



## MEDIA RELEASE

### **Pre-election Report raises disturbing questions about “The Elephant in the Room”: Manitoba Hydro**

An investigative report entitled “Manitoba Hydro: The Elephant in the Room” has been released today. It is in response to the general pre-election silence of political parties regarding any policy statements addressing well-known issues and disturbing questions about Hydro.

The report, authored by Graham Lane (former Public Utilities Board Chair and current Chair of Manitoba Forward) and Philip Blain (returning native of Winnipeg with 40 years international business experience), has been posted online by not-for-profit public discussion group *Manitoba Forward* ([www.manitobaforward.ca](http://www.manitobaforward.ca)). It provides factual evidence that the provincial economy and future quality of life for all Manitobans will be in serious jeopardy, without firm new political policies on Hydro, the largest and most ubiquitous corporation in the province.

The “Elephant in the Room” explains and details how Manitoba Hydro has begun to sink under seas of debt and burgeoning costs from uneconomic and wasteful mammoth capital projects. With a current debt-to-equity ratio of over 90-to-10, Hydro’s books are rapidly moving from being in the ‘black’ to being deeply in the ‘red’. Huge annual losses are expected to be incurred despite above inflation rate increases.

With Manitoba Hydro’s capital expenditure plans running up to \$40 billion – with about \$7 billion already spent – each and every man, woman and child in Manitoba will be in debt to the tune of \$33,000, just from Hydro, within the next two decades. That is, unless swift action is taken by the incoming provincial government, after the April 19th election.

The “Elephant in the Room” also reports the facts – in direct contradiction to the claims of the incumbent government – about massive cross-subsidies favouring American utilities. The report cites Hydro’s export sales of electricity at prices a fraction of Hydro’s marginal cost to generate and transmit power. This unfair practice means that all families and businesses in Manitoba will be getting at least double inflation annual increases in their power bills for two decades.

The current government’s disturbing practice of ‘milking’ Hydro is also detailed in the report. The NDP is currently taking \$1 million per day [\$341 million annually] from Hydro in so-called ‘levies’. If the massive expansion is allowed to be completed, the government’s ‘take’ from Hydro would triple. Excluding other tax revenues, such as PST and income taxes from corporations and workers engaged by Hydro, these special off-the-top cash cow levies are for ‘capital taxes’, ‘debt guarantees’ and ‘water rentals’. No wonder the government eagerly pushes to increase Hydro debt and capital projects, even as they are based on questionable financial assumptions and business plans. For years creative accounting techniques have pushed out in time proper recognition of the incurred costs.

The ‘Bipole III’ transmission capital project is just one example of many given in the report. Bipole III suffers from bad planning and spiraling costs. Cost estimates have increased from \$1.9 billion to over \$4.6 billion,

with some \$2 billion already spent. If completed as currently routed the future annual costs for Bipole III – with no related revenues to offset – would be over \$1 million per day [\$385 million annually], or some \$4 billion in just the first 10 years of operation. Hopefully, with sufficient resolve by the next provincial government, there will be an immediate halt to this now infamous and ill-planned project. A new and better course can then be decided, even if it means prudently booking a huge current loss to avoid larger losses by continuing as is.

Other examples of huge cost over-runs and financial mismanagement by Hydro detailed in the “Elephant in the Room” include: Hydro’s Head Office, initially projected to cost \$75 million, actual \$283 million; Pointe du Bois, growing from a modest ‘repair bill’ to a potential \$2.4 billion make-over; Wuskwatim power generation and transmission, the cost estimate escalating from \$900 million to \$2 billion; Keeyask, initial estimate \$3.7 billion now raised to \$6.5 billion; and, suspended but still sought Conawapa, an escalating forecast from \$5 billion to now \$10.7 billion. And, these massive cost estimates leave out Hydro’s cost for a new transmission line to the United States and a projected need to expend more than another \$10 billion to upgrade and expand current infrastructure.

The plea from *Manitoba Forward* and the authors of “Manitoba Hydro: The Elephant in the Room”, on behalf of Manitobans, is for the political parties to break their silence before the provincial election on the 19<sup>th</sup> of April. Hopefully they will commit to act, if elected, to review thoroughly the operations, structure, performance and available options of our ‘elephant in the room’, Manitoba Hydro.

There should be no need to ‘sell the family silver’ in order to put an immediate tourniquet on Hydro’s profligate spending - and move to achieve transparency and accountability for this, our largest and most essential corporation in Manitoba.

For the full report, please download from:

[www.manitobaforward.ca/elephant](http://www.manitobaforward.ca/elephant)

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