



Fast

# FACTS

CANADIAN CENTRE FOR POLICY ALTERNATIVES – MANITOBA

October 4, 2019

## Manitoba Hydro – the long view

**U**S Democrat Bernie Sanders recently put forward a proposal to nationalize US electricity utilities. He sees nationalization of electricity production as a way to ensure that everyone can afford this essential service and he – and others, see it as a crucial means of addressing the climate crisis.

Just as Sanders showcases Canada as proof that a public healthcare system is superior to a private one, he could point to how a publicly owned utility like Manitoba Hydro (MH) benefits society. A new report from the Canadian Centre for Policy Alternative's (CCPA) Manitoba office: Manitoba Hydro, the Long View argues that the political debate that often erupts around Hydro distracts us from recognizing the benefits we derive from the crown corporation.

The utility has featured significantly in recent debates which are similar to the last great Hydro affair – documented in the 1977 Tritschler Report. Commissioned by the Conservatives, it examined the wisdom of MH's decisions around the Churchill River Diversion and Lake Winnipeg Regulation. At issue then – as now – were cost overruns, the size of MH's debt, delays caused by geo-technical issues and accusations of lack of demand for the new power coming into play. Similarities between the Tritschler Report, the terms of reference for the recent Boston Consulting Group report and the more recent inquiry proposed by the current Conservative provincial government are striking. In fall

2018, the government announced it would be examining if Keeyask and Bi Pole III had been “built long before domestic demand required them, and on overly-optimistic projections of export prices.” All the consultant reports and media attention caused some to fear that a push for privatization, such as we saw with Manitoba Telephone Services, was building.

The CCPA report argues that recent criticism takes a far-too-narrow focus on flash-point issues like Hydro's debt/equity ratio, or unknowns like the future price of different kinds of energy. Such a narrow focus does not give us a meaningful understanding of the long-term value the utility provides.

Manitoba Hydro is a mammoth corporation operating in an arcane world of continental exports, imports, spot pricing, future pricing and domestic and foreign demands. It competes with other forms of energy, such as fracked gas, wind, and solar that come and go at ever faster rates. It must now operate in an environment of climate change, species extinction and volatile politics. The report folds these elements into a comprehensive overview of the utility and the impact of its operations.

The long, painful and complicated

there is an alternative.

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relationship with First Nation and Métis communities features throughout the study. Entire communities have been ignored, exploited and abused, but more recent hydro development has included partnerships with First Nations. The improving relationships should be part of Truth and Reconciliation in Manitoba. For example, an element that is often overlooked is how Hydro trains and employs First Nations workers who live in remote communities, and the recent partnership agreements with communities for the development of the Wuskwatim and Keeyask Generating Stations. These agreements have helped Nisichawayasihk Cree Nation develop innovative community development projects, including training and employment in housing construction. Such a model could be expanded to other First Nations.

The other issue that often gets lost is how mega projects like Keeyask and Bi Pole III come to be. They must be approved by the Public Utility Board (PUB), a quasi-judicial administrative tribunal which provides oversight and supervision over public utilities. It held extensive public reviews over the Keeyask proposal, including a Needs For and Alternatives To (NFAT) review which considered a variety of options.

The PUB recognized that MH had secured significant export contracts in the US. It was well known throughout the PUB process that these two projects would cause MH's debt to rise to the levels we are seeing today, but the NFAT report also acknowledged that once Keeyask is complete, MH will be paying higher water rentals, capital tax and debt guarantee fees, potentially reaching \$516 million annually by the early 2030s. A similar payback occurred when the hydro development of the 1960-70s came into service, wiping out concerns about Hydro's debt – similar to today's. Although this massive project devastated some First Nation communities – many of which still don't have access to hydro-electricity, settler Manitobans have benefitted greatly.

Manitoba households enjoy the second

lowest electrical bills in North America, and industrial users benefit from the lowest. This is part of the advantage of having a publicly owned utility (just look at private rates in Ontario, Alberta or much of the US). By the same measure, we should not judge its finances by the narrow performance indicators used for private corporations. We should judge MH on how well it serves Manitobans.

We will remain dependent on hydro for our future wellbeing. That future is more secure because of Keeyask and Bi Pole III, especially because of the growing move away from fossil fuels, and emphasis on environmental protection, another commonly ignored factor in criticism of Hydro's record, particularly around Bi Pole III.

A longer and deeper look at MH puts Sander's recommendation in perspective. Having public control of an exportable source of renewable energy gives Manitoba a significant advantage. There is great potential to electrify our transportation sector and increase exports nationally and internationally – all in the fight against climate change.

As with most mega-projects, disagreements abound. But there was undeniable progress: improving relations with First Nations; less environmental damage; more community consultation; more upfront export contracts; and more job creation through partnerships with social and First Nation enterprises.

The damage to First Nation communities has been profound, but so is the potential for the province to use MH as an agent for reconciliation. MH's lasting legacy could be that it helped to chart a new prosperous course for northern and Indigenous communities, and offered viable alternatives to our fossil fuel economy.

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References available upon request.

