

MIPUG

BOOK OF DOCUMENTS

December 9, 2021

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(Matter No. 0186495 AFH)
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TAB 1

Order No. 69/19

**FINAL ORDER WITH RESPECT TO MANITOBA HYDRO'S 2019/20
GENERAL RATE APPLICATION**

May 28, 2019

BEFORE: Robert Gabor, Q.C., Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Vice-Chair
Hugh Grant, Ph.D., Member
Shawn McCutcheon, Member
Larry Ring, Q.C., Member

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1.0 Summary of Board Findings

By this Order, the Public Utilities Board (“Board”) approves new rates for Manitoba Hydro (or the “Utility”) for the 2019/20 fiscal year. The Board finds that it is just and reasonable to approve a 2.5% rate increase for most customer classes, effective June 1, 2019. The Board finds that Manitoba Hydro does not require an increase to its revenues in 2019/20 fiscal year. All revenues from the 2.5% rate increase are to be placed in a deferral account for major capital projects currently under construction. The deferral account will partially mitigate future rate increases required when new major capital projects are in-service, consistent with the principles of rate stability and predictability. This increase will contribute additional revenues to Manitoba Hydro in 2019/20 and in future years.

The evidence in this proceeding demonstrates that Manitoba Hydro does not require a rate increase for its operations in 2019/20. Manitoba Hydro's initial General Rate Application (“GRA”) for a rate increase of 3.5% for all customer classes, to be effective April 1, 2019, was filed on November 30, 2018 . It was based on the position that, without any rate increase, Manitoba Hydro was projecting a net loss of \$28 million in the 2019/20 fiscal year (which runs from April 1, 2019 to March 31, 2020). Manitoba Hydro filed supplemental information on February 14, 2019, which showed a \$92 million improvement in its financial forecast for 2019/20 with an updated projection of \$64 million in positive net income in 2019/20 without any rate increase. With its requested 3.5% increase effective June 1, 2019, net income is projected to be \$115 million in 2019/20.

A rate increase at the level of 2.5% with all revenues directed to a major capital project deferral account is just and reasonable. The Board will determine how the deferral account will be brought into Manitoba Hydro's operating revenues at a future GRA. The deferral account will help to offset higher rate increases when new capital projects enter into service in the next few years.

The Board anticipates the bill impact of the 2.5% rate increase to be a \$2.34 increase in the monthly bill of a residential customer without electric space heat using 1,000 kilowatt-

hours per month, and a \$4.47 increase in the monthly bill for a residential customer with electric space heat using 2,000 kilowatt-hours per month.

The Board finds that it is just and reasonable to differentiate the June 1, 2019 rate increase to the General Service Small Non-Demand class such that a 2.5% increase to the class revenue target is reduced by an amount that will gradually move this class's Revenue to Cost Coverage ratio into the zone of reasonableness of 95-105% over a period of nine years.

A majority of the Board further finds that it is just and reasonable to approve no rate increase for the First Nations On-Reserve Residential and Diesel Zone Residential customer classes effective June 1, 2019.

The Board directs Manitoba Hydro to provide a compliance filing to the Board pursuant to the directives in this Order. The compliance filing shall be provided in a timely fashion to allow the Board no less than two business days to review and approve consumer rates effective June 1, 2019.

2.0 Background and Procedural History

Background

Under Manitoba law, the Board must set electricity rates for Manitoba Hydro's customers that are just and reasonable and in the public interest. In so doing, as confirmed by the Manitoba Court of Appeal, the Board balances the interests of Manitoba Hydro's ratepayers and the financial health of Manitoba Hydro. Together and in the broadest interpretation these interests represent the general public interest.

Pursuant to subsection 25(1) of *The Crown Corporations Governance and Accountability Act*, CCSM c C336, the prices charged by Manitoba Hydro with respect to the provision of power ("rates for services") are reviewed by the Board. No changes in rates for services can be made and no new rates for services can be introduced without the approval of the Board. Manitoba Hydro is required to submit proposals regarding rates to the Board for its review and approval.

When Manitoba Hydro applies to the Board for rate increases, Manitoba Hydro bears the statutory onus of demonstrating that the increases sought are just and reasonable.

Procedural History

By letter dated November 12, 2018, Manitoba Hydro advised of its intentions with respect to the filing of a 2019/20 GRA and requested the Board's concurrence with Manitoba Hydro's proposed approach to the process and the filing. In the November 12, 2018 letter, Manitoba Hydro stated that, based on its financial projections at the time and without any rate relief, it would experience a projected net loss in the 2019/20 fiscal year (the "test year"). Manitoba Hydro further advised that, with the most recent appointments to the new Manitoba Hydro-Electric Board of Directors ("MHEB"), a comprehensive review of Manitoba Hydro's operations, forecasts, and financial plans was being undertaken to allow the MHEB to establish a long-term financial plan for the Utility. As such, Manitoba Hydro was not in a position to file a long-term Integrated Financial Forecast ("IFF") for

9.0 IT IS THEREFORE ORDERED THAT:

1. Manitoba Hydro's Application for a 3.5% across-the-board rate increase effective June 1, 2019 **BE AND HEREBY IS DENIED** as filed.
2. A 2.5% rate increase to the Residential, General Service Small-Demand, General Service Medium, General Service Large, and Area & Roadway Lighting customer classes and to the grid portion of the Diesel Zone General Service rates effective June 1, 2019, with all revenues generated being placed into a Major Capital Deferral Account **BE AND HEREBY IS APPROVED**.
3. A 2.5% rate increase to the revenue target of the General Service Small Non-Demand class **BE AND HEREBY IS APPROVED**, altered as follows: Manitoba Hydro is to implement differentiated rates to continue to move the Revenue to Cost Coverage ratio of the General Service Small Non-Demand customer class into the zone of reasonableness, assuming a 9-year timeframe to move the class within the zone of reasonableness.
4. There shall be no rate increase to the components of the First Nations On-Reserve Residential customer class and Diesel Zone Residential class rates.
5. Manitoba Hydro recalculate and file, for Board approval, a schedule of rates reflecting the rate increases and rate differentiation approved in this Order effective June 1, 2019, together with all supporting schedules including proof of revenue, customer impacts, and test year revenue requirement. The compliance filing shall be provided in a timely fashion to allow the Board no less than two business days to review and approve consumer rates effective June 1, 2019.
6. Manitoba Hydro file with the next GRA an explanation of the cost and revenue implications of the advancement in the Keeyask construction schedule from an in-service date of August 2021.

7. Manitoba Hydro file with its next GRA filing an Integrated Financial Forecast or other long-term financial forecast in a form consistent with an Integrated Financial Forecast.
8. Manitoba Hydro develop and file with the next GRA a detailed Operating & Administrative expense budget. That detailed budget is to include the 2019/20 year, as well as any years for which Manitoba Hydro seeks a rate increase together with comparison of year-over-year dollar and percentage increases for the last five years.
9. Manitoba Hydro participate in a technical conference hosted by Board staff or an external consultant appointed by the Board for the consideration of the use of rule-based regulation to provide guidance in the setting of consumer rates and of the question of the role and sufficiency of reserves in Manitoba Hydro's operations and the Board's rate regulation of the Utility.
10. Manitoba Hydro study and report at the next GRA on the issues associated with rate differentiation of the General Service Small Non-Demand customer class, including the intra-class impacts of any required rebalancing of customer, energy, and demand charges, whether class consolidation and harmonization with General Service Small Demand and General Service medium classes should continue, and class cost characteristics, load profiles, and bill frequencies.
11. Manitoba Hydro prepare and file a new Prospective Cost of Service Study with the next GRA.

Board decisions may be appealed in accordance with the provisions of Section 58 of *The Public Utilities Board Act*, or reviewed in accordance with Section 36 of the Board's Rules of Practice and Procedure. The Board's Rules may be viewed on the Board's website at www.pub.gov.mb.ca.

THE PUBLIC UTILITIES BOARD

"Robert Gabor, Q.C."

Chair

"Kurt Simonsen"

Associate Secretary

Certified a true copy of Order No. 69/19
issued by The Public Utilities Board



Associate Secretary

TAB 2

Order No. 89/21

**SECOND ORDER IN RESPECT OF THE CONSUMERS COALITION'S APPLICATION
FOR A
MANITOBA HYDRO STATUS UPDATE HEARING**

August 17, 2021

BEFORE: Robert Gabor, Q.C., Chair
Marilyn Kapitany, B.Sc., (Hon), M.Sc., Vice Chair
Hugh Grant, Ph.D., Member
Shawn McCutcheon, Member
Larry Ring, Q.C., Member
Irene A. Hamilton, Q.C., Member

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1.0 Executive Summary

Overview

The Board is satisfied, based on the evidence, that the circumstances of Manitoba Hydro have changed substantially since the Board adjudicated Manitoba Hydro's General Rate Applications in 2018 and 2019 through Orders 59/18 and 69/19.

The Board directs a public process be held through which Manitoba Hydro is to provide additional evidence to assist the Board in its determination of whether Manitoba Hydro's rates are just and reasonable and its costs are fairly allocated among the various customer classes.

It is important to note that no rates are being changed in this Order. This Order does not examine whether existing rates are just and reasonable and in the public interest.

The Board also grants the Consumers Coalition's Motion to admit new evidence in support of its Application, namely, the Hansard transcript of the June 29, 2021 Standing Committee on Crown Corporations.

Background

The Consumers Coalition, representing residential electricity ratepayers, supported by the Manitoba Industrial Power Users Group ("MIPUG"), the Assembly of Manitoba Chiefs ("AMC"), and Manitoba Keewatinowi Okimakanak ("MKO"), has applied to the Manitoba Public Utilities Board ("Board") for a status update hearing to determine whether current rates charged by Manitoba Hydro are just and reasonable and whether Manitoba Hydro's costs are fairly allocated among the customer classes (the "Application").

The Consumers Coalition's Application maintains that in light of the substantial changes in Manitoba Hydro's circumstances since electricity rates were last adjudicated in Board Orders 59/18 and 69/19, ratepayers need up-to-date information through an independent Board process to determine whether they are paying just and reasonable rates for the essential monopoly electricity service.

In Order 53/21, the Board stated that under subsection 26(3) of *The Crown Corporations Governance and Accountability Act* (the "Crown Act"), the Board must be satisfied that Manitoba Hydro's circumstances have changed substantially before it proceeds with a review of prior Board rate Orders.

Following Order 53/21, the Board received additional submissions from Manitoba Hydro as well as from Interveners as detailed in the Procedural History section of this Order.

A Substantial Change in Circumstances

Based on the publicly filed evidence, the Board has determined that Manitoba Hydro's circumstances have changed substantially since the issuance of Orders 59/18 and 69/19, necessitating a public process to assess whether Manitoba Hydro's rates are just and reasonable and its costs are fairly allocated among the different customer classes. The Board finds that the following changes, taken collectively, constitute a substantial change in Manitoba Hydro's circumstances:

- In issuing Order 69/19, the Board relied upon the representation of Manitoba Hydro that it would file its long-range financial forecast and full GRA with the Board in the fall of 2019. That circumstance changed. As submitted by the Consumers Coalition, Manitoba Hydro failed to file the forecast or the GRA. In Order 69/19, the Board specifically noted that "in the absence of a long-term financial forecast, the Board is challenged in its ability to assess the appropriate level of a rate increase in the 2019/20 test year to reduce the likelihood of future rate shock to consumers". Having determined that Manitoba Hydro did not require additional revenue in 2019/20, the Board was concerned about the additional costs to consumers when the Keeyask Generating Station ("Keeyask") and the Manitoba Minnesota Transmission Project ("MMTP") came into commercial service. As the amount and timing of those additional costs had not crystallized, the revenues from the Board's approved rate increase were directed to a deferral account for the future benefit of consumers. The Board stated that, once Manitoba Hydro had filed its full rate

TAB 3



**MINISTER
OF Crown Services**

**Room 314
Legislative Building
Winnipeg, Manitoba CANADA
R3C 0V8**

April 24, 2019

Ms. Marina James, Chair
Manitoba Hydro Electric Board
22nd Floor, 360 Portage Ave.
Winnipeg, MB R3C 0G8

Dear Ms. James:

Manitobans have elected a government that is committed to improving the province of Manitoba. Our priorities include restoring prudent fiscal management, creating jobs, improving health care and education, improving our partnerships and relationships with business, communities and indigenous Manitobans, and increasing openness and transparency of our government. We are focused on achieving results on behalf of all Manitobans.

