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January 28, 2019

Mr. Darren Christle
Secretary and Executive Director
Public Utilities Board
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

Dear Mr. Christle:

**RE: MANITOBA HYDRO – 2019/20 ELECTRIC RATE APPLICATION – RESPONSES TO PUB
INFORMATION REQUESTS CONTAINING COMMERCIALY SENSITIVE INFORMATION**

On November 30, 2018, Manitoba Hydro filed its 2019/20 Electric Rate Application with the Public Utilities Board (“PUB”). On December 14, 2018, Manitoba Hydro received a number of Information Requests (“IRs”) from the PUB requesting information from Manitoba Hydro for the review of the 2019/20 Electric Rate Application. Following the PUB’s Pre-Hearing Conference on December 20, 2018, the PUB issued Procedural Order 1/19 which set forth a schedule for the review of Manitoba Hydro’s 2019/20 Electric Rate Application. The schedule provided, amongst other things, that Manitoba Hydro was to file any responses to Information Requests containing commercially sensitive information with the PUB by January 28, 2019.

The PUB’s Rules of Practice and Procedure provide the PUB with sufficient discretion to allow it to receive information in confidence on any terms it considers appropriate:

13(2) The Board may receive information in confidence on any terms it considers appropriate in the public interest,

a) if the Board is of the opinion that disclosure of the information could reasonably be expected

(i) to result in undue financial loss or gain to a person directly or indirectly affected by the proceeding; or

(ii) to harm significantly that person’s competitive position.

or

b) if

(i) the information is personal, financial, commercial, scientific or technical in nature; or

Available in accessible formats upon request

- (ii) the information has been consistently treated as confidential by a person directly affected by the proceeding; and*
- (iii) the Board considers that the person's interest in confidentiality outweighs the public interest in the disclosure of the information.*

Motion:

Pursuant to Rule 13(2) of The Public Utilities Board Rules of Practice and Procedure, Manitoba Hydro is seeking an Order of the Public Utilities Board of Manitoba ("PUB") confirming that it will receive and hold in confidence Manitoba Hydro's responses to the following Information Requests:

PUB/MH CSI-1

PUB/MH I-4 d)

PUB/MH I-9

PUB/MH I-43

PUB/MH I-46 a)

PUB/MH I-47 a)-c)

PUB/MH I-55 b)

PUB/MH I-58 a)-b)

Manitoba Hydro has relied upon the same redaction criteria which have been utilized by Manitoba Hydro in previous applications before the PUB. Manitoba Hydro has inserted codes corresponding to categories in the Redaction Criteria in the responses to the Information Requests in order to identify the basis for the redactions. For ease of reference, a copy of the Redaction Criteria is attached to this motion as Appendix A.

Manitoba Hydro will file with the PUB, on blue paper, responses to the above noted Information Requests with redactions removed. Public, redacted, versions of these IR responses will be filed on January 31, 2019 when Manitoba Hydro files its responses to the non-confidential Information Requests.

Grounds:

Generally, the information which Manitoba Hydro seeks to be received and held in confidence by the PUB is confidential and commercially sensitive information to Manitoba Hydro as it is either 1) confidential and commercially sensitive information of Manitoba Hydro, or 2) third party confidential or commercially sensitive information which Manitoba Hydro is bound to maintain in confidence or is

not authorized to reproduce or distribute by virtue of a contractual or fiduciary duty to the third party (collectively "CSI"). Manitoba Hydro expects that the release of the CSI would result in undue financial loss to Manitoba Hydro (or the third parties who have released their confidential information to Manitoba Hydro) and/or harm the competitive position of Manitoba Hydro or those third parties. Manitoba Hydro notes that in all cases the information of the nature described herein has been consistently treated as confidential. Manitoba Hydro submits that the need to maintain the information in confidence outweighs the public interest in the disclosure of the information.

More detailed grounds for considering the identified Information Requests as confidential is set out below.

