

**Presentation to the
Manitoba Public Utilities Board NFAT Hearing**

**By Will Braun, Interchurch Council on Hydropower
Winnipeg, MB
May 2, 2014**

Good morning. My name is Will Braun. I work for the Interchurch Council on Hydropower, on whose behalf I speak here. I thank you for the opportunity to present. I also thank you for the tremendously important and hard work you are doing on behalf of all Manitobans.

The Interchurch Council on Hydropower advocates for fair treatment of people and lands at the northern end of the transmission lines in Manitoba. We have funding and/or official representation from the Catholic, Lutheran, Mennonite and United churches.

I will make four points.

1.) Wuskwatim Lessons

Wuskwatim is a key indicator of Manitoba Hydro's track record in this new era of hydro expansion. It was phase one, the forerunner to the Preferred Development Plan (PDP). It is faltering

I'll focus on the First Nation partnership because those are the numbers available and they highlight the layers of risk. According to CAC/MH II-019b, Nisichawayasihk Cree Nation's (NCN) 33-percent share of Wuskwatim's net income over the first 10 years of the dam is projected by Hydro to total negative \$134 million. That is a \$134 million hit to NCN's books over 10 years. Over 25 years, NCN's projected share of net income is still in the red, to the tune of \$8 million.

NCN has invested \$108 million dollars in Wuskwatim.¹ In Hydro's last quarterly report, the value of NCN's share in Wuskwatim stood at only \$78 million. The value of NCN's investment has decreased by 38 percent and the dam isn't even two years old. Welcome to the new era.

Hydro is going to “smooth out cash flows” to NCN to protect its First Nation partner from financial ruin. In part, this includes a current offer of straight cash payments to NCN of \$2.5 million per year for 20 years.² This was not in the original agreement. It is part of the proposed PDA Supplement #2. This is admirable, but it also means phase one of the new dam era requires a \$50-million crutch.

The fact that Wuskwatim is hobbling does not prove Keeyask should not be built. Maybe it would be different. What it shows is that big dams are tremendously risky. I sat through much of the Wuskwatim NFAT hearing. Hydro was just as confident and reassuring then as they are now. No matter what variables or scenarios were thrown at them, their project always came out rosy in their analysis.

Their analysis was wrong. Spectacularly wrong. Of course, no one predicted the recession and rapid increase in shale gas production. But that is exactly the point. It is all unpredictable.

1 Email correspondence with a Manitoba Hydro representative, March 4, 2014.

2 Personal communication with Manitoba Hydro representatives, May 1, 2014.

Consider this: in 2008 Hydro predicted Keeyask would cost \$3.7 billion.³ In just over five years that figure jumped by 75 percent.

Consider Hydro's projections of NCN's share of Wuskwatim losses over 10 years. Over the course of only a year—from IFF12 to IFF13—that figure dimmed by 24 percent.⁴

Despite Hydro's persistent confidence, the numbers change regularly, significantly and seemingly often not in Hydro's favour. And I note that the La Capra report indicates that the PDP really only starts to pull into the lead in the latter part of the 78-year planning period.

Keeyask, like Wuskwatim, is risky. Would you invest your retirement money in it, if such an option existed?

2.) Is the PDP good for hydro-affected peoples of the north? Your terms of reference refers to "the socio-economic impacts and benefits of the Plan and alternatives to northern and aboriginal communities."

The PDP's northern benefits are essentially Keeyask benefits. Keeyask benefits to northern aboriginal communities include adverse effects agreements, training, employment, business contracts and the centrepiece—the potential 25-percent stake in the dam.

As far as I can tell, the assumption in this proceeding is that if indeed Keeyask proceeds, the KCNs will opt for the "preferred investment" alternative, which will involve a stake in the range of 2.5 percent, and a guaranteed minimum annual payment. The First Nation *proponents* of the project appear to be opting for the lowest form of investment, other than not investing at all.

If this is indeed the case, it would appear that not even the project proponents like its chances. Or they can't borrow sufficient money. In either case, this new era of dams is not turning out as anticipated.

The preferred option reduces the KCNs financial risk but presumably it also greatly reduces their potential benefits. I presume the return on a 2.5 percent investment would be considerably less than on a 25 percent investment.

Is this what the KCNs signed up for originally? The JKDA that the KCNs voted on was dated August 2008. It was negotiated before the extent of the recession and the rise in shale gas production could be known. The communities voted in 2009, when the projected cost of the dam was \$3.7 billion, when the 25-percent equity stake was still a gleaming possibility, when Wuskwatim still cast a glow of promise, and when no one was talking about 4 percent annual rate increases. How would they vote today?

At the Clean Environment Commission hearings into Keeyask, Tataskweyak Chief Michael Garson said the following: "We're talking about partnership today, but I call it potential partnership at this moment."

³ CEF08, November 2008, page 3.

⁴ This is based on a comparison of figures in IFF12 and IFF13.

After 14 years of negotiations and approximately \$90 million in process costs paid to TCN alone, the chief of the lead First Nation partner can't talk about partnership without adding a qualifier.

Fox Lake Cree Nation councillor Conway Arthurson went further. Again, at the CEC hearing he said the following, noting that he was speaking against the wishes of the band's lawyer.

He said Fox Lake has been “force fed negotiations.”

“They keep shoving everything down our throat and we are choking.”

“I support [Keeyask] by a thread or two.”

“I cannot in good conscience allow Conawapa to be built at this time.”

His message to Hydro was blunt: “We don't trust you.”

Are Hydro's northern partnerships on good footing?