The Government of Manitoba has entrusted you and your Board to oversee the strategic operation of Manitoba Hydro. This letter is an update to a previous letter and serves to set out our expectations for you.

First and foremost, Manitoba Crown corporations are part of our government family, and must align with our government's mandate to fix our finances, repair our services and rebuild our economy. As referenced in our Ministerial mandates, the old way of doing things, where government just got bigger and more expensive is over.

Crown corporations finances are consolidated in Government's summary statements and we are moving towards a "whole of government" approach to budget processes. Fluctuations in your net income impact our net income on a dollar-for-dollar basis, and thus help or hinder our efforts to move towards balance. All Manitobans expect that you deliver your important services in a fiscally sustainable, predictable, transparent and reliable manner.

In the coming year, we will be taking more steps to fully integrate Crown corporations into our summary budget process. This may affect the timing of budget processes and other financial

matters. I am seeking your support in ensuring accurate, timely financial reporting to government, in particular your vigilance in providing clear and early notice of significant variances to budgets, or changes to your medium and long term forecasts. Please continue to work with Crown Services Secretariat and Treasury Board Secretariat to strengthen alignment with government overall.

The province's efforts to achieve fiscal sustainability requires all of us to work together. In the past, our Crown corporations have struggled to properly manage their costs and strayed outside of their mandates. We expect you to scrupulously manage all operating costs, defer all non-critical capital projects without a clear return on investment, and carefully examine business plans for opportunities to achieve improved financial results. We also expect the Board to carefully examine overall staffing efficiencies. Centrally, we have reduced overall management by over 15%, conducted a "spans and layers" review of management structures, and reduced overall headcount by 8%. We expect you to work towards the same, or more.

In addition, we ask you to review all compensation agreements, including executive compensation practices and interchange agreements to ensure alignment with government policies and practices. The expectation is that compensation practices will reflect the principles of responsible fiscal management and protect the sustainability of services to customers and ratepayers.

We have a strong interest in reducing red tape for all Manitobans. As a Crown, we ask that you integrate the red-tape reduction process and reporting into your Board processes – whether by way of a new Committee or regular reporting mechanisms.

We ask that you limit advertising to responsible mandate focused advertising considered essential for you to successfully perform your core business and continue to work with Government on the alignment of all sponsorship activities with central government.

We also ask that you assume ownership and leadership in respect of our following priorities for you:

- Support the implementation of Efficiency Manitoba to ensure a smooth transition of Demand Side Management programs for Manitoba Hydro customers.
- Cooperate with the inquiry into the development of the Keeyask Generating Station and the Bipole III transmission line and converter stations.
- Work closely with the Province (through Crown Services Secretariat and Treasury Board Secretariat) in respect of any new long-term contractual commitments, including any potential long-term electricity sale arrangements, to ensure return on investment.
- Pursue opportunities with the federal government and other provinces to advance climate change initiatives, including the potential development of an East-West Grid and work with our Intergovernmental Affairs department on opportunities to leverage financial partnerships with the federal government.
- Work with the province on implementing the provincial economic development strategy focused on maximizing economic spinoffs for Manitoba, creating new revenues for Manitoba

Hydro and mitigating the need for future rate increases for customers or less profitable sales outside of Manitoba on the spot market.

- Work with the Public Utilities Board to streamline processes, in an effort to reduce overall costs to ratepayers of regulatory hearings.

Government is committed to advancing reconciliation with Indigenous Manitobans through the renewal of its consultation framework to ensure respectful and productive consultations. All government organizations are expected to contribute to reconciliation in their interactions with Indigenous communities and individuals.

I have also been tasked to achieve more open government through increased transparency in tendering and procurement practices. All Crown corporations should ensure their procurement practices reflect this priority and are aligned with the requirements of trade agreements to which Manitoba is a signatory. In Government, we are centralizing our procurement practices and we urge you to pro-actively join us in this process so that we can shop smarter for all Manitobans.

Government is committed to ensuring all employees are treated with dignity and respect. Respectful workplace policies need to be reviewed and updated to ensure employees have safe and effective pathways to report disrespectful or harassing behaviour without fear of repercussion.

It is my expectation these priorities and initiatives, in addition to those included in your business plan, will be reported on in your 2019/20 Annual Report.

I know you and your colleagues on the Board understand that it is an important responsibility to guide and oversee Manitoba's publicly owned corporations. I know I can count on your hard work and dedication to fulfill your Board's duties and responsibilities. I look forward to hearing your advice and recommendations and to working together on achieving results that will make Manitoba the Most Improved Province and I sincerely thank you for taking on this role and for your dedication and efforts.

Respectfully,

Colleen Mayer
Minister

TAB 4



Annual Business Plan
2021-22

Crown Corporations Governance and Accountability Act

Manitoba Hydro hereby submits its Annual Business Plan as required by the *Crown Corporations Governance and Accountability Act*, consistent with the provided guidelines for a standard format among Crown corporations' plans.

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1.0 Mandate

1.1 Manitoba Hydro's Mandate as set out in *The Manitoba Hydro Act*

The purposes and objects of *The Manitoba Hydro Act* are to provide for the continuance of a supply of power adequate for the needs of the province, and to engage in and to promote economy and efficiency in the development, generation, transmission, distribution, supply and end-use of power and, in addition, are:

- *to provide and market products, services and expertise related to the development, generation, transmission, distribution, supply and end-use of power, within and outside the province; and*
- *to market and supply power to persons outside the province on terms and conditions acceptable to the board.*

1.2 Key Directives from Province

In accordance with *The Crown Corporations Governance and Accountability Act*, the Minister of Crown Services may issue directives to Manitoba Hydro to support provincial policy and Manitoba Hydro must comply with any directive given.

The following directives have been issued to Manitoba Hydro:

- On January 30, 2020 the Minister of Crown Services issued a Directive to Crown Corporations concerning executive management compensation, overall staffing levels and review of management spans and layers.

Manitoba Hydro will remain in compliance with the Directive issued by the Minister of Crown Services. Since 2017, Manitoba Hydro has decreased the overall workforce by 15% and management positions by 22%. In November 2018, Meyers Norris Penny (MNP) issued an audit report on Manitoba Hydro's management reductions and confirmed that the 15% reduction requirement was exceeded. An extensive business model review is currently underway, and targets outlined in the Directive will be incorporated into the new business model.

- In support of the Made-in-Manitoba Climate and Green Plan, Crown Services requests that Manitoba Hydro cancel print-based subscriptions, and the purchase or production of business cards, unless an appropriate exception has been granted.

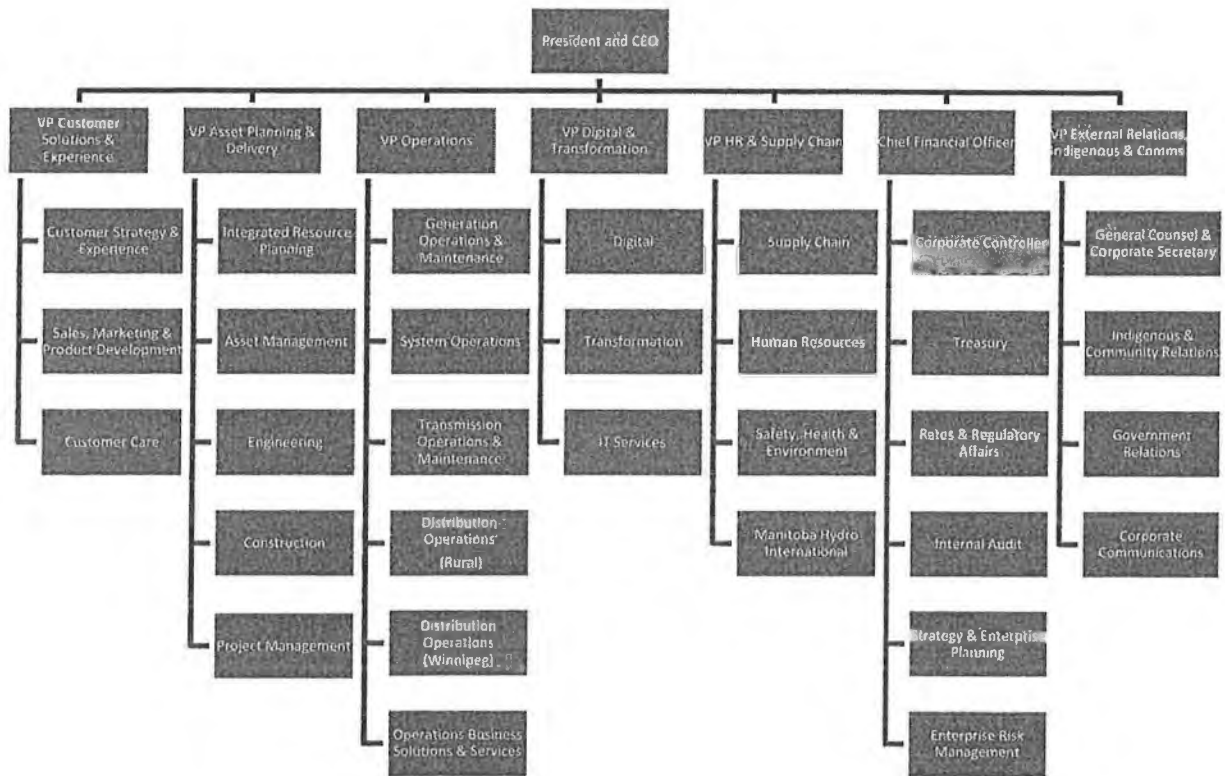
Manitoba Hydro has conducted a review of all print-based subscriptions. There are a small number of print-based subscriptions that remain which are necessary for business purposes. Manitoba Hydro has eliminated the purchase of business cards.

- Manitoba Order-in-Council 00082/2018: A Directive to Manitoba Hydro-Electric Board Respecting Agreements with Indigenous Groups and Communities.

Manitoba Hydro continues to operate in alignment with this directive.

1.3 Priorities of Government

The Minister of Crown Services issued a framework letter to Manitoba Hydro on April 24, 2019. Manitoba Hydro continues to work collaboratively with the Province to support the priorities of government and expectations included in the framework letter (see Appendix A status report).



5.3 Compensation and Staffing

Compensation

Base payroll costs for 2021-22 is forecasted to be approximately \$480 million, which includes a projection for subsidiaries Manitoba Hydro International and Manitoba Hydro Utility Services, but does not include overtime or benefits. Paid overtime costs typically average 15% of base payroll but increased to 16% over a three-year period (2017/18 through 2019/20) primarily as a result of the requirement to restore power for the unprecedented October 2019 storm.

Under normal conditions, overtime is driven by contractual obligations (northern employees), maintenance requirements, emergencies, and deadlines for capital projects. Higher than normal overtime costs are not occurring in 2020-21 and are not anticipated for 2021/22. Manitoba Hydro was requested by the Province of Manitoba to achieve substantial labour cost savings during the fiscal year 2020-21. To achieve those savings, hundreds of vacancies were not filled during the year. The annual turnover rate for 2020 was 7.2% (or 370 employees), slightly higher than the average rate of 6% in the last 6 years. Using this average and the current workforce numbers, it is estimated that the attrition for the 2021 calendar year will be approximately 291 employees. In addition, Manitoba Hydro sustained a significant reduction in staff in 2017 due to a voluntary departure program, and has high number of forecasted retirements (described below). For these reasons, it is expected that Manitoba Hydro will be filling the majority of vacancies and hiring externally to meet its mandated obligations.

Labour Relations

Approximately 79% of Manitoba Hydro's employees are represented by labour unions. The Corporation has been in negotiations with its largest union (IBEW Local 2034) for over two years since the collective agreement expired on December 31, 2018. As of early March 2021, negotiations are continuing with the assistance of a conciliator.

The other three collective agreements expired at the end of 2020. Negotiations with CUPE and AMHSSE began in February 2021. As of early March 2021, negotiations with UNIFOR had not been scheduled. A financial mandate from the Manitoba Government for IBEW negotiations was received in October 2020 covering the years 2019 and 2020. No wage increases for 2021 have been approved or applied.

Retirement Forecast

There are 671 employees (approx. 14% of workforce) eligible to retire in 2021 with a full pension. Manitoba Hydro expects 20% of eligible employees to retire or approximately 134 employees for the 2021 calendar year.