Major New Generation & Transmission Quarterly Reports (CSI Version) and Project Information

The Information Requests which request release of commercially sensitive information regarding Manitoba Hydro's Major New Generation & Transmission projects are as follows:

PUB/MH CSI-1
PUB/MH I-4 d)
PUB/MH I-9
PUB/MH I-55 b)
PUB/MH I-58a)-b)

PUB/MH CSI-1 and PUB/MH I-58a)-b) request information regarding specific contract values, costs related to work yet to be completed, and contingency amounts which have been applied or allocated to specific projects for the Bipole III Reliability Project.

Manitoba Hydro has provided total project budgets and actual costs to September 30, 2018 in the public reports filed as Appendix 7 to the 2019/20 Electric Rate Application. The Corporation has also filed the total amount of contingency for the Bipole III Reliability Project in the public reports.

Disclosing further detailed breakdown at the project component or contract level could harm Manitoba Hydro's competitive position and put Manitoba Hydro at risk of undue financial loss. Similarly, detailed breakdowns at the contract or project component level and breakdown of drawdowns of contingency amounts and forecast at completion amounts provide insight into the contingency allocated to each contract, as well as insight into the upper limits for negotiations of changes to work or contracts. This may result in Manitoba Hydro paying more if contractors are aware of what is included in the estimate for their contracts. Public disclosure of this information would also harm Manitoba Hydro's ability to manage and execute the work.

PUB/MH I-55 b) requests specific contractor productivity information for both concrete placement and earthworks for Keeyask in each of 2016, 2017 and 2018 for the General Civil Contract. Disclosing specific details of the General Service Contractors productivity rates on the public record could harm the contractor's competitive position when bidding on future work in the marketplace. Forecasts of productivity rates are provided in the contractors' initial bids and are unique to each contractor.

Disclosure of the productivity rates would give competitors knowledge of a contractor's forecasted productivity rate thereby allowing others to undercut a contractor's bid on future work. Such activity could further financially harm Manitoba Hydro as other contractors may choose not to bid on Manitoba Hydro work for fear of their productivity rates being disclosed.

PUB/MH I-4 d) requests the breakdown of the use of cash for additions to intangible assets for 2017/18, 2018/19 and 2019/20. PUB/MH I-9 requests the revenue requirement including cost components for all major capital projects. Both responses include information regarding the Great Northern Transmission Line ("GNTL"). The information related to the GNTL is confidential Minnesota Power information. 6690271 Manitoba Ltd. (a Manitoba Hydro subsidiary) informed Minnesota Power of Manitoba Hydro's intent to disclose the information contained in the above noted IRs to the PUB in strict confidence for purposes of the current 2019/20 Electric Rate Application. 6690271 Manitoba Ltd. has obtained Minnesota Power's consent for Manitoba Hydro to provide updated GNTL project information to the PUB in confidence. Minnesota Power's consent was provided solely for release of confidential GNTL information to the PUB and does not extend to the release of information to any other third parties. In correspondence from Minnesota Power dated January 26, 2019, Minnesota Power confirms that it had advised 6690271 Manitoba Ltd., consistent with its previous correspondence of June 15, 2017, that confidential treatment of the information was necessary to protect, amongst other things: the competitive business practices in respect of the GNTL project as without such protections the costs of the GNTL project could increase; vendors continue to bid on work for the GNTL project; Minnesota Power's relationship with Manitoba Hydro and particularly the continued sharing of information; and that Minnesota Power has no expectation that any of its confidential information would be publicly disclosed. Manitoba Hydro has attached Minnesota Power's letter dated January 26, 2019 as Appendix B.

Manitoba Hydro requests that the commercially sensitive information redacted in the responses noted above be received and held in confidence by the PUB pursuant to Rule 13 (2) (a) and (b) and not be placed on the public record or released to other parties. This information has consistently been received by the PUB in confidence and has been treated as confidential. Manitoba Hydro submits that holding this information in confidence outweighs the public interest in disclosure of this information.