Does the PDP truly represent a generous path to prosperity for Keeyask Cree Nations? Can we as a province feel good about what our utility is offering them?

I would add that the KCNs make up only about 20 percent of northern hydro-affected Aboriginal people. If you include NCN, Hydro's northern partners still only comprise about one third of affected Aboriginal populations in the north.⁵

The rest of the affected people get some training and employment, if they are willing to work far from home. They get the ongoing impacts of hydropower development. And they get 3.95-percent annual hydro rate increases. It's not really a new era for them.

For reasons you have already heard, the hydro rate increases will hit them harder than anyone else. I would suggest that the main result of the PDP for two thirds of northern hydro-affected Aboriginal people would be unrelenting hydro rate increases that many of them cannot afford.

These people have lived with hydro impacts for decades. They deserve to be considered, in addition to the KCNs, as your terms of reference allow. No one should have the impression that the PDP would have widespread positive direct benefits throughout the majority of northern hydro-affected communities.

3.) Macro-environmental impacts of the PDP fuel source

⁵ Based on band membership data from the website of Aboriginal Affairs and Northern Development Canada and of Norway House Cree Nation. The figures include the KCNs, NCN, Pimicikamak, Norway House, Misipawistik, O-Pipon-Na-Piwin, Chemawawin and Mosakahiken Cree Nations. The figures do not include Metis and non-status people as I was unable to obtain that information.

One quarter of the water that would flow through Keeyask and Conawapa would come from the

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Churchill River. Twenty five percent of the fuel source for the PDP would come as a direct result of Churchill River Diversion (CRD).

This point is entirely absent from Hydro's initial 4,889-page NFAT filing. Nowhere is Churchill River Diversion even explained. So I will do so now.

The Churchill is Manitoba's second largest river. About 75 percent of its flow is diverted into the Nelson River. This diversion is accomplished by means of flooding Southern Indian Lake—a widening of the Churchill River—by about 3 metres, causing it to overflow southward through a man-made channel into the Rat and Burntwood river systems which empty into the Nelson.

On average, 25 percent of the annual flow along the lower Nelson River—where Keeyask and Conawapa would sit—is from CRD. CRD is integral to the PDP.

If GHG emissions from the coal-fired plants in the export market are relevant to this hearing, then, I submit, impacts of the PDP's fuel source are also relevant. A similar argument could be made in relation to Lake Winnipeg Regulation.

This is relevant, we submit, because CRD causes severe, widespread and ongoing environmental damage. I want to show you six pictures from Southern Indian Lake.

Photo 1.) Your terms of reference exclude "historic environmental costs" so I am going to show you present environmental costs. These are not from past dams, but from present dams.

Photo 2.)

Photo 3.)

Photo 4.) Keeyask and Conawapa, if built, would flood approximately 50 square kilometres of land, but they would rely directly on 837 square kilometres of flooding cause by CRD.⁶

Photo 5.) At thWuskwatimim hearing in 2004 William Dysart of South Indian Lake said “In order foWuskwatimim to be feasible, my environment and the environment of the people I represent must continue to be . . . destroyed.” The same applies to Keeyask.

Photo 6.) Keeyask would plug directly into this.

We urge you to consider the sustainability and the macro-environmental impacts of the PDP's fuel source, especially CRD.

4.) That brings me to our final point. We are concerned that Hydro made firm decisions about its future

6 Federal Ecological Monitoring Program, DFO/Environment Canada, 1992, Chapter 2, page 2 - 7.

development intentions before ever seriously considering a DSM alternative. As recently as Hydro's 2010-11 Power Resource Plan, all of the future development scenarios considered, contained the same, very low, levels of DSM. There was no separate DSM scenario.

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Our utility solidified its multi-billion dollar future development intentions without even examining a major increase in the resource supply option that its own numbers show to be the cheapest, at least on the scale implemented to date. They didn't even let their best batter take a swing.

We submit that this is a planning error so significant and fundamental that it should stop the PDP in its tracks. We submit that this is a fundamental abdication of responsibility to the public and ratepayers.

It is hard not to get the impression that Hydro set its heart on big new dams, and then, when forced, studied DSM but did so in a way that would be sure not to jeopardize the PDP.

Why did our utility not study a DSM option properly and early? Why did it slash its commitment to DSM, when the industry was headed boldly and innovatively in the opposite direction? Why does its new plan fade away after several years?

What does our utility have against DSM? Why does it resist DSM? In whose interest are they acting when they do so?

We believe DSM is the future, and should be the future. Sooner or later we will need to bend the demand curve down, as others are. The sooner we do so the better.

This brings our other arguments full circle. Dams are risky; DSM would be far less risky, requiring no multi-billion dollar commitments based on 60 and 70-year projections. You can adapt it as you go.

It could provide better and more evenly distributed northern benefits: including more job creation, cheaper job creation, improved housing stock, and reduced electricity bills.

It is greener than plugging two mega-dams into severely damaged river systems.

And it may well be cheaper, perhaps a lot cheaper, as others have pointed out.

Conclusion

Your task is to examine the needs for and alternatives to Manitoba Hydro's preferred development plan. We submit to you that there may well be no need for the plan and there certainly appears to be a superior alternative to.

We urge you to recommend that the PDP be put on hold and that the Manitoba government commission an independent evaluation of a true DSM or DSM-wind option.

Keeyask does not have to be built. Stranding the money already spent on Keeyask would be a bitter pill to swallow. Following through with the PDP could prove much worse and would involve unnecessary risk.

The risk Manitoba should take is to commit the sort of resources required to become the continental

leader in DSM.

We wish you well in the remainder of your very important task.