrease residential rates would be very close to scenario five. In other words without any export revenue to decrease residential rates it would only take approximately 1.5 years to reach the target rate without exports which has positive implications for the residential ratepayer. One of those implications would be that at that point in time when the residential ratepayer meets the appropriate target rate without benefit of exports the target rate should remain constant with only minor justified increases and no greater than the rate of inflation or no increase.

note: The chart does not suggest that all exports be terminated. The chart's main purpose is to illustrate the folly of Hydro's preferred 20 year plan.

Therefore, does it make sense for any prudent and cautious person to allow Hydro its preferred 20 year path that shackles the residential

ratepayer with a 4% rate increase annually for 20 years as opposed to reaching a target residential rate, without benefit of exports, many years sooner than 20 years at a 4% annual rate especially when one realizes Hydro's projections, predictions, forecasts etc. have been fraught with inaccuracies.

If Hydro can not tell the ratepayers annually the exact amount that export revenues contribute to reducing residential rates how can Hydro have any idea of how much export revenues will decrease residential rates 20 years from now....they can't ! Also for Manitoba Hydro not to know the answer to that simple question, or refuse to make it public, but expect Manitoba ratepayers to venture out on some kind of unjustified 20 year journey is mind-boggling. Transparency just does not exist in Hydro's vocabulary. Members of the Board you must direct Manitoba Hydro to terminate their present 20 year preferred plan.

Rejecting Hydro's preferred development plan would yield billions in savings to Manitobans that could be used to address Manitoba's energy needs. Exports will continue to exist using Hydro's existing transmission lines absent of Bipole III. An export concern has to be at what magnitude should exports exist. As I stated in my December 12, 2012 presentation before this Board the above-mentioned savings could be used to construct hyper-efficient gas turbines that can be installed quicker and cheaper than hydraulic stations. It is very important that any benefits that were to accrue for the Northern Aboriginal Nations if Keeyask was to move forward would have to be compensated by any alternative development plan.

Manitoba's energy needs could easily be met for several years if you combine our present hydraulic capabilities with power smart programs, the construction of at least two hyper-efficient gas turbines and an annual reduction in exports to address Manitoba's increasing energy demands. Such a reduction will yield more ¢ / kWh than Hydro can get on the export market. When that is accomplished over a number of years then consideration should be given to the construction of more generation stations; preferably hyper-efficient gas turbines. Also re-consideration should be given to power smart programs that are probably a cost to Manitoba Hydro. I believe the biggest cost of those programs now and in the future is the fact that Hydro always states that the power smart programs save kWh's of energy that can be used for export. But at present each 7.183¢/kWh of energy saved is sold, in most cases, on the export market for much less. So power smart programs are saving

money for the individual ratepayers who take part in those programs not the Corporation as a whole unless the saved kWh's are earmarked for Manitoba's energy demands. A recent Winnipeg Free Press article, stated that Hydro's recent export contracts with some U.S. utilities are contingent on specific start dates for Hydro's preferred plan. The cancellation of Hydro's preferred plan along with those export contracts, that's if they have been approved by the National Energy Board, plus termination on any continuing labour costs associated with Hydro's preferred plan, would be an ideal starting position to focus more on the energy needs of Manitobans for now and in the future without any consideration for expanded hydraulic stations.

Exports should only be of the opportunity / interruptible variety as opposed to long-term firm or firm contracts. That could result in less export revenue but also represents a substantial saving in times of drought. It is unfortunate that during Hydro's promotion of their preferred plan that you do not hear of the severe consequences that will occur if Manitoba suffers the mother of all droughts and yes we are due to have a drought in the near future. The necessary cost to address such a severe drought could be in the many billions of dollars. So why hasn't the public heard about the consequences of a long-lasting severe drought? A DROUGHT IS A RISK MOST LIKELY TO OCCUR WITH THE GREATEST DEGREE OF NEGATIVE CONSEQUENCES TO MANITOBA HYDRO'S FINANCES. Hopefully all Manitobans remember that the negative effects of the 2002 / 2004 drought was the fact that Manitoba Hydro had too many long-term firm export contracts that Hydro could not address with its own hydraulic stations and for domestic needs. Everytime Hydro brags about another export contract being finalized is the potential for another increase in the severity of the consequences of a drought to Hydro's financial state. Hence it is necessary right now and in the future for Section 47(1) of the Public Utilities Act to be applied by the Public Utilities Board if Hydro insists on using long-term firm or firm export contracts that increase Hydro's risk in times of drought.Section 47(1) allows the PUB to impose specific restrictions on Hydro's export matters. It is unfortunate that Hydro, not its American export utilities, must face the risks of droughts.

I do not have much faith in the Minister responsible for Manitoba Hydro, Mr. Struthers or the Director of Licencing for Manitoba Conservation. When those two individuals make comments that are false, misleading or inaccurate regarding an operating licence I do not believe that such individuals possess the necessary character to make decisions regarding Hydro's preferred development plan. Unfortunately, as it stands now, the Struthers / Braun duo represents two strikes against anyone who is opposed to Hydro's preferred plan.

re: a brief comment on the featured blue pages, 5,6 and 9 of Hydro's recent Annual Report of March 31, 2013

Those three pages were very similar to Hydro's incessant and misleading television commercials last year. The infrastructure comments imply that Manitoba Hydro did not know of the dilapidated condition of Winnipeg Hydro's infrastructure before they purchased Wpg. Hydro?Also I believe that infrastructure maintenance is ongoing and not a sudden occurrence that must be addressed immediately unless Hydro has been shirking its responsibilities. Shouldn't there be a FOURTH FEATURED BLUE PAGE in Hydro's March 31, 2013 Annual Report that indicates whose land Hydro confiscated in order to achieve the harnessing of the rivers of Manitoba while devastating the way of life for many of those Peoples; an action that can only be described as an incredible disrespect for the Northern Aboriginal Nations. I would think that most Manitobans should be offended by such an omission. What a shame or is this all just a sham?!

Some other brief comments regarding

- (a) Hydro's mission statement
- (b) Hydro's third quarter announcement might be inaccurate
- (c) Export deals with Great River Energy / emissions
- (d) Hydro's statement that Manitoba has one of the lowest rates in Canada(North America) versus Hydro's ambiguous cost-effective electricity statement.

It is obvious from this presentation that I believe it is necessary to produce an alternative, alternatives would be better, to Hydro's current preferred development plan. It is unfortunate that Hydro believes that their preferred development plan is a done deal. I hope not !!

Thank you for the opportunity.