Export Revenues

The Information Requests which request release of commercially sensitive information regarding Manitoba Hydro's Export Revenues are as follows:

PUB/MH I-43
PUB/MH I-46 a)

PUB/MH I-43 requests information related to firm capacity sold and the names of counterparties to any sales, amount of capacity sold, periods of time over which the sales are to take place and expected revenue for each year.

Manitoba Hydro has obtained the consent of counterparties to file information derived from these firm export sales agreements with the PUB in confidence.

Manitoba Hydro has never disclosed pricing or other information related to specific terms of its export contracts in a public forum. Disclosure of specific terms related to contracts negotiated by Manitoba Hydro would harm the Corporation's relationship with the counterparty and cause reputational harm to Manitoba Hydro. Manitoba Hydro's relationship with counterparties has been established by building trust over many years and Manitoba Hydro has consistently acted in good faith and with the understanding of the intent under which these contracts and agreements were negotiated. Counterparties may be reluctant to deal with Manitoba Hydro if they lack confidence that such information will be protected. In addition, and as has been communicated previously to the PUB, any public disclosure of pricing or contract specific information could affect Manitoba Hydro's position in future negotiations and result in significant harm to Manitoba Hydro's competitive position. Counterparty knowledge of pricing negotiated by other customers and details of product attributes purchased will negatively impact Manitoba Hydro's negotiations. The specific products purchased as part of a power sale are rarely identical. Trade-offs are made to accommodate the circumstances of both parties to the contract. The details of such trade-offs become irrelevant to third parties - they will want the same deal on specific components without making trade-offs on other fronts.

PUB/MH I-46 a) requests information on the quantification of the increase in net export revenues resulting from the decreased line losses of Bipole III entering service. Consistent with the redactions included in the Additional Information filed with the PUB on December 11, 2018, and Manitoba Hydro's request to maintain the confidentiality of average unit revenue for opportunity sales to the US for the 2018/19 and 2019/20 fiscal years, Manitoba Hydro has redacted the same information in the response to this Information Request. In addition, Manitoba Hydro has redacted the estimated increase in net export revenues as provision of this information would enable parties to back-calculate the average unit revenue for opportunity sales to the US.

Manitoba Hydro has previously advised that knowledge of average unit revenues (actual or forecast) provides counterparties with insight into how Manitoba Hydro prices its products and the information regarding average unit revenues broken down by firm and opportunity for 2018/19 and 2019/20 could be used to reverse engineer Manitoba Hydro's export contract pricing and revenue information. Manitoba Hydro's submission in this regard is found in its correspondence of December 11, 2018.

Manitoba Hydro requests that the information contained in the responses to these Information Requests be received and held in confidence by the PUB pursuant to Rule 13(2) (a) and (b) and not be placed on the public record or released to any other parties. Manitoba Hydro notes that in previous proceedings, the PUB has received and held this information in confidence. Manitoba Hydro submits that holding this information in confidence outweighs the public interest in the disclosure of the information and notes that this information has consistently been received by the PUB in confidence in previous proceedings.

Export Price Forecasts

PUB/MH I-47 a)-c) requests release of commercially sensitive information regarding Manitoba Hydro's Export Price Forecasts. Specifically, PUB/MH I-47 a)-c) requests provision of the Fall 2017 Energy Price Forecast, graphs of on-peak, off-peak and capacity prices showing the independent forecasts and Manitoba Hydro's consensus reference prices as well as the consensus reference prices from the Spring 2017 Energy Price Forecast.

As has been discussed in previous proceedings, Manitoba Hydro purchases external price forecasts from a number of forecasters in order to create Manitoba Hydro's consensus forecast. The forecasts are purchase "off-the-shelf" and as such, are available for purchase without restriction. The cost of the "off-the-shelf" forecast range in price from approximately \$30,000 to \$40,000 and Manitoba Hydro is under a contractual obligation to treat the forecasts as confidential as public disclosure of the forecasts would result in a substantial financial loss to the creators of the forecasts. The forecasts cannot be provided to third parties without prior written consent. Manitoba Hydro has sought consent to provide the forecasts to the PUB and consent has been granted provided they be held in confidence.