6.4 Other Capital Projects

Significant Capital Projects

The following schedule lists all significant projects (total project value > \$50 million) included in the 2021 Capital Expenditure Forecast.

(\$ Millions)	Total Project Cost	Actual Expenditures*	2020/21 Forecast	2021/22	2022/23	2023/24	2024/25
Generation System							
Pine Falls Units 1-4 Major Overhauls	85	85	3	-	-	-	-
Transmission System							
HVDC Transformer Sustainment	162	162	1	1	1	-	-
St. Vital-DeSalaberry T/L & Station	94	75	57	-	-	-	-
DeSalaberry-Letellier 230kV T/L	71	13	7	17	35	2	2
Dorsey Synchronous Condenser	65	59	1	4	1	-	-
Projects >\$50 million		394	69	22	37	2	2
Other Capital Projects		939	193	239	200	183	182
Capital Programs		-	242	308	353	440	457
Total		1 333	504	569	590	625	641

Framework Letter Directive	Status	
	In Progress	Completed
other financial matters. I am seeking your support in ensuring accurate, timely financial reporting to government, in particular your vigilance in providing clear and early notice of significant variances to budgets, or changes to your medium and long term forecasts. Please continue to work with Crown Services Secretariat and Treasury Board Secretariat to strengthen alignment with government overall.		✓
We expect you to scrupulously manage all operating costs, defer all non-critical capital projects without a clear return on investment, and carefully examine business plans for opportunities to achieve improved financial results. We also expect the Board to carefully examine overall staffing efficiencies. Centrally, we have reduced overall management by over 15%, conducted a “spans and layers” review of management structures, and reduced overall headcount by 8%. We expect you to work towards the same, or more.		✓
We ask you to review all compensation agreements, including executive compensation practices and interchange agreements to ensure alignment with government policies and practices. The expectation is that compensation practices will reflect the principles of responsible fiscal management and protect the sustainability of services to customers and ratepayers.		✓
We have a strong interest in reducing red tape for all Manitobans. As a Crown, we ask that you integrate the red-tape reduction process and reporting into your Board processes – whether by way of a new Committee or regular reporting mechanisms.		✓
Achieve more open government through increased transparency in tendering and procurement practices. All Crown corporations should ensure their procurement practices reflect this priority and are aligned with the requirements of trade agreements to which Manitoba is a signatory. In Government, we are centralizing our procurement practices and we urge you to pro-actively join us in this process so that we can shop smarter for all Manitobans.	✓	
Government is committed to ensuring all employees are treated with dignity and respect. Respectful workplace policies need to be reviewed and updated to ensure employees have safe and effective pathways to report disrespectful or harassing behaviour without fear of repercussion.		✓

TAB 5



THOMPSON
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Writer's Name	Antoine F. Hacault
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April 12, 2021

VIA E-MAIL:
Darren.Christle@gov.mb.ca
publicutilities@gov.mb.ca

The Public Utilities Board
400-330 Portage Avenue
Winnipeg MB R3C 0C4

Attention: Dr. Darren Christle

Re: Application of the Consumers Coalition for an Order
Requiring a Status Update from Manitoba Hydro
Our Matter No. 0151269 AFH

The Manitoba Industrial Power Users Group ("MIPUG") is in receipt of the Manitoba Public Utilities Board ("PUB") letter of April 1, 2021 requesting comment on the Consumers' Coalition ("Coalition") March 26, 2021 application for a review of Manitoba Hydro ("MB Hydro") pursuant to Section 26(3) of *The Crown Corporations Governance and Accountability Act*, Section 44 of *The Public Utilities Board Act* and Rule 23 of *The Public Utilities Board Rules of Practice and Procedure*.

The Coalition's application to the PUB focuses on three priority concerns:

- 1) Fundamental changes in MB Hydro's status, and whether current rates are just and reasonable given these substantial changes in circumstance.
- 2) Urgent unfinished business arising from Directives contained within Orders 69/19 and 59/18.
- 3) Opportunity to "provide fundamentally important rate setting information for the public record".

MIPUG has consistently held the position that a transparent and independent regulatory process is the best approach to establishing appropriate oversight for Manitoba Hydro. A routine and regular regulatory process supports the setting of fair and reasonable



power rates for all Manitobans. The Coalition application is consistent with this MIPUG perspective. Absent action on the Coalition application, it is not readily apparent that any transparent review of MB Hydro will occur for a number of years. Given that MB Hydro has not had a true comprehensive rate review for 4 - 6 years (as outlined below), MIPUG sees the Coalition application as appropriate and recommends the PUB proceed as proposed by the Coalition.

MIPUG recognizes that an intervenor-initiated review of MB Hydro is a relatively unusual event in recent history. However, it is not unprecedented and indeed one of the first modern reviews of electric rates in Manitoba (occurring in 1986/87) started with a filing from the Consumers' Association addressing the question of whether rates were just and reasonable. More recently, a MB Hydro "Status Update" in 2002 (culminating in Order 7/03) occurred in very similar circumstances to the present situation, as outlined below.

With respect to the assertions set out by the Coalition regarding the change of circumstances and outstanding directives, MIPUG is of the view that the Coalition has indeed understated the facts in its presentation of evidence supporting these claims, as follows:

1. Change of Circumstances

The Coalition sets out various facts that have changed for MB Hydro during the last three years (e.g. doubling of assets through completion of Bi-Pole III, Manitoba Minnesota Transmission Line - MMTP and Keeyask, with Unit #1 coming into service in early 2021, along with a new export power sale to SaskPower). However, it is not clear why the Coalition used three years as a timeline for this assessment. In fact, the last full rate filing and review, including a full consideration of operating and maintenance ("O&M") budgets, was undertaken in January 2015, over six years ago (the 2015-2017 GRA).

MIPUG acknowledges that an extensive GRA process was undertaken in late 2017/early 2018 (the 2017-2019 GRA) to deal with MB Hydro's ill-founded attempt to alter its fundamental rate trajectory, but the reviews of this filing became mired in MB Hydro's attempts to change the direction of rates and implement a series of 7.9% annual rate increases (which were ultimately rejected after PUB review). Little time was made available during this proceeding for many normal and traditional rate review topics (such as a review of a properly filed and fully detailed O&M forecast, and/or a review of expected export prices) as it was assumed by MB Hydro in the proceeding that all future exports not then under-contract would only be sold as low value "opportunity" sales. Other priorities, such as optional time-of-use



(TOU) rate designs or consideration of appropriate financial targets¹ were not considered. Indeed, the proceeding remained incomplete in that a properly revised and updated Integrated Financial Forecast ("IFF") reflecting the Board's ultimate determinations was never filed, even as part of a compliance package. As a result, the hearing produced only a general baseline financial forecast to represent directionally the intended outcomes of the Board's Order (known as Exhibit MH-93, a variation of IFF16).

The Coalition accurately represents the process used to set MB Hydro rates in 2019/20 as extremely limited, in part due to MB Hydro's failure to provide any long-term financial forecast. It goes without saying that the last MB Hydro rate increase from 2020, imposed by legislation without PUB review, also fails to meet any evidentiary standard for regulated rates.

As a result, MIPUG submits that the time since a proper and normal review of MB Hydro's full financial picture pre-dates 2017, and more accurately extends beyond six years. Even if one accepts the 2017-2019 GRA process as a comprehensive review, the last long-term financial forecast available as a baseline is at best an incomplete modified IFF16 scenario (a 2016 projection). A proper update would now be working with at least IFF20 (the financial forecast starting with the 2020/2021 year) if not IFF21 (the forecast starting with the 2021/2022 year). During this five-year delay, there have been multiple rounds of operating cost cuts imposed by Government directives, changes to MB Hydro subsidiaries, and actual experience gained through operation of MMTP in concert with an evolution of export market pricing. Multiple other factual changes also exist that are incompletely noted in, or go beyond, the summary provided by the Coalition.

Another changed circumstance highlighted by the Coalition, the report of the Keeyask and Bi-Pole III Commission (the "Wall Report") is noted, but the Coalition fails to note some critical findings of the Commission. For example, the Wall Report found in Recommendation 2.6 that:

"Manitoba Hydro's ratepayers should not bear the risk associated with new generation projects that will, for an extended period of time, be commercial in nature, used for exports, and not needed to serve domestic demand. In other words, they should not be used as involuntary equity investors"

¹ Because the proceeding was focused mainly on a binary consideration of whether the traditional financial targets remained valid, versus more radical new aggressive targets proposed by MB Hydro's then Board of Directors, there was little time spent on important outstanding issues regarding the traditional financial targets, and important variations and tweaking that merited serious attention.



for projects to serve export demand in a risky market. Since it is the Government that approves export contracts and new generation projects like Keeyask, not ratepayers, and the Government that benefits (through water rentals, capital taxes and debt guarantee fees from Manitoba Hydro) even if such projects do not turn out well financially (as discussed in Chapter 4), it is the Government that should bear this risk (Volume 1, page 151)."

This finding is consistent with the MIPUG recommendation from the 2017-2019 GRA, as highlighted in Board Order 59/18 page 179, and consistent with the general principles adopted by the PUB's finding at page 181 of that Order. In MIPUG's view, this additional finding by the Wall Commission represents a change of circumstances that combined with the lack of a Manitoba Hydro load forecast reflective of current and projected market conditions (inclusive of actions taken by Efficiency Manitoba) requires PUB consideration.

2. Outstanding Directives

The Coalition highlights a set of PUB Directives that are outstanding from Orders 69/19 (the limited-scope 2019/20 rate proceeding), which is accurate. These Directives were included in Order 69/19 with the explicit recognition that they would be part of a GRA to be filed in late 2019 for rates starting in 2020/2021.

The Coalition's submission however fails to note that the entire proceeding leading to Order 69/19 had already accepted a failure on MB Hydro's part to respond to Directives from Order 59/18. MB Hydro's Application of November 30, 2018 for 2019/20 rates specifically acknowledged these directives (page 1):

"Order 59/18 also contained a number of directives and recommendations requiring work to be undertaken and completed by Manitoba Hydro prior to filing its next GRA.

With the appointment of a new Manitoba Hydro-Electric Board ("MHEB"), a comprehensive review of Manitoba Hydro's operations, forecasts and financial plans is currently being undertaken to allow the MHEB to establish a long-term financial plan for the Corporation. As a result of the foregoing, and further to Manitoba Hydro's correspondence of November 12, 2018 and the PUB's correspondence of November 21, 2018, Manitoba Hydro is submitting to the PUB a one-year rate increase application for the 2019/20 fiscal year which is based on financial



information currently approved by the MHEB for the 2018/19 and 2019/20 fiscal years as set forth in its letter of November 12, 2018. Upon the MHEB's development and approval of a long-term financial plan, Manitoba Hydro will submit a full GRA to the PUB, anticipated to be filed in late 2019. A fulsome review of Manitoba Hydro's responses to those directives contained in Order 59/18 which the PUB indicated in its November 21, 2018 correspondence would be deferred, will also be addressed as part of the next GRA."

We therefore submit that the full scope of delays faced by the independent regulatory process is more extensive than suggested by the Coalition's Application.

3. Review Essential for Decisions by MIPUG Members and Long-Term Planning by Industrials

Finally, MIPUG notes that the Coalition predicates its Application in part on the need to "provide fundamentally important rate setting information for the public record". MIPUG cannot over-emphasize the importance of this perspective.

It is critically important for industrial enterprises to have forward-looking information about the level of rates and related risks that they will face today and into the future. Industrials use this information to make reasonable inferences about Manitoba's competitive position in respect to energy rates when planning for future long-term production output and investment in Manitoba. The failure of MB Hydro to produce an appropriate IFF since 2016, combined with presentations of limited short-term forecasts (e.g., the proceeding leading to Order 69/19) and a lack of transparency regarding the most recent rate and regulatory changes imposed by the legislature, means that industry in Manitoba is presently operating with an unprecedented lack of confidence. Conditions related to rate competitiveness in Manitoba are opaque and important decisions regarding capital investment by industry and post-pandemic production scheduling are already beginning to direct critical resources elsewhere. If allowed to continue, opportunities for Manitoba-based operations will inevitably be lost.

While MB Hydro does not appear to share a mutual understanding of the importance that this information holds for MIPUG members and industry generally (failing to treat sharing of its long-term forecast information with ratepayers as a high priority), it is of utmost importance to the public interest. This information is particularly relevant to businesses as it seeks to rebound from the difficult economic conditions of a pandemic. Routine and transparent regulation, overseen by an independent regulator, is the only way to achieve ratepayer confidence.



