ANALYSIS

Winnipeg Free Press - PRINT EDITION

Port Nelson boondoggle a cautionary tale

By: **Jim Collinson**
Posted: **11/29/2013 1:00 AM** | **Comments: 2**

Enlarge Image

A half-built Port Nelson, abandoned as too risky for a port site.

Manitoba Hydro is planning to spend -- invest is a term that appears to be inappropriately optimistic -- some $20 billion on new generating stations on the Nelson River. Given Hydro's recent record, this has real potential to translate into $40 billion before they're completed sometime about 2025 (or later).

Why does Port Nelson come to mind? Due diligence was not done: Decisions were made without all the facts.

Just over a century ago, the government of Canada decided a port on Hudson Bay would be an important element of Canada's capacity to export goods. Studies began to select the best site: Churchill or the mouth of the Nelson River. Absent complete information on depths, flows, ice and the effects of winds and currents, Port Nelson was hurriedly chosen and with valiant efforts by engineers and construction workers, operating under extremely difficult conditions, the project was almost completed in 1918, but delayed due to the First World War. In the process of construction, the wharf site had to be moved from the shore to an artificial island almost half a mile out, to access a deeper channel suitable for navigation.

What had been ignored were the treacherous winds and currents in the wide river mouth. A new study in 1926 selected Churchill, and its first shipment of wheat was September 1929.

Port Nelson lies abandoned to this day: a warning to those who think complete homework unnecessary. The $6 million wasted then translates into a $140-million loss in current dollars. Even today, this pales in comparison to the $20 billion-plus proposed for new dams in times of questionable markets.

Manitoba Hydro's incomplete homework falls into two categories: market analysis and alternative means of meeting electrical demand.

First, market analysis implies painstaking calculations of opportunities, how realistic various markets may be, and their magnitude. High, low and medium scenarios are not just percentage variations from a mean, but actual calculations based on best case, worst case and most probable situations. Optimistic market conclusions reached by Hydro do not inspire the confidence needed from fact-based analysis. No doubt, provincial government pressure to inflate provincial coffers through loan charges and water rental rates were a factor. Inflated projections of domestic demand (1.6 per cent annually, whereas about half that is more realistic) combined with optimistic views of export markets despite cheaper options for U.S. power generation, makes this a dubious venture.

Second, in addition to gas-fired generators, alternative small-scale sources of energy are becoming more efficient and affordable. If consumers are already facing a doubling of electricity costs in less than 18 years, they will be open to assessing options. Solar and wind power is becoming more economical, even as hydro costs are rising, so small-scale generation projects become viable. They are certainly competitive when capital costs are amortized over a 20-year period. One company has estimated the average annual home cost of electricity to be $1,250, and makes the point that their wind turbine will have paid for itself in 41/2 years.

One scenario would see homes operate on batteries charged by these or other evolving technologies, to accommodate variable winds or dull days. This would take advantage of sunshine and wind when available, storing it for use as needed. Farms could become completely independent, as well as individual homes or groups of them. Before "rural electrification," Souris produced electricity with a gas-driven plant: this type of model could come back.

There are options to mix wind and solar with grid power, using electricity generated when the wind is blowing or sun shining, perhaps putting power back into the grid and taking it from the grid when local production drops. This replaces the batteries and provides additional security.

So, what is the government's objective as it pushes Hydro to spend billions on generating stations?

If it's affordable electrical power, the analysis must consider alternatives. Affordable power may be available through other sources than Manitoba Hydro, as noted above. New dams are probably not needed at all, at least not now, and loans for alternative power to consumers would cost far less than $40 billion.

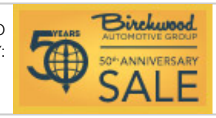
If provincial revenue drives the agenda, options exist. Alternatives include seeking new revenue sources, increasing taxes and/or reducing program costs. But the provincial government could offer its credit rating for a fee to individual or community-based electrical generation. The government could still rake off their profit without creating a huge debt load for Manitoba Hydro. In that scenario, line losses from electrical transmission would be considerably reduced, and some rural lines eliminated as hazards to farming operations as well as birds.

Maybe it's time to back up and ask the tough question: What is the objective and what are the most cost-effective options to achieve it?

One Port Nelson should be enough to remind us of the cost of incomplete homework. Squandering taxpayer and ratepayer dollars is unnecessary, limits future resources for needed services and opportunities, particularly land use, water flow and water quality management impacting everyone in the province.

Jim Collinson is a management consultant specializing in the complexities surrounding energy, economic and environmental issues.

Republished from the Winnipeg Free Press print edition November 29, 2013 A13



You can comment on most stories on **winnipegfreepress.com**. You can also agree or disagree with other comments. All you need to do is be a Winnipeg Free Press print or e-edition subscriber to join the conversation and give your feedback.

HAVE YOUR SAY

Display 2 comments

New to commenting? Check out our **Frequently Asked Questions**.

The Winnipeg Free Press does not necessarily endorse any of the views posted. By submitting your comment, you agree to our **Terms and Conditions**. These terms were revised effective April 16, 2010.

FOLLOW

WFP JETS

THE BULLETIN

TWITTER

NEWS CAFE

FACEBOOK

BREAKING NEWS ALERTS

Back to Top
Return to Analysis

General: Contact Us | History | Internships | Advertising | Privacy Policy | Reader Rewards | Sponsorship | Subscribe | Customer Service
On-line: RSS Feeds | E-Editions | Archives | Photo Store
Related: Newspaper in Education | Autos | Homes | Classifieds | Celebrations | Careers | Obituaries | FP Newspapers Inc.