



Direct Testimony Presentation

PUBLIC SESSION

SaskPower Contract Economic Review

PREPARED BY: DAYMARK ENERGY ADVISORS
PREPARED FOR: MANITOBA PUBLIC UTILITIES BOARD
DATE: JANUARY 2018



Presentation Objectives and Agenda

Presentation Objectives

- Understanding of the general transaction and **status**
- Understanding of general **evaluation methodology**
- Understanding of **current economics**

Agenda

1. Daymark Scope of Work
2. Key Concepts
3. Project History and Status
4. 2016 Economic Analysis
5. 2017 Updated Analysis
6. Key Findings

1

1. Daymark Scope of Work

Our Charge

1

*“Review and assess the economic justification for the SaskPower 100 MW power sale and Manitoba-Saskatchewan Transmission Project and provide an opinion on the merits of this project and **whether it is in Manitoba Hydro’s and ratepayers’ interests to proceed.**”*

Our Approach and Relevant Materials

1

Daymark Approach

- Reviewed MH transmission documents (CSI*)
- Reviewed MH economic evaluation documents and workpapers (CSI)
- Performed additional (limited) analysis

Daymark Materials Relevant to this Presentation

- Produced public and CSI reports (*already on record*)
- Responded to Information Requests (IR) related to reports (*already on record*)

* “CSI” stands for “Commercially-Sensitive Information.”

1

2

3

4

5

6

2. Key Concepts

A Few Key Terms

1

2

- **MHEM** – Manitoba Hydro Export Marketing
- **MHT** – Manitoba Hydro Transmission
- **OATT** – Open Access Transmission Tariff
- **CPJ** – Capital Project Justification
- **FCA** – Facilities Construction Agreement
- **GFS** – Group Facilities Study
- **GSIS** – Group System Impact Study
- **Transfer Capability** – capacity, in MW, of a transmission intertie

3

4

5

6

- 1
- 2
- 3**
- 4
- 5
- 6

3. Project History and Status

Existing System

1

2

3

4

5

6

Transmission System, Pre-Agreement

- 225 MW total transfer capability
- Various commitments against that capability (CSI)
- 45 MW available

Transmission System, with Project

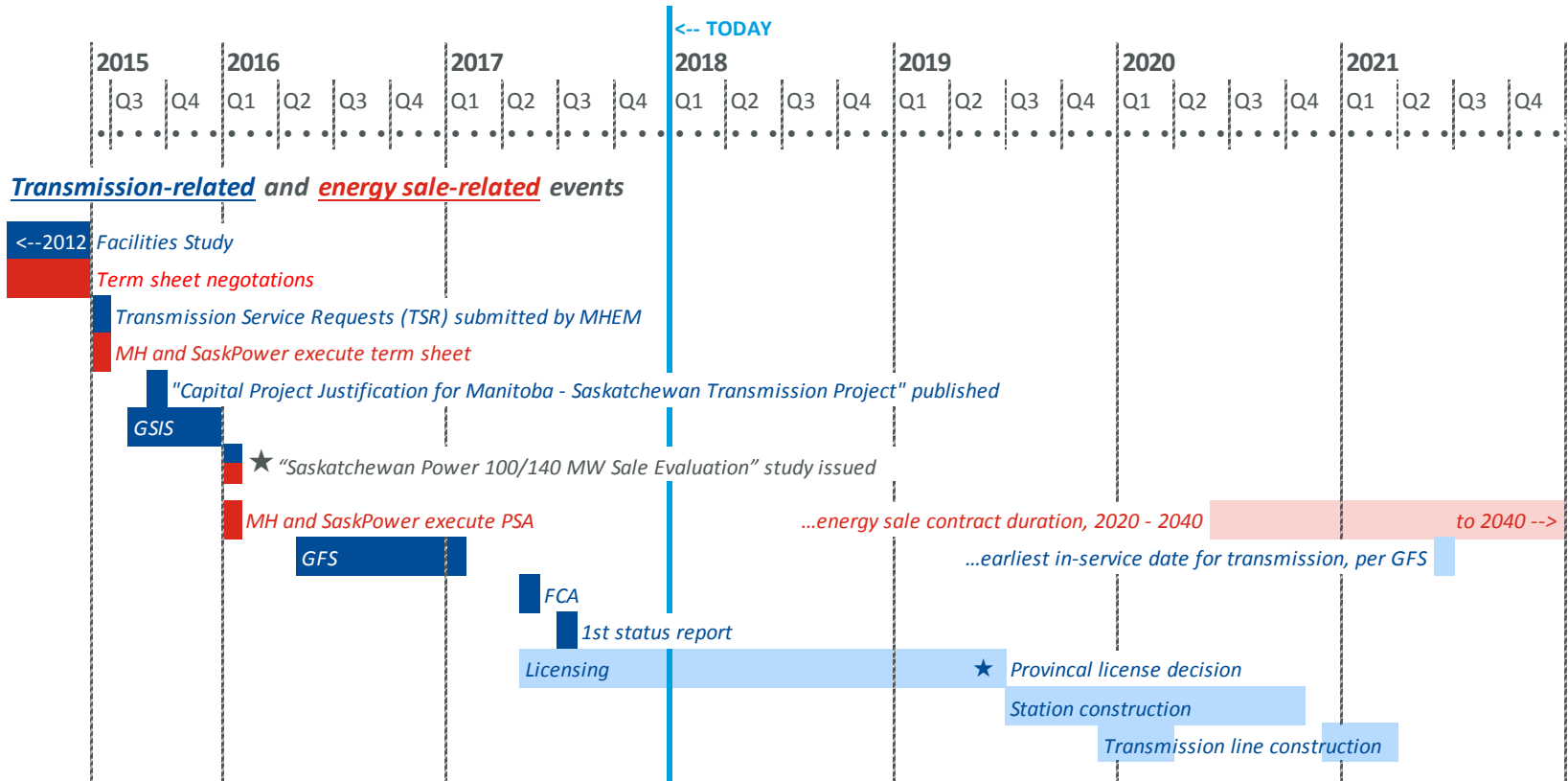
- 325 MW total transfer capability
- Retains capability to meet existing commitments (CSI)
- Allows for full amount of power sale to SaskPower