Prior Precedent

The noted pattern of MB Hydro delays and lack of response to outstanding issues is similar to that faced by the PUB around 1999-2001. At that time, MB Hydro had recently been before the Board on many matters (including the purchase of Centra Gas from Westcoast Energy, Curtailable Service Program approval, Surplus Energy Program update and Limited Use Billing Demand program initiation, etc.) but had not participated in a full General Rate Application since 1996 (leading to Order 51/96). The Board wrote to MB Hydro on November 23, 1999 expressing concerns over repeated delays in addressing the Directives from Order 51/96, asking for MB Hydro's "comments as to how these matters can be brought forward in the near-future".

Exchanges of information related to the Directives, and two concurrent outstanding issues (related to the integration of Centra Gas and Government throne speech commitments to implement Uniform Rates) ultimately led to the Consumers Association of Canada and the Manitoba Society of Seniors ("CACMSOS") to request that the Board initiate a review of Order 51/96 "on the grounds that there has been a substantial change in Manitoba Hydro's circumstances since the last general rate review in 1996" (CACMSOS letter dated April 12, 2001). The current Application by the Coalition accurately notes that the "2002 Status Update Proceeding" was completed, resulting in Order 7/03, but fails to note that this update was only initiated under direction from the PUB, pursuant to requests from an intervenor group. Further, despite MB Hydro indicating (at that time) that it saw no need for rate changes (see Order 9/02, pages 3 - 4), the Board did consider whether rates were just and reasonable, and ultimately disagreed with MB Hydro, finding that rates required change as part of Order 7/03.

Conclusion and Process

For the above noted reasons, as well as those summarized in the Coalition's submission, MIPUG views the current situation as one where MB Hydro faces materially changed circumstances; where an independent, open, and transparent review of the Crown Corporation, including long-term forecasts, is well overdue; and, where action by the PUB is likely the only opportunity to secure the needed process.

In short, MIPUG supports the Coalition submission based on the principles outlined in this letter as demonstrated in past interventions.

For clarity, MIPUG also notes that the Coalition proposes that MB Hydro file its materials by June 1, 2021 and a pre-hearing conference be held June 15, 2021 to address



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procedural matters. MIPUG is in support of these dates and is willing to work with the PUB and MB Hydro to achieve these outcomes.

With respect to materials, the Coalition recommends a list of items to be filed by MB Hydro (Page 6) in its Application. From this list, MIPUG considers the Corporate Strategic Plan, the long-term Capital Expenditure Forecast and the long-term (20 year) IFF to be of critical importance for the public record, and emphasizes to the PUB that such materials are required for a proper review. Each of these items are also of important internal value to MB Hydro for ensuring prudent and prioritized investments and appropriate management of Corporate borrowing (e.g. terms and maturity), so it should be understood that such forecasts currently exist. It is necessary for a transparent and comprehensive process to ensure that MB Hydro makes these materials available.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per: *Antoine F. Hacault*
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TAB 6



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June 9, 2021

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: Manitoba Hydro Submission in Response to Order 53/21

On May 10, 2021, the Public Utilities Board (“PUB”) issued Order 53/21 in response to the Consumer Coalition’s (the “Coalition’s”) Application for the PUB to commence a status update process with respect to Manitoba Hydro. To assist in the PUB’s factual assessment and determination on the threshold question of whether there has been a substantial change in Manitoba Hydro’s financial circumstances since Orders 59/18 and 69/19 to the date of the Coalition’s Application, Order 53/21 directed Manitoba Hydro to file versions of the following select documents that are currently in use in the management and operations of Manitoba Hydro:

1. the Integrated Financial Forecast (“IFF”);
2. the Capital Expenditure Forecast (“CEF”);
3. the Prospective Cost of Service Study; and
4. the 2021/22 and 2022/23 forecast of net export revenue and net income for each of the possible water flow conditions, in a form similar to the table and graph provided in response to 2019/20 GRA PUB/MH I-29(b) and (c). The forecast of net export revenue and net income should incorporate water flow conditions updated to at least March 15, 2021. This is to be filed along with an explanation as to the probabilities of droughts (defined as below average hydraulic generation) in each of 2021/22 and 2022/23.

As noted in its response of April 12, 2021, Manitoba Hydro does not have a current approved IFF and CEF. The Corporation recently approved Strategy 2040 in January 2021 and since that time has been engaged in the process of identifying, assessing and developing the various

Available in accessible formats upon request

initiatives underlying Strategy 2040 with consideration of the uncertainty related to potential future changes in the energy landscape. As the initiatives are further studied and developed, they will influence the assumptions incorporated into the long-term financial forecast (i.e. IFF and CEF) underpinning Manitoba Hydro's winter 2022/23 application.

In accordance with the PUB's direction in Order 53/21 requiring more current information regarding Manitoba Hydro's circumstances, Manitoba Hydro is providing the following information used in the management and operations of the corporation:

1. In lieu of a long-term financial forecast, the following financial information is provided:
 - Actual financial results for 2018/19 and 2019/20 compared to the Outlook/Budget for these years as provided in the 2019/20 GRA; and
 - The budgeted net income for 2020/21 and the 2020/21 forecast (as of December 31, 2020) and the budgeted net income for 2021/22, as well as a comparison to the net income for these years in Exhibit 93 from Manitoba Hydro's 2017 GRA.
2. Actual capital expenditures for 2018/19 and 2019/20, and the capital budget for 2020/21 and 2021/22 compared to the forecast of capital expenditures for these years as provided in the 2019/20 GRA.
3. The results of the Prospective Cost of Service Study for 2020/21 ("PCOSS21"), which reflects Bipole III fully in-service, as well as costs related to the Keeyask Generating Station (reflecting a June 2020 in-service assumption), the Manitoba Minnesota Transmission Project ("MMTP") and the Great Northern Transmission Line ("GNTL") project.
4. Current water conditions, energy in storage and hydraulic generation information, and the range of net export revenue for 2021/22 given low and high-water flow conditions.

Consistent with the PUB's direction in Order 53/21, the enclosed information provides the PUB with a fulsome and current picture of Manitoba Hydro's actual financial circumstances, and how costs are being borne by the different customer classes.

Manitoba Hydro's Actual Financial Results are Consistent with Past Forecasts – There Has Not Been a Substantive Change Since the Issuance of Orders 59/18 and 69/19

Appendix 1 of this submission provides a comparison of Manitoba Hydro's actual financial results for its Electric Segment for 2018/19 compared to the Outlook provided in the Supplement to Manitoba Hydro's 2019/20 GRA, and actual results for 2019/20 compared to the Compliance Filing to Order 69/19. Appendix 1 also provides the forecast net income for the 2020/21 fiscal year as provided in Manitoba Hydro's 3rd quarter financial report and the

budget of net income for 2021/22.

The comparisons provided in Appendix 1 clearly demonstrate that for the period 2018/19 through to 2021/22, Manitoba Hydro's actual and budgeted net income results are consistent with the financial forecasts relied upon by the PUB in making its decisions in Orders 59/18 and 69/19. When compared to the Exhibit 93 scenario from Manitoba Hydro's 2017 GRA, which the PUB indicated was directionally consistent with its decisions in Order 59/18, the cumulative budgeted net income balances for the 2020/21 – 2021/22 period are different by only \$17 million. Notably, the \$17 million is considerably lower than the \$45 million balance referenced in the expert evidence filed on behalf of the Coalition in Manitoba Hydro's 2019/20 GRA (page 29) which the Coalition relied upon in concluding that \$45 million is not a material change for a utility the size of MH:

“Removing the \$76 million variance related to the 2017/18 actual financial results from the MH analysis will reduce the change in retained earnings since the last GRA to \$45 million (\$121 million less \$76 million). Even without considering if there are any adjustments that should be made to MH Exhibit #93 to appropriately conduct this analysis, a \$45 million change in retained earnings from the 2019/20 projected amount of \$3.047 billion in the exhibit represents a 1.5% change (\$45/\$3,047). This is not a material change in the projected retained earnings of a utility the size of MH.”

When comparing actual and recently budgeted capital expenditures to forecast levels provided to the PUB in Manitoba Hydro's 2019/20 GRA a similar and consistent result occurs. **Appendix 2** of this submission provides Manitoba Hydro's actual capital expenditures for its major new generation and transmission projects and business operations capital for 2018/19 and 2019/20 compared to the forecast provided in the Supplement to the 2019/20 GRA. In addition, Manitoba Hydro's current approved capital budget for 2020/21 and 2021/22 is comparable to the capital forecast for these years as contained in the 2018 Capital Expenditure Forecast (“CEF18”) as presented at the 2019/20 GRA. Notably, annual differences between Manitoba Hydro's actual and current budget capital expenditure levels compared to the forecasts reviewed in the 2019/20 GRA range from less than 1% to approximately 5%.

As the above analysis demonstrates, there has not been a substantive change in Manitoba Hydro's circumstances from that which was forecasted in the proceedings resulting in Orders 59/18 and 69/19. The impacts of bringing Keeyask and other major capital projects into service was contemplated by Manitoba Hydro, interveners and ultimately the PUB when it last established just and reasonable rates. The Coalition acknowledged this in its closing submission for the 2019/20 GRA (transcript pages 1065-1066) as follows:

“Slide 57 is just a reminder of Mr. Bowman that this Board was not myopic in the past. Historic rate increases have always kept in mind that Keeyask is coming. There's no need to panic.” [p. 1065]

“And it is helpful to remember with the good advice of Mr. Bowman and Mr. Rainkie that early advancement of Keeyask was the plan. It shouldn't be grounds for panic. And in the second bullet on this page, Mr. Rainkie talks about his experience, his commitment on behalf of Manitoba Hydro to take all necessary actions to manage its costs to mitigate the impact of the capital development. As Mr. Rainkie points out, the advancement of Keeyask is not a negative change in circumstances that requires emergency regulatory action. It is a very delivery of a plan that was put forward by Manitoba Hydro.” [p. 1066]

The 2021 Prospective Cost of Service Study (PCOSS) is Consistent with Expectations

Appendix 3 of this submission provides the results of Manitoba Hydro's Prospective Cost of Service Study for the 2020/21 fiscal year, which reflects Bipole III fully in-service, as well as costs related to the Keeyask Generating Station (reflecting a June 2020 in-service assumption), MMTP and GNTL projects. Appendix 3 also compares the revenue cost coverage (“RCC”) ratios of PCOSS21 to scenarios filed in the 2017 GRA and 2019/20 GRA that provided an indication of the level of class RCC ratios that could be expected once Bipole III was brought into service.

This comparison demonstrates that the results in PCOSS21 are consistent with the information considered by the PUB in reaching decisions in both Orders 59/18 and 69/19. Specifically, the zone of reasonableness (“ZOR”) status remains the same such that the customer classes that were within the ZOR in the scenarios filed in the last two GRAs remain in the ZOR, and those classes outside of the ZOR remain outside the zone. This analysis demonstrates that there has not been a significant change in the RCC ratios when considering the in-service of the major capital projects.

Too Early to Speculate and Draw Conclusions on the Impact of Low Water Flows

In Order 53/21, the PUB acknowledged that one of the greatest risks faced by Manitoba Hydro is hydrology and directed Manitoba Hydro to provide hydrology information, actual water flow and reservoir conditions and expected inflows. **Appendix 4** provides information on the 2018/19, 2019/20, 2020/21 actual water flow conditions and the associated impacts on hydraulic generation. In addition, Appendix 4 provides a discussion of 2021/22 current water conditions, energy in storage and hydraulic generation information, as well as a sensitivity

analysis of the potential upper and lower net export revenue changes.

The historical water flow information identifies that for the periods 2018/19 through to 2020/21, water levels were, for the most part, close to or above average resulting in hydraulic generation that ranged from 5% below to 9% above the hydraulic generation assumed in the budgets for these years. For the 2021/22 forecast period, overall system flows are approximately 80% of average for this time of year and hydraulic generation is projected to be 5% below budget, well within the typical year to year variability.

As hydraulic generation and net revenues are largely dependent on spring and summer rainfall, it is too early to assess the impact of low water conditions with certainty as water supplies can recover to average or above average relatively quickly following persistent, widespread rain events. As always for Manitoba Hydro, if there is a material change in its financial circumstances due to actual water flows throughout the year or as a result of other events, at the direction of the Manitoba Hydro-Electric Board, Manitoba Hydro will avail itself to the relevant provisions of *The Crown Corporations Governance and Accountability Act* (the "CCGAA") to apply for any necessary rate relief from the PUB at that time.

No Substantial Change in Circumstances Has Occurred – Existing Rates Remain Just and Reasonable

In Order 53/21, the PUB indicated that pursuant to subsection 26(3) of the CCGAA, the PUB must firstly be satisfied that Manitoba Hydro's circumstances have changed substantially before it proceeds with a review of prior rate Orders. Recently the PUB similarly considered whether the circumstances of the Manitoba Public Insurance Corporation ("MPI") had substantially changed pursuant to Section 26(3) of the CCGAA as a direct result of the pandemic on MPI's business.

In Order 71/20, the PUB accepted the position advanced by MPI in its Application that MPI experienced a substantial change in circumstances such to justify a rebate to its customers. The PUB's finding was based upon significant changes in financial results including an actual reduction in claim costs for the one month period from March 16, 2020 to April 15, 2020 of \$29 million and forecasted additional reductions in claim costs of \$29 million between April 16, 2020 and May 15, 2020 (Order 71/20 at page 24) during the initial months of the pandemic in Manitoba. The evidence before the PUB was that collision claims frequency was 63.5% under budget (Order 71/20 at page 11).

Unlike MPI, Manitoba Hydro has not experienced a change in its circumstances anywhere near the degree or immediacy experienced by MPI over the last year due to the pandemic or otherwise. As demonstrated in the attached documents, Manitoba Hydro's overall financial results and near-term forecasts are consistent with the information previously provided in the proceedings leading up to Orders 59/18 and 69/19. There has not been a substantive change to the circumstances of Manitoba Hydro as alleged by the Coalition.

For all of the above noted reasons, together with the reasons provided in Manitoba Hydro's submission to the PUB of April 12, 2021, the Coalition's Application should be dismissed.

Manitoba Hydro submits that the information provided herein fully satisfies the intention of the PUB as expressed in Order 53/21. To the extent that the PUB may find that this submission and the enclosed information does not fully satisfy Order 53/21, Manitoba Hydro requests that the PUB accordingly vary Order 53/21 in accordance with section 36 of the Public Utilities Board Rules of Practice and Procedure.

Should the PUB elect to receive further submissions from the Coalition or any past Interveners of Record on this filing, Manitoba Hydro respectfully requests that the PUB provide it with the opportunity to reply to those submissions as a matter of procedural fairness.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3257 or Darryl Martin at 204-360-4487.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION

Per:



BRENT A. CZARNECKI
Barrister & Solicitor

FINANCIAL FORECAST ANALYSIS**2018/19 and 2019/20 Actuals Compared to Budgets Previously Filed with the PUB**

A comparison of actual results for 2018/19 and 2019/20 to the budgets filed as part of Manitoba Hydro's 2019/20 GRA is provided below:

Table 1

	Actuals 2018/19 (a)	Supplement 2018/19 (b)	Presentation Adjustment (c)	Supplement Adj. for IFRS (d)	Increase (Decrease) (e)	Actuals 2019/20 (f)	Compliance Filing 2019/20 (g)	Presentation Adjustment (h)	Compliance Filing Adj. for IFRS (i)	Increase (Decrease) (j)
Revenues										
Domestic	1,707	1,703		1,703	4	1,702	1,699	33	1,732	(30)
Bipole III Account/Amortization		(44)	44		-		78	(78)		
Extraprovincial	430	432		432	(2)	468	418		418	50
Other	26	85	(58)	27	(1)	26	27		27	(1)
	2,163	2,175	(15)	2,160	1	2,196	2,222	(45)	2,177	19
Expenses										
*Finance Expense	709	712		712	(3)	756	741		741	15
Operating and administrative	508	501		501	7	512	511		511	1
Depreciation and amortization	468	465		465	3	481	505		505	(24)
Water rentals and assessments	113	114		114	(1)	126	117		117	9
Fuel and power purchased	136	135		135	1	98	127		127	(29)
Capital and other taxes	138	139		139	(1)	146	148		148	(2)
Other expenses	88	73		73	15	70	74		74	(4)
Corporate allocation	8	8		8	-	8	8		8	-
	2,168	2,148		2,148	21	2,197	2,233		2,233	(36)
Net Movement in regulatory deferral balances	103	65	15	80	23	106	70	45	116	(10)
Net Income	98	92	-	92	6	105	59	-	60	45
Net Income (Loss) Attributable to:										
Electric Segment	101	95		95	6	105	64		64	41
Non-Controlling Interest	(3)	(3)		(3)			(4)		(4)	

*Finance Expense is net of finance income

For the 2018/19 year the increase (decrease) is calculated as "a-d=e", where column d is calculated as "b+c=d"

For the 2019/20 year the increase (decrease) is calculated as "f-i=j", where column i is calculated as "g+h=i"

As outlined in the table above, there is minimal change (\$6 million) in net income for 2018/19 and the increase to net income of \$41 million in 2019/20 is primarily driven by higher net export revenues as a result of favourable water conditions. Given the nature of Manitoba Hydro's operations, fluctuations in net income due to changes in water conditions can be expected.

The presentation of the figures provided in the Supplement to the 2019/20 GRA (for 2018/19) and in the Compliance Filing to Order 69/19 (for 2019/20), have been adjusted to the accounting form of presentation consistent with that used for financial reporting purposes in compliance with International Financial Reporting Standards ("IFRS") and do not represent a change in financial results. The IFRS standard requires revenues associated with the 2.5% rate increase approved in Order 69/19, which the PUB directed be placed in the major projects deferral account, be recorded through revenue and subsequently deferred to a regulatory

liability through net movement. The Compliance Filing assumed the 2.5% rate increase would be deferred through revenue rather than net movement. As such, adjustments to both domestic revenue and net movement are required in order to provide a comparison to actuals on a consistent basis aligned with IFRS. In addition, the amounts deferred associated with the Bipole III account as well as the amortization also flow through net movement on an actuals basis and have been adjusted accordingly.

Differences between the actuals and the compliance filing & supplement adjusted for IFRS presentation for individual line items >\$30M (approximately 1% of total revenues or expenses) are discussed below:

- 1) The decrease in domestic revenue of \$30M in 2019/20 is primarily the result of lower customer usage in all customer classes. Weather was not a factor in the variance and the lower usage in the large industrial customer class was primarily due to unplanned plant shutdowns earlier in the fiscal year. COVID-19 did not have an impact on 2019/20 revenues.
- 2) Extraprovincial revenues were higher by \$50M in 2019/20 largely driven by higher U.S. opportunity sales volumes due to more favourable water conditions (total U.S. opportunity volumes were 2,390 GWh or 58% higher than forecasted), partially offset by lower spot market prices.

2020/21 Budget/Forecast and 2021/22 Budget

Manitoba Hydro's approved budgeted net income for the Electric Segment is \$37 million for 2020/21 and \$177 million for 2021/22¹. The budgets were reviewed and approved as part of the corporation's consolidated budget submission by both the Manitoba Hydro-Electric Board and Treasury Board.

On an overall basis COVID-19 is not expected to have a significant impact on the corporation's financial results. While the pandemic has resulted in lower domestic consumption for both industrial and general service customers classes, this is being partially offset by higher usage for residential customers in part due to COVID-19. The impacts of lower spot market prices on net export revenues is projected to be mainly offset by lower Operating & Administrative costs as a result of the corporation's cost reduction measures implemented to support the

¹ The 2021/22 Budget includes forecast water flows, short-term energy prices and key economic indicators as of fall 2020.

government pandemic cost saving initiative. In addition, the corporation is forecasting slightly higher interest costs due to earlier timing of debt borrowings that were required to ensure liquidity in response to market disruptions caused by COVID-19.

At the time of the 2020/21 budget submission, the corporation had assumed an earliest 1st unit in-service date for the Keeyask Generating Station of June 2020. With delays in construction due to COVID-19 and other factors, the corporation's expected earliest 1st unit in-service date was subsequently revised to winter 2021 which was still ahead of schedule. As a result, the forecasted net income projection for the 2020/21 fiscal year as of the 3rd quarter was \$99 million primarily due to lower depreciation, as well as lower finance expense as interest costs continue to be capitalized during construction. The 2021/22 budget assumes the remaining Keeyask units will be placed in-service by the end of the fiscal year.

Comparison to Exhibit 93

Exhibit 93 is a financial forecast scenario from Manitoba Hydro's 2017 GRA that is based on Manitoba Hydro's updated MH16 financial forecast and includes the PUB's interim rate increase of 3.36% effective August 1, 2017. Beginning in the 2018/19 test year, Exhibit 93 assumed equal annual rate increases of 3.57% through to 2035/36 at which time the debt/equity target of 75/25 is achieved. The PUB stated in its findings in Order 59/18 and again in order 69/19 that,

"The Board finds that with minor adjustments, this scenario is directionally consistent with the Board's decisions in this Order."

Table 2 below compares the forecasted net income for 2020/21 and the budgeted net income for 2021/22, to the net income levels from the Exhibit 93 scenario for the same periods.

Table 2

(\$ millions)	2020/21	2021/22	Cumulative Net Income	Cumulative % Difference
Forecast/Budget Net Income	\$99	\$177	\$276	
Exhibit 93 Net Income	\$115	\$178	\$293	
Difference	(\$16)	(\$1)	(\$17)	6%

Based on the above analysis, it is evident that a substantial change in Manitoba Hydro's financial circumstances has not occurred since the issuance of Orders 59/18 and 69/19.

CAPITAL EXPENDITURES

The following table provides a summary of actual capital expenditures for 2018/19 and 2019/20 as well as the approved budget for 2020/21 and 2021/22 with a comparison to information provided in the 2019/20 GRA. On an overall basis, there are no material variances, which further demonstrates that there has been no significant change in circumstances since the corporation's last GRA.

(\$ Millions)	2018/19			2019/20			2020/21			2021/22		
	Actual	Application Supplement	Variance	Actual	Application Supplement	Variance	Budget	2019/20 Application (CEF18)	Change Inc/(Dec)	Budget	2019/20 Application (CEF18)	Change Inc/(Dec)
Keeyask	1,315	1,304	(11)	1,111	1,119	8	827	847	(20)	648	764	(116)
Bipole III Reliability	215	242	27	70	101	31	26	3	23	28	-	28
Manitoba-Minnesota Transmission Project	66	77	11	258	276	18	77	91	(14)	22	-	22
Birtle Transmission	3	2	(1)	13	25	12	33	18	15	21	13	8
Electric Business Operations Capital	465	478	13	545	478	(67)	485	521	(36)	526	533	(6)
TOTAL	\$ 2,064	\$ 2,103	\$ 39	\$ 1,997	\$ 1,999	\$ 2	\$ 1,448	\$ 1,480	\$ (32)	\$ 1,246	\$ 1,310	\$ (64)
			1.9%			0.1%			-2.2%			-4.9%

2018/19

The 2018/19 under expenditure of \$39 million, representing less than 2% of the \$2.1 billion forecast, was primarily related to unused project contingency budgeted for the Bipole III Reliability project to address unforeseen risks that had not fully materialized and lower capitalized interest resulting from an earlier in-service date than planned.

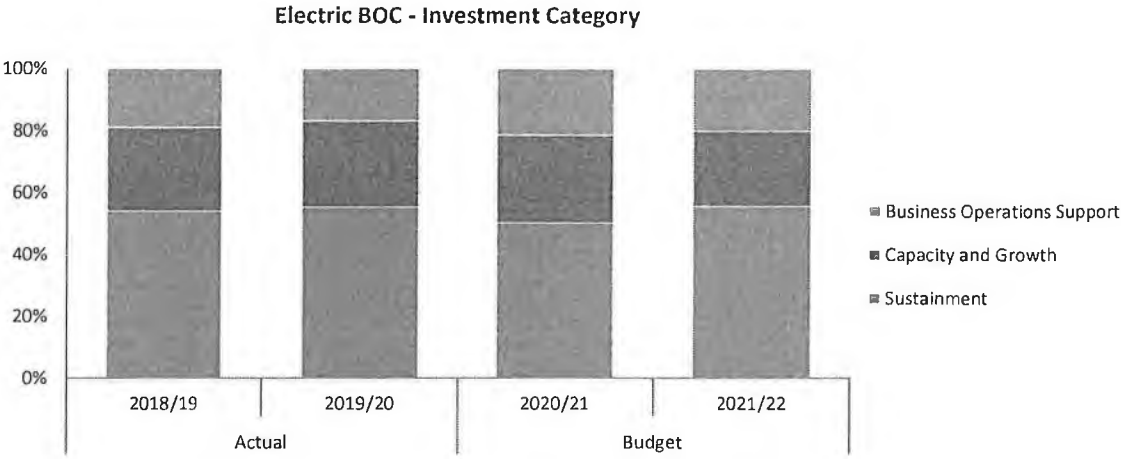
2019/20

While the total under expenditure is \$2 million, the most notable variance for 2019/20 included an over expenditure in Business Operations Capital resulting from the unforeseen October 2019 storm of approximately \$65 million. This was partially offset by an under expenditure on the Bipole III Reliability project mainly due to the sale of the Keewatinohk Camp, early completion of the Keewatinohk water treatment plant, as well as unused contingency budgeted for unforeseen risks that had not materialized.

2020/21 & 2021/22

The 2020/21 and 2021/22 capital budgets were approved as part of the corporation's annual consolidated budget submissions by both the Manitoba Hydro-Electric Board and Treasury Board. Both fiscal year budgets reflect a lower investment requirement compared to the CEF18 forecast projection submitted in the 2019/20 GRA. The 2020/21 reduction of \$32 million was primarily in Business Operations Capital and is mainly due to a decrease in requirements addressing distribution station capacity issues and the replacement of aging distribution assets. The 2021/22 reduction of \$64 million is primarily due to the expected advancement of Keeyask first power from 2021/22 to 2020/21.

The graph below further demonstrates that the categorization of Business Operations Capital (“BOC”) investments between 2018/19 and 2021/22 remains substantially unchanged as approximately half of the corporation’s capital requirements continue to be related to sustainment activities required to ensure the continued and future performance capability of the system and to address the issue of aging or obsolete assets.



PROSPECTIVE COST OF SERVICE STUDY 2020/21 ("PCOSS21")

2017/18 & 2018/19 General Rate Application ("2017 GRA")

Manitoba Hydro filed PCOSS18 as part of the 2017 GRA, the results of which did not reflect the impacts of Bipole III or Keeyask as they were not yet in-service at that time. Recognizing that the capital investments of Bipole III and Keeyask would impact customer classes' respective share of revenue requirement, Manitoba Hydro prepared an indicative scenario, which was filed in response to PUB/MH II-88, in order to provide directional impacts related to the in-service of Bipole III. That scenario demonstrated that once Bipole III was in-service, all customer classes, with the exception of General Service Small Non-Demand ("GSS ND") and Area & Roadway Lighting, were expected to be within the zone of reasonableness (ZOR).

In its Order 59/18, the PUB directed Manitoba Hydro to implement differentiated rates to gradually begin moving customer classes into the ZOR over a ten-year period, stating:

"This approach to the implementation of differentiated rates is consistent with the principle of gradualism and limits the revenue recovery responsibility of the other customer classes, while maintaining overall revenue neutrality. This approach will also assist in limiting the prospect of over-correction of the issue at the time Bipole III enters service."

This differentiation was reflected in the rates approved by the PUB that were effective June 1, 2018.

2019/20 General Rate Application ("2019/20 GRA")

As part of the 2019/20 GRA, Manitoba Hydro filed an updated scenario in its response to PUB/MH 1-61a that once again gave an indication of the level of class RCC ratios that could be expected once Bipole III was brought into service. Consistent with the scenario filed in the 2017 GRA (PUB/MH II-88), the updated scenario demonstrated that the expected shift in costs would result in most classes being brought into the zone of reasonableness, with the exception of GSS ND and Area & Roadway Lighting.

The scenario filed in PUB/MH I-61a of the 2019/20 GRA was the basis of the PUB's examination of the need for and implementation of differentiated rate increases in Order 69/19.

PCOSS21

Subsequent to the 2019/20 GRA, Manitoba Hydro completed PCOSS21, which is its most current cost of service study and is based on Manitoba Hydro's approved budget for the 2020/21 fiscal year. The revenue requirement underlying PCOSS21 includes a fully in-service Bipole III, as well as costs related to the Keeyask Generating Station (reflecting a June 2020 in-service assumption), the Manitoba Minnesota Transmission Project "MMTP" and the Great Northern Transmission Line "GNL" project.

PCOSS21 reflects the following rate changes, in comparison to rates reflected in PUB/MH I-61a:

- Differentiated 2.5% rate increase granted in Order 69/19;
- The Rate adjustments required to eliminate the Former First Nations on Reserve Residential Rate and transition customers to approved residential rates approved in Order 110/20 (6.5% rate increase to Former First Nations on Reserve customer, and 0.1% reduction to other classes); and,
- 2.9% increase effective December 1, 2020.

PCOSS21 Demonstrates there is No Material Change

A comparison of the results of PUB/MH II-88 (from the 2017 GRA) and PUB/MH I-61a (from the 2019/20 GRA) scenarios, which provided the directional impacts that could be expected due to the addition of Bipole III, against the results of the current PCOSS21, which fully incorporates Bipole III as well as other major generation and transmission projects, shows that the current RCCs are consistent with the information considered by the PUB in reaching decisions in both Order 59/18 and Order 69/19. As expected, the increases in generation and transmission related costs has decreased the RCC for the GSL 30-100kV and GSL >100kV classes, whose costs are almost exclusively generation and transmission related, moving both classes to within the ZOR.

Customer Class	2017 GRA		2019/20 GRA	Current
	PCOSS18 RCC Main Filing	RCC including Bipole III PUB/MH II-88	RCC ¹ including Bipole III PUB/MH I-61a	PCOSS21 RCC
Residential	94.8%	96.7%	96.3%	96.2%
General Service - Small Non Demand	112.5%	115.3%	116.7%	113.8%
General Service - Small Demand	101.0%	101.3%	101.8%	104.0%
General Service – Medium	98.3%	97.4%	97.5%	99.3%
General Service - Large 0 - 30kV	99.1%	96.5%	96.1%	95.6%
General Service - Large 30-100kV	109.3%	103.5%	104.6%	103.7%
General Service - Large >100kV	108.6%	101.5%	101.9%	101.2%
Area & Roadway Lighting	100.3%	118.2%	118.7%	123.3%

¹Note: the calculation in the original response disaggregated the former First Nations on Reserve Residential "FNORR" and Residential excluding FNORR

Specifically, the ZOR status for each customer class remains the same such that the customer classes that were within the ZOR in the scenarios filed in the previous two GRAs remain in the ZOR, and those classes that were outside of the ZOR remain outside the zone, as shown in the table below.

	PUB/MH I-61a From 2019/20 GRA		PCOSS21 Current		Difference in RCC	Change in ZOR Status
	RCC	ZOR Status	RCC	ZOR Status		
Residential	96.3%	In	96.2%	In	(0.1%)	Unchanged
GSS ND	116.7%	Above	113.8%	Above	(2.9%)	Unchanged
GSS D	101.8%	In	104.0%	In	2.2%	Unchanged
GSM	97.5%	In	99.3%	In	1.8%	Unchanged
GSL 0-30 kV	96.1%	In	95.6%	In	(0.5%)	Unchanged
GSL 30-100 kV	104.6%	In	103.7%	In	(0.9%)	Unchanged
GSL >100 kV	101.9%	In	101.2%	In	(0.7%)	Unchanged
Area & Roadway Lighting	118.7%	Above	123.3%	Above	4.6%	Unchanged

WATER CONDITIONS AND HYDRAULIC GENERATION FORECAST

Summary of Water Conditions and Hydraulic Generation 2018/19 - 2020/21

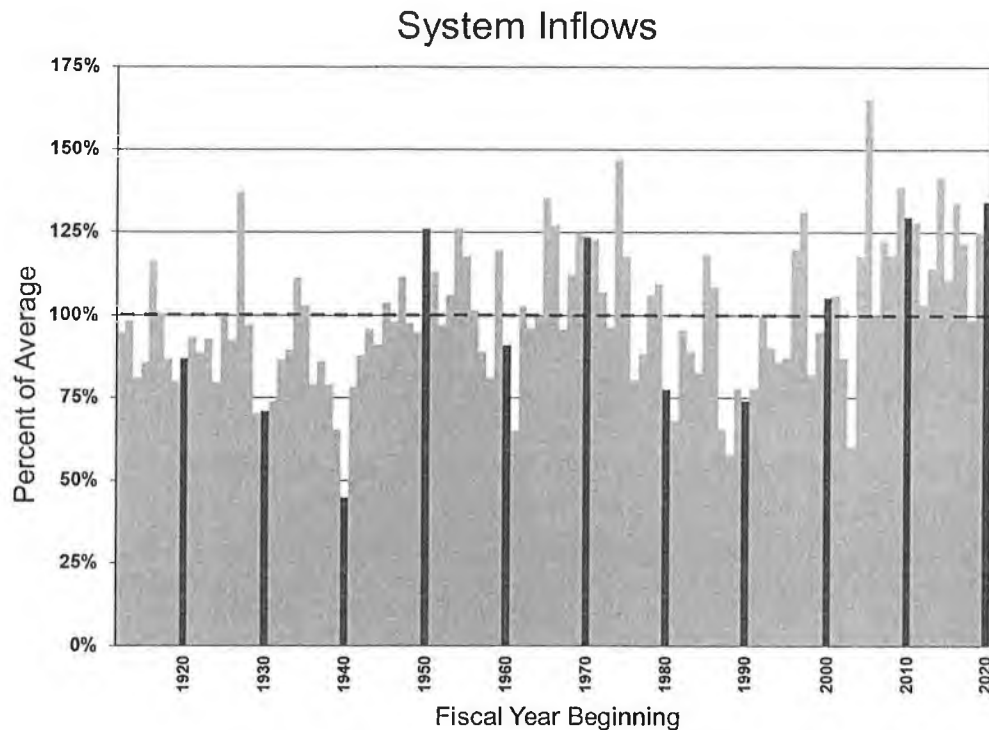
Overall inflows in 2018/19 were close to average, however conditions varied across the system. The Churchill River basin was in flood, requiring significant spill flows down the Lower Churchill River and near maximum diversion flows to the Lower Nelson River for most of the year. The Saskatchewan River basin experienced well above average spring runoff followed by average inflows through the remainder of the year. In contrast, flows on the Winnipeg River were below average through spring and summer, and then recovered to average through the fall and winter period. Hydraulic generation was 30.9 TerraWatt-hours (TWh), or 5% below hydraulic generation projected in the budget.

Following an early melt and above average spring flows on the Red River, system inflows in 2019/20 tracked below average until late summer when the Winnipeg River and Lake Winnipeg tributaries experienced a near record high fall flood. This turnaround in water supply supported above average flows on the Nelson River through winter and above average storage carry over into spring 2020. Hydraulic generation was 34.5 TWh, or 9% above hydraulic generation projected in the budget.

Storage at the beginning of 2020/21 was well above average. System inflows in 2020/21 were above average; however, conditions varied across the system. The Churchill River basin was in flood requiring significant spill flows down the Lower Churchill River and therefore not used for generation. Saskatchewan River flows were above average. Flows on the Winnipeg River were below average all year. Hydraulic generation was 35.1 TWh, or 1% below hydraulic generation projected in the budget.

Annual system inflows as a percentage of average inflows are provided in Figure 1 below.

Figure 1: Annual System Inflows



Current Water Conditions as of May 19, 2021

Figures 2 and 3 illustrate recent system potential energy in storage and potential energy from inflows relative to the average and history since 1977.

Reservoir storage is about 80% of average, or a 1 in 5 year low for this time of year. Lake Winnipeg levels are approximately 1.0 foot below average.

Overall system inflows are approximately 80% of average, or a 1 in 3 year low for this time of year. Inflows are below normal as a result of below average snowmelt runoff in the south due to a dry fall followed by low snowpack in winter 2020/21. Snowmelt runoff and local inflows are above average in the north. However, some of this water is being spilled down the Lower Churchill River so only a portion of the inflows originating in north are available for generation at Manitoba Hydro's largest generating stations on the Lower Nelson River. Most of the water supplying these stations originates in southern portions of the Nelson River Basin, where inflows are well below normal. This includes the Assiniboine, Red and Winnipeg rivers as well as smaller tributaries to Lake Winnipeg.

Figure 2: System Potential Energy in Storage

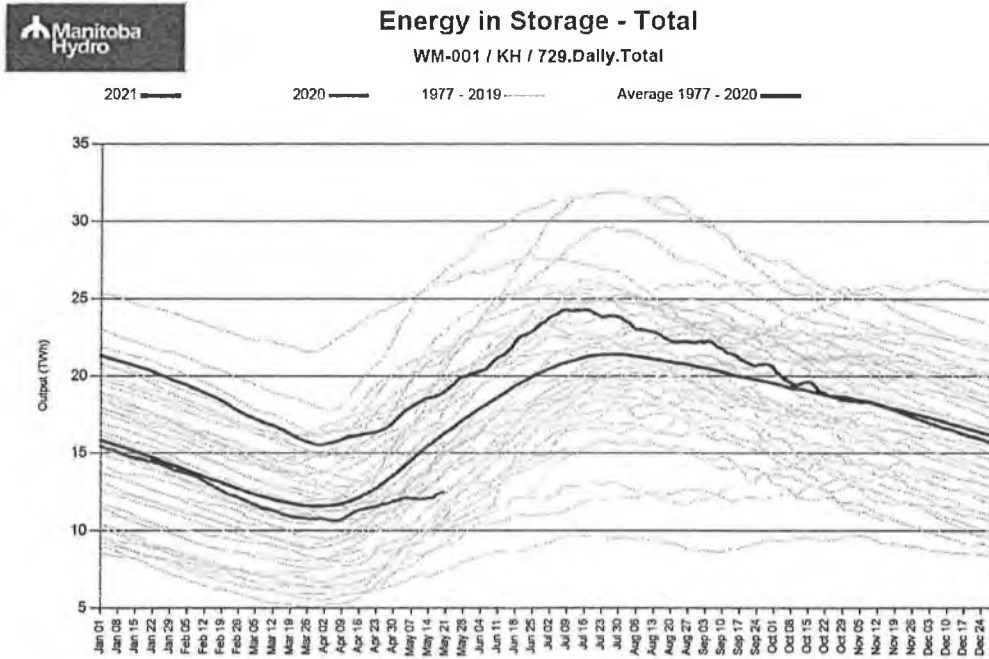
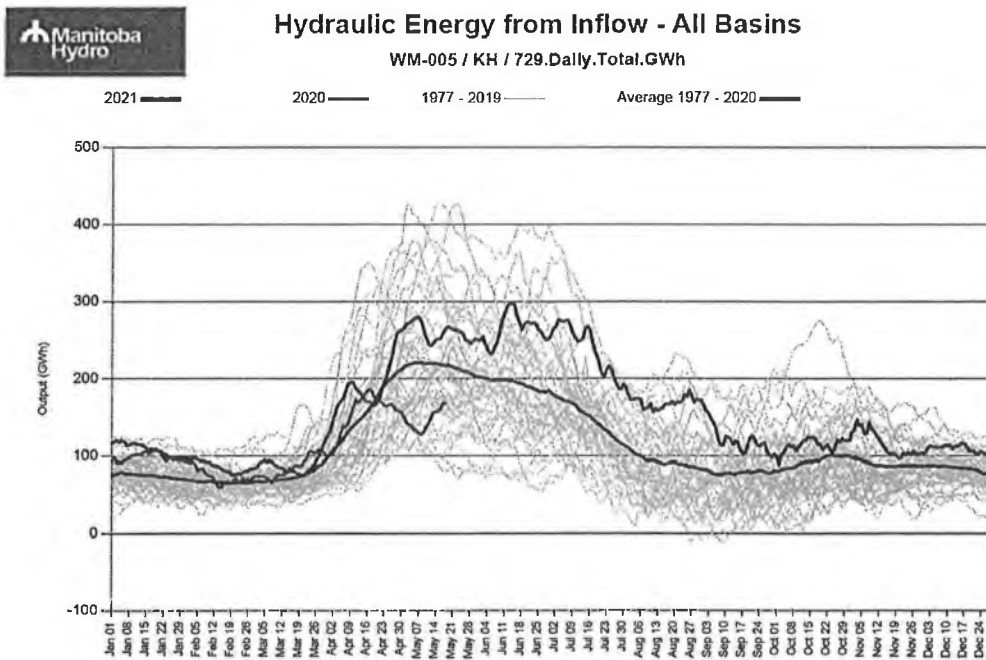


Figure 3: System Potential Energy from Inflows

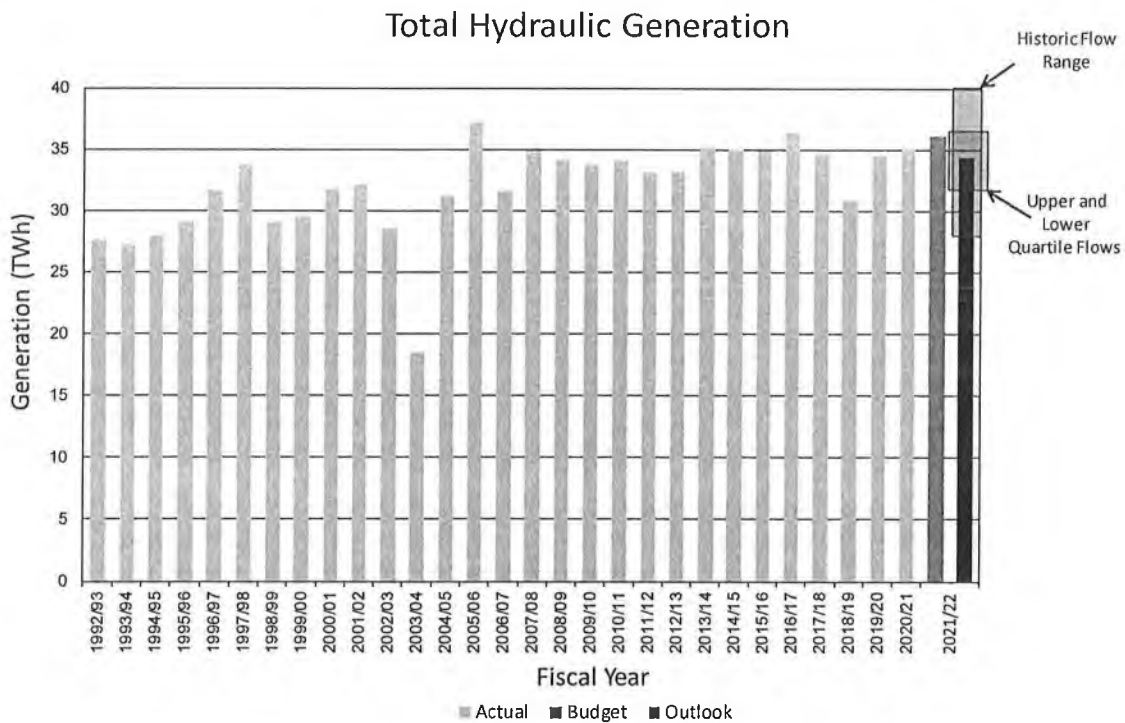


Hydraulic Forecast and Impact of Water Supplies Relative to Budget

Hydraulic generation and net revenues are largely dependent on spring and summer rainfall, which is highly uncertain. Conditions are currently unfavourable; however, water supplies can recover to average or above average relatively quickly following persistent, widespread rain events. Such a turnaround occurred in 2019/20 as described above.

Hydraulic generation in 2021/22 is currently projected to be approximately 34.9 TWh or 5% below hydraulic generation projected in the 2021/22 Budget, largely due to below average snowmelt runoff and inflows in the southern portion of the watershed supplying Manitoba Hydro’s hydraulic generation. Figure 4 below illustrates historic hydraulic generation since 1992 when Limestone was fully in service. Hydraulic generation assumed in the 2021/22 budget is also plotted in this figure, as are the Forecast, upper and lower quartiles, and upper and lower limits based on historic flow records.

Figure 4: Historic and Projected hydraulic generation including 2021/22 Budget and Forecast



Based on actual starting storage conditions, updated projections of water supply and other underlying forecasts, the Forecast for 2021/22 net extra-provincial revenue is \$(80) million unfavourable relative to Budget, assuming normal precipitation for the remainder of the year. Note that this forecast is well within the range of uncertainty estimated when the Budget was prepared; the range of net extra-provincial revenue was between \$110 million favourable to \$(290) million unfavourable.

Being early in the year, there remains considerable uncertainty in inflows. The flow-related variance in net extra-provincial revenues ranges between \$40 million favourable and \$(230) million unfavourable relative to budget. The upper and lower quartiles range between \$(30) million and \$(140) million. These results are summarized in Table 1.

Table 1. Impacts of flow uncertainty on the 2021/22 Budget and Current (May 2021) Forecast (in \$ millions)

Net Extra-Provincial Revenue		
Estimate	2021/22 Budget (Variance to Budget)	2021/22 Forecast (Variance to Budget)
Low (unfavourable)	\$ (290)	\$ (230)
Lower bound of 50% confidence interval	\$ (40)	\$ (140)
Average	\$ 0	\$ (80)
Upper bound of 50% confidence interval	\$ 70	\$ (30)
High (favourable)	\$ 110	\$ 40

Manitoba Hydro will continue to actively monitor actual water storage conditions and the related impacts upon the 2021/22 Budget throughout the summer and fall as part of the normal course of its business. As of this time the Manitoba Hydro-Electric Board has not directed Manitoba Hydro to file an application to the PUB seeking rate relief in accordance with section 26(3) or other relevant provisions of the CCCGA, based upon current or forecasted water storage conditions or as a result of any other event or circumstance.

TAB 7



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June 24, 2021

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The Public Utilities Board
400-330 Portage Avenue
Winnipeg MB R3C 0C4

Attention: Dr. Darren Christle

Re: Order 53/21 and Manitoba Hydro's June 9, 2021 Response
Our Matter No. 0151269 AFH

The Manitoba Industrial Power Users Group ("MIPUG") is in receipt of the Public Utilities Board's ("PUB") letter of June 18, 2021 requesting written submissions from intervenors of record regarding the application of the Consumer's Coalition ("Coalition") and the Manitoba Hydro ("Hydro") response to Board Order 53/21.

MIPUG has reviewed the record of this proceeding, including the June 9, 2021 response of Manitoba Hydro, and offers this submission to assist the Board in its ongoing deliberations. The Board will note that in MIPUG's view, based on a history of over 25 years with regulation of Manitoba Hydro, the current situation is unprecedented. As a result, recommendations for next steps in this process are difficult, and MIPUG presents several possible scenarios to address the somber situation that has been created.

At the outset, MIPUG notes that the June 9, 2021 submission by Hydro counsel was highly disappointing in that it clearly did not meet even the most rudimentary requirements of the Board in Order 53/12. The Board set out thoughtful, detailed, and prescriptive requirements for Hydro and the response almost universally ignores, obfuscates, challenges, or simply fails to meet any reasonable interpretation of what was ordered by the Board. Under these circumstances, and reflecting the respect due to the powers and role of the Board, it would not be inappropriate for the Board to consider the full range of powers afforded to it under the governing legislation, including penalties and fines as permitted by the *Public Utilities Act*, s. 100.



MIPUG is not attempting to provide evidence with this submission. Fully tested evidence will be required to determine whether Hydro's condition has substantially changed and whether previously approved rates remain just and reasonable. MIPUG recommends the Board move forward with evidence collection as part this review, including transparent and comprehensive testing of the evidence filed by all parties.

The Application, and Events Leading up to Manitoba Hydro's June 9, 2021 Submission

The Coalition brought the current application under subsection 26(3) of the *Crown Corporations Governance and Accountability Act* ("Act"). This section states that the Board may take action where it is "satisfied that the circumstances of a corporation have changed substantially". Making such determination, the Board may "review an order made pursuant to this section and modify the order in any manner that The Public Utilities Board considers reasonable and justified in the circumstances".

While this subsection appears to have been rarely used, critical to its structure is the Board making a finding of "substantial change". In MIPUG's submission, such a finding is a matter of both law and fact, and requires consideration of evidence placed before the Board, and set in context by the testimony of knowledgeable parties. MIPUG also submits that subsection 26(3) of the *Act* is broad in simply citing a change in "circumstances" without further definition, and as a result, multiple comparisons or tests may be applied in looking at whether a change has occurred. These comparisons or tests could extend to both current and projected financial conditions, net income, debt costs and levels, retained earnings, risks, projected revenues, loads, etc. It would appear the breadth permitted by the *Act* extends to all matters relevant to the original determination that rates were just and reasonable in the Board Orders in question.

The Board has already made its first two critical findings in this proceeding.

- First, Order 53/21 notes that "(t)he information before the Board suggests *prima facie* that there have been changes in Manitoba Hydro's circumstances" (page 20). On the basis of this *prima facie* finding, the Board elected to proceed to a further stage of investigation. The Board was then faced with the problem known as 'information asymmetry'. This situation arises when the only party holding the relevant evidence for the Board to make a well-founded finding of substantial change is Manitoba Hydro, the very party adverse to the Board making that finding. For this reason, the Board exercised its power under ss. 27(2), 28(1), 33 and 78(1) of *The Public Utilities Act* to "direct that Manitoba



Hydro provide documents and other evidence” (highlighting added; page 20 of Order 53-21).

- Second, the Board deliberated and expressly set out precisely which documents and matters of evidence were of likely probative value (the Board specifically accepted some of the documents recommended by the Coalition, and rejected others, reflecting a deliberation on this matter). The Board’s list focused in part on current conditions, but more substantively on forecasts as is typical for regulation of Hydro’s rates. The Board has already found that the specific documents (or equivalent information) as listed in Order 53/21 were required to determine whether there was or was not a substantial change in Hydro’s circumstances.

Hydro was given 30 days to comply.

Of note, the Board did not direct Hydro to produce any new documents or analyses – it only directed Hydro to file documents that are notorious and known to exist, or equivalent information that is obviously in use for the competent management of its affairs.

There is no indication, nor reason to believe, that a 30-day timeline was insufficient to produce documents. Indeed, the Board was more accommodative than may have been merited by simply asking Hydro to file routine documents, or any reasonable alternative “*containing substantially the same information as would be provided in general rate application filings before the Board, that are currently in use in the management and operations of Manitoba Hydro*” (Order 53-21 page 22). These documents are typical of the type of information any large, capital-intensive utility (or indeed any industrial operation) must have available to effectively manage and plan its operations and finances. They are also typical of the information utilities are required to share in order to obtain new capital (such as borrowings) and to manage a debt program, measure risks, determine the allocation of resources such as personnel to future capital works, etc.

In MIPUG’s view, the Board made a clear and reasonable conclusion that in order to discharge its duties, and make a determination of fact (whether there had been a substantial change) it needed to start with evidence it could only adduce from Hydro, and which should be readily available from Hydro.



The Manitoba Hydro Response of June 9, 2021

In response to the Board's Order, Manitoba Hydro produced a six-page letter from its counsel, along with four brief appendices. The material contained no forecasts beyond the 2021/22 year (which is already underway). None of the documents ordered by the Board were produced, nor were comparable versions provided. No filings were made under the attestation of any official within Hydro with recognized competency or responsibility for the areas of investigation. The only document that the Board requested which was acknowledged as being in existence was the Prospective Cost of Service Study (PCOSS), but it was not provided and no reason for the rejection to provide that document was given. As its existence was admitted, the failure to produce, when that was the precise direction received, is particularly notable. Hydro also notes that it has a document it refers to as its "2021/22 budget" which it does not provide, but only gives limited figures from this referenced document¹.

In respect to the other documents (or equivalent information) that the Order directed to be provided, Hydro expressly rejected the Board's direction, noting "*Manitoba Hydro does not have a current approved*" IFF (Integrated Financial Forecast) and CEF (Capital Expenditure Forecast). Hydro was careful to elaborate that this lack of an "approved" document" was noted in its response on April 12, 2021. MIPUG takes note of the audacity of issuing such reminder to the Board. The Board of course reviewed Hydro's submission of April 12, 2021 indicating that no "approved" version of the document was available, and notwithstanding this designation, directed the underlying information nevertheless be provided (presumably whether such information met Hydro's own internal designation as "approved" or not, whatever approved means in this context, and by whom, and, if not available, should have been brought through the approval stage using the generous 30 day window provided).

In the face of a clear and validly issued Board Order (which was not challenged or sought to be reviewed and varied by Hydro), the submission provided could in many circumstances be considered contemptuous.

Further, the Hydro submission pared back the suite of information that would be available in an IFF and CEF, not only to omit all forecasts beyond April 1, 2022, but also to omit many relevant and highly important variables to rate-setting. Hydro's counsel submitted

¹ Note that the *Crown Corporations Governance and Accountability Act*, in sections 7 to 9, provides that each Crown must prepare and file an annual forecast Business Plan. Hydro did not file even this rudimentary Annual Business Plan for 2020/21 or 2021/22, even though it would contain a portion of the information directed by the Board. It is not clear how Hydro's "budget" referenced above compares to the required Annual Business Plan in terms of content, assumptions and forecasts.



information that focused solely on Net Income. There was no information on any of the three key financial ratio targets that Hydro has adopted – namely, Interest Coverage, Capital Coverage, and Debt-to-Equity. There was also no information on the balance sheet at all – in a capital-intensive utility, the balance sheet (and its evolution over time) is among the most critical pieces of analysis for sufficiency of rates. Hydro provided no information on the level of equity, nor mention of the risks and variability it faces regarding the sufficiency of this equity. As some of the most notable changes asserted by the Coalition relate to reductions in Hydro's risks, and not necessarily to its immediate net income, information to assess risks is critical to the determination of whether the circumstances have indeed substantially changed. Key examples include the completion of new inter-ties to multiple jurisdictions which help manage export market risk, the signing of export contracts which help manage export price risk, and the locking in of material new borrowings which reduces Hydro's interest rate risk.

One additional matter of concern is that Hydro focused solely on its net income – an indication that this a high priority to the Corporation internally – yet nothing on the circumstances related to rates paid by consumers. Hydro may be most concerned about its immediate net income, but consumers (and industrials in particular) have consistently held that the most important factor to just and reasonable rates is that they are stable and predictable over the long-term (and are the lowest level reasonably achievable, consistent with stability and predictability). In comparing to the earlier Exhibit MH-93, and asserting that nothing had substantially changed, Hydro ignored that in fact rates are substantially different than would be expected in Exhibit 93.

Note the following comparison:

Fiscal Year	Exhibit 93		Actual Paid by Customer		Cumulative Difference
	Rate Change	Date	Rate Change	Date	
2017/18	3.36%	Aug 1, 2017	3.36%	Aug 1, 2017	0.00%
2018/19	3.57%	April 1, 2018	3.60%	June 1, 2018	0.03%
2019/20	3.57%	April 1, 2019	2.50%	June 1, 2019	-1.04%
2020/21	3.57%	April 1, 2020	-0.10%	Sept 1, 2020	-4.67%
			2.90%	Dec 1, 2020	-1.91%
2021/22	3.57%	April 1, 2021	0%		-5.41%

As shown above, the rates paid by customers today are more than 5% lower than would have been predicted by Exhibit MH-93 (and in each case were approved later yielding less revenue), yet Hydro asserts it is making a comparable net income. Further, a



number of these rate increases are not even included in Hydro's net income, as the revenue was directed to be deferred to the future (e.g., the 2.5% increase for June 1, 2019, per Board Orders 70-19 and 75-19). While Hydro apparently feels comfortable with achieving a target net income, ratepayers can take no comfort that they are paying rates that are likely to be stable, predictable, and at the lowest level consistent with these two primary objectives. It is entirely possible that rates today are failing the key tests of justness and reasonableness – for example:

- It is possible that the positive net income being achieved is fleeting. For example, with Keeyask costs coming online, older more lucrative major export contracts coming to an end, and major new investment in distribution systems being required as loads grow for electrification of heat and transportation, it is possible a considered view of forecasts would indicate Hydro's rates are already fated to increase materially in the next few years. If so, the fact that rates are 5.41% below the level of Exhibit MH-93 is a substantial, adverse and ill-advised change that will harm ratepayers (by holding rates too low and driving future rate increase instability). Nothing in Hydro's filing permits this scenario to be rejected (indeed each of these factors are known to be in effect and are left unaddressed in Hydro's filing).
- In contrast, Hydro's financial situation is known to have yielded material new debt locked-in for long terms at lower than anticipated rates, new export contracts being signed, new transmission links to other jurisdictions, and capital cost escalation risks on major projects like Bipole and Keeyask to have largely passed. Each of these factors is a major feature reducing the financial risks faced by Hydro in the coming years, and would inform whether the same level of net income and equity is indeed required into the future. These features could readily inform a finding that rates are materially too high today, and are no longer just and reasonable.

Achieving stable and predictable rates for Hydro is, colloquially, like steering a supertanker – swift changes in direction are hard and ill-advised (if even possible) so looking into the distance is a necessity. Hydro's submission prevents parties from making this critical assessment about the future. The Board's direction was eminently clear that documents to permit this long view were necessary to draw a conclusion that would permit the Board to reject the initial *prima facie* finding of substantial change. Hydro's response to Order 53/21 entirely fails in this regard.



Status of Proceeding

In MIPUG's view, the appropriate direction forward is not clear. It is however clear that there is no reasonable way for the Board to alter its earlier conclusion that the Coalition made a *prima facie* case that Hydro's circumstances have changed. At present, there is no evidence before the Board that has been brought forward since that finding was made, much less tested evidence adduced from parties knowledgeable about the facts or context. There are only submissions by counsel, relying on public and, in some cases, stale or insufficiently tested information.

Considering the previously recognized issue of information asymmetry, any conclusion by the Board that closes the proceeding on the basis that insufficient evidence was seen of substantial change is irreparably tainted. There is no available evidence to advance the Board's understanding at this time because Hydro, the party that possesses the information identified as being needed by the Board, expressly and defiantly denied the Board's Order to produce the evidence.

As an independent regulator of this public electric utility monopoly, the Board's supervision and review of Hydro's long and short-term financial health and status is critical for protecting the interests of all captive consumers, including the interests of Industrial consumers that rely on this regulatory oversight in making various financial decisions such as short- and long-term capital decisions and investments.

The failure by Hydro to provide all the information which it was directed to provide could in and of itself, be seen as a significant change in circumstances – a multibillion dollar utility which is unable to provide to the regulator relevant regulatory information.

There is no way to make a supportable conclusion to end the proceeding at this time without making a mockery of the Board's independence, powers and jurisdiction, while rewarding Hydro's intransigence and lack of respect for the Board's authority.

MIPUG notes two broad options as to how to proceed:

1. The Board can immediately enforce the spirit and intent of its Order; namely, that evidence is required to make a determination about substantial change. The Board issued the order to direct the production of evidence and this has not occurred. The Board could sharpen the directives provided to Hydro and achieve the outcome intended. For example, the Board may want to direct that knowledgeable Hydro officials attend, with documents in hand, for the purposes



of comprehensive cross-examination. The Board may also elect to direct its experts (for example, an independent expert such as Daymark) to attend at the offices of Hydro to collect, review and opine on Hydro's forecasts, or to prepare forecasts on Hydro's behalf using Hydro's base data if Hydro's competencies do not at this time extend to the ability to prepare a financial forecast. Such measures may be combined with other tools available to the Board for enforcing its orders, such as penalties under section 100 of the *Public Utilities Act*, or the issuance of subpoenas, or findings of contempt. While MIPUG could consider such outcome a sad day for regulation and transparency in Manitoba, these tools were put into the Acts for a reason, and flagrant refusal to comply with a valid Board Order would seem to be the precise operative situation for which they were intended.

2. In the alternative, the Board can draw an adverse inference from the obfuscation on the part of Hydro, and its failure to provide evidence when offered the opportunity, and immediately advance its finding of substantial change to the point necessary to initiate a review of the justness and reasonableness of the findings and rates set out in Order 69/19 and 59/18² (and adjustments since that time). This would presumably start with an evidentiary phase that may not look materially different than the initial stages of a GRA – a requirement on Hydro's part to provide responses to Minimum Filing Requirements, with a stage of appropriate discoveries and the opportunity for all parties to call opinion evidence. Operationally, the first step may be a procedural conference to set out the recommended steps and schedule.

In assessing its options, MIPUG is unfortunately of the view that the Board must be cognizant that it is not apparent whether Hydro will comply with the next set of orders and directives any more than it did with the last. However, the prospective of noncompliance and

² A technical matter of complication in this proceeding is