In addition, Manitoba Hydro's consensus forecast is derived from the combined results of the purchased export price forecasts. The Manitoba Hydro consensus forecast is used for financial modelling purposes and forms the basis for negotiation of Manitoba Hydro's long term export contracts. The Manitoba Hydro consensus forecast is confidential to Manitoba Hydro as is the identity of the price forecasters and the forecasts used in the consensus forecast. Knowledge of the Corporation's views regarding the future price of power will harm Manitoba Hydro's competitive position and negatively impact export power sale negotiations as parties will not want to pay more than the forecast values if they are known to counterparties. As Manitoba Hydro has explained in previous proceedings, input forecasts typically provide divergent future views hence the identities of the forecasters must be protected to avoid facilitating counterparties recreating Manitoba Hydro's consensus forecast. This is a significant risk in an environment where relatively small differences in export price expectations can equate to millions or tens of millions of dollars over the term of a contract.

Manitoba Hydro requests that the information contained in the response to this Information Request, including the purchased export price forecasts, Manitoba Hydro's consensus forecast and the information derived from those forecasts, and the identity of the price forecasters, be received and held in confidence by the PUB pursuant to Rule 13(2) (a) and (b) and not be placed on the public record or released to other parties. Manitoba Hydro submits that holding this information in confidence outweighs the public interest in the disclosure of the information and notes that this information has consistently been received by the PUB in confidence in previous proceedings.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3633 or Marla Boyd at 204-360-3468.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION

Per:



ODETTE FERNANDES

Barrister and Solicitor

cc : Marla Boyd, Manitoba Hydro
Bob Peters, Board Counsel
Dayna Steinfeld, Board Counsel

Appendix "A"

Manitoba Hydro Redaction Criteria

- 1 Party/Contract Specific Detail (information provided to MH with an expectation that confidentiality will be maintained) for example:**
 - a. Detailed business arrangements with third parties to construct/operate/own facilities. Specific pricing, terms, conditions in contracts or third party responses to request for proposals related to the construction procurement of a generation, transmission or distribution resource on the MH system;
 - b. Specific domestic customer load information, current or forecast;
 - c. Specific affected parties including mitigation or compensation not already available in public forum;
 - d. Information subject to statutory or contractual confidentiality provisions.

- 2 Technical Information or Intellectual Property**
 - a. Owned by Manitoba Hydro e.g. Consensus Export Price Forecast
 - b. Owned by a third party

- 3 Power Contracts, Revenue & Price Forecast Information for example:**
 - a. Specific data, forecast, terms, conditions, prices, revenue projections contained in reports, agreements, contracts, proposals, term sheets together with information which facilitates back calculation of the foregoing information;
 - b. MH commodity price forecasts for electricity, natural gas and carbon including annual pricing escalators including third party proprietary input forecasts;

- 4 Documents Related to Risk/Benefit Identification, Quantification and Strategic Actions for example:**
 - a. Sales and marketing strategies/initiatives;
 - b. Identification of risks and benefits with details on relative significance, quantification, strategic actions and timeframes. Identification of specific parties who have an interest in or ability to influence the risk/benefit outcomes.

- 5 Sensitive Analysis and Operational Data Facilitating Back Calculation for example:**
 - a. Resource planning assumptions and analysis including the generation component of marginal cost;
 - b. Committed and uncommitted capacity and energy surplus quantities for export;
 - c. Breakdown of export sales quantity or revenue by product type, customer or province.

- 6 Utility Practice Techniques for example:**
 - a. Detailed solution techniques utilized in MH's short and long term planning of capacity, energy and water management with specific reference to the mathematical representation of the hydraulic or transmission system and the electricity market.