Status

- 1
- 2
- 3
 - Power Sale Agreement (January 2016)
 - Facilities Construction Agreement (May 2017)
 - Transmission project in development
 - First monthly status report for transmission reviewed (October 2017)
 - Limited transmission costs incurred to date (roughly \$1.6 million)
 - Further information in the CSI presentation
- 4
- 5
- 6

Key Timeline Elements

- 1
- 2
- 3
- 4
- 5
- 6



1

2

3

4

5

6

4. 2016 Economic Analysis

Overview of the 2016 Sale Evaluation

1

2

3

4

5

6

- Evaluation considered 100 MW sale plus potential for additional 40 MW
- Evaluation used Manitoba Hydro' long-term planning model (SPLASH)
- Base case assumed future Manitoba Hydro need would be met with new gas fired generation
- Results were expressed as net present value (NPV) of sale plus transmission versus base case
- Sensitivity analysis performed (Details in the CSI presentation)

Review of Key Assumptions

1

2

3

4

5

6

- In general, late 2015 planning assumptions were used
- Resource impacts of the sale were determined using the July 2015 Resource Planning Assumptions and Analysis for 2015/16 Corporate Planning Report
- Keeyask was assumed to be in-service in 2019
- New 500-kV US connection assumed to be in-service in 2020
- Manitoba-Saskatchewan transmission project costs sourced from the 2015 GSIS

1

2

3

4

5

6

5. 2017 Updated Analysis

2017 Updated Analysis

- 1
 - 2
 - 3
 - 4
 - 5
 - 6
- Based on a Daymark request, Manitoba Hydro updated the analysis
 - Used Manitoba Hydro assumptions consistent with the current General Rate Application
 - Updated transmission costs based on latest information
 - Served as the starting point for Daymark analysis of key input assumptions
 - Daymark sensitivity analysis
 - Goal – test the current economics of the project
 - All information is commercially-sensitive

1

2

3

4

5

6

6. Key Findings

Key Findings

1

2

3

4

5

6

- Transmission project is still in the early stages of development
- Any potential delays in the transmission project do not present a significant risk to the near-term value of the power contract
- The transaction, including the transmission project, remains in the best interest of Manitoba Hydro and its ratepayers
- Additional findings will be discussed in the CSI portion of the presentation

End of Presentation

Dan Peaco

Daymark Energy Advisors

48 Free Street

Portland, Maine 04101

Tel: (207) 347-3194

Email: dpeaco@daymarkea.com

Doug Smith

Daymark Energy Advisors

48 Free Street

Portland, Maine 04101

Tel: (617) 778-2450

Email: dsmith@daymarkea.com

www.DaymarkEA.com

