

Dear Editor

There have been some who think that the notion of bankruptcy and blackouts is incredulous for a Utility like Hydro.

In response, I would like to point out some facts. Even though Hydro is a Crown Corporation the word “bailouts” does not interchange with “bankruptcy” unless you are following the US model of companies like AIG.

To be specific, the risk reports that were sent to the CEO, looked at the *numbing* \$18BN spend out and proposed new debt, as the Utility embarks on an ambitious spending spree to which includes sizable export contracts to the US. The multi-year drought analysis on this “future generation” build, including in-service dates, and contract dates, showed exposure to the Province of \$7BN.

Obviously, this is more than the retained earnings, and under any definition, would wipe out the entire “solvency” of the Utility.

This \$7BN was great cause for concern, and no responsible risk assessment would include that the public health of the company as being fine. Subsequent consultants hired to supposedly “look at the problems” were specifically given a scope that not looked at any of the new generation build out, Conowapa, or bi-pole III!

The risk number of \$7BN was also being “withheld” from the PUB. The CFO also agreed and signed off on the number.

It was being replaced with a rubber-stamp consultant report, who’s analysis blatantly omitted any look at the bi-pole III and exposure to the Province of the future generation system. (see Page 21 of the publicly disclosed summary)

It did not include Government “bailouts” as a word to replace “bankruptcy”.

The comments about “blackouts” being impossible are also not based on fact.

To keep the lights on in the Province, Hydro’s computers rely on a complex formulae, which operates not just the reservoirs like Lake Winnipeg and Cedar Lake, but of course looks at the import tie-lines from the US, and Hydro’s ability to the run expensive gas units.

While it may be shocking to learn these problems exist, what was uncovered was there were “systemic and massive” computer system flaws - with obsolete computers maintaining the calculations. Massive system errors and inadequate mathematics were found in the power calculation of “blackouts” or reliability conditions – which could lead to faulty results in keeping the lights on.

This could be seen as the equivalent of using rotary phones in the age of wifi and Bluetooth technology.

Manitoba Hydro now operates in US deregulation and the Midwest ISO. The rules of the game have changed. If it was learned, that the safety methods for keeping the lights on were programmed only by 1 or 2 persons (with source code and changes known to only them), on an outdated computer which hasn’t been changed since the 80’s, I think you too would be worried.

The ICF consultants were told not to look at the computers.

Don’t be took quick to assume the seriousness of the problem. In California ISO, no-one thought these things were possible – till they happened.

Further, the Province, needs new generation like Wuskwatim, as quickly as possible to maintain enough energy to meet domestic demands (in other words to keep the lights on).

Beyond 2018 the shortage of generation in the Province is so extreme, that the new bi-pole III is in essence a “lifeline” to the Province.

Without it – you can’t stay afloat. That line, is not just a political talking point, it is an absolute necessity to keep the lights on in the Province. So who cares if it’s built west side or east side? Without it – the lights cannot stay on in a multi-year Drought. You will face blackouts. So build it now, and build it quickly.

The risk analysis, shows catastrophic consequence, even from “slight delays” to bi-pole III going in service. Any setbacks, or any problems, would simply mean there is not enough generation to meet demand.

Just one delay in having that line come into the service is also of catastrophic risk to the Province.

In addition, the shortage of generation is so severe, that if the Export Power Marketing contracts (these US contracts being a huge contributor to Provincial risk and the bankruptcy problem) aren’t signed, the Province will need to go against its carbon-friendly mantra and expedite the building of new gas turbines – dirty-old polluting thermal units – just to keep the lights on. These would have to be scheduled for 2019. (Say bye-bye to low Rates!)

These are facts. This information was also not being sent to the Public Utilities Board.

The Province will need to build, potentially new gas turbines to keep the lights on and rates would sky-rocket!

Even in 2011 and 2012 there are resource problems and a multi-year Drought would threaten keeping the lights on. The same issue the PUB was raising.

Problems had accumulated in hundreds of pages of well-documented reports over 3-4 years. The CFO even paid me a bonus in Jan 2008 for my hard work and contribution!

During the fall of 2008, when I uncovered the computer-system errors in blackouts, I was so worried, I emailed the CEO directly.

The “Hydraulic Computer Report” which would have itemized line-by-line errors in massive computer system failures, which could cause the lights to go out, was sabotaged 24 hours after it was notified to the CEO, that such problems exist.

The report was midway.

Computer failures of other exorbitant magnitude have also contributed to the billion dollars losses and the misforecasting of blackouts. Financial forecasts being incorrect also impact the Nisichawayasihk Cree Nation and profit sharing. I was told not to put any more in writing.

I realize now, that what the Crown Corporation of Manitoba Hydro wants, is just a “rubber stamp” consultant who will echo the publicity statements.

And I am proud to have been fired, for having the courage to stand up for the truth and not just “yes” management to cover up such serious problems.

Contrary to the comments from the CEO, if I cared about money, I would have just “yessed” management to keep my job – but instead, ethics and integrity was more important. That’s called honesty ... not greed.

And that’s what WhistleBlower Protection laws are for...

Very sincerely,

A very ethical risk consultant in NY