- 7 Resource, Project or Sale Cost and Benefit Analysis where such information could negatively impact Manitoba Hydro's negotiating power *for example:***
- a.** Detailed cost estimates of new resources planned or in development on MH system, budget and contingency information related to projects and/or specific project components;
 - b.** Estimate of economic or financial benefits (i.e. Net Present Value, revenue projections, Internal Rate of Return) of development plans or sales evaluations.
- 8 Sensitive Relationship Management Information *for example:***
- a.** Employment, labour relations, counterparty or stakeholder information, which if disclosed could result in labour issues, work stoppages, contract breach or demands for renegotiation



AN ALLETE COMPANY

Appendix "B"

David R. Moeller
Senior Attorney
218-723-3963
dmoeller@allte.com

January 28, 2019

VIA OVERNIGHT DELIVERY AND EMAIL

Daryl Maxwell
General Manager
6690271 Manitoba Ltd.
P.O. Box 1886
Winnipeg, Manitoba
R3C 3R2

RE: PUB Disclosure of Confidential Information related to the Great Northern Transmission Line

Dear Mr. Maxwell,

Minnesota Power has reviewed the information requests that will be necessary for Manitoba Hydro to file with the Public Utilities Board of Manitoba ("PUB") by the January 28, 2019 filing date for Manitoba Hydro's 2019/20 General Rate Application that are related to Minnesota Power's Great Northern Transmission Line ("GNTL"). GNTL is being constructed in Minnesota and for which Minnesota Power has obtained, among other requirements, a Presidential Permit issued on November 16, 2016 by the United States Department of Energy. Minnesota Power confirms its understanding that Manitoba Hydro is seeking a ruling from the PUB that the PUB treat as confidential any confidential information filed by Manitoba Hydro in response to the information requests that are related to the GNTL. Minnesota authorizes the release of this letter to Manitoba Hydro and the filing of this letter with the PUB in support of such motion. Minnesota Power previously provided a similar letter dated June 15, 2017 related to GNTL and disclosures to the PUB.

Minnesota Power confirms that it had previously advised 6690271 Manitoba Ltd. ("6690271") that such confidential treatment of the confidential information related to the GNTL is necessary to protect:

- (i) the competitive business practices in respect of the GNTL project and without such protections the costs of the GNTL project could increase;
- (ii) proprietary engineering information of vendors for the GNTL project which would otherwise be disclosed with risk to the GNTL project;
- (iii) preliminary information that is under development which would otherwise be disclosed with the risk to the GNTL project;
- (iv) vendors continuing to bid on work for the GNTL project;

- (v) Minnesota Power's relationship with Manitoba Hydro and particularly the continued sharing of confidential GNTL project information, wherein 6690271 was provided with significant access to confidential information of Minnesota Power on a project being constructed by Minnesota Power in Minnesota and with such access Minnesota Power also agreed to provide 6690271 with significant oversight on the GNTL project through the governance provisions in the GNTL Construction Management Agreement; and
- (vi) Minnesota Power had no expectation that any of its confidential information would be publicly disclosed.

In addition, public disclosure of confidential information related to GNTL may harm the forward-looking and long-standing relationship between Minnesota Power and Manitoba Hydro. As previously discussed in Minnesota Power's September 8, 2011 letter in *Manitoba Hydro-Electric Board v. Consumers' Association of Canada (Manitoba) Inc. et al*, Suit No. AI 11-30-07612, public disclosure of confidential information would significantly harm Minnesota Power's customers through potentially higher resource acquisition costs as well as interfere with any future agreements between Minnesota Power and Manitoba Hydro.

Minnesota Power respectfully requests that the PUB grant Manitoba Hydro's motion to treat confidential information filed by Manitoba Hydro in response to the information requests related to the GNTL as confidential with such information only to be viewed by the PUB.

If you have any questions regarding this letter, please do not hesitate to contact me at the number above.

Yours truly,



David R. Moeller

DRM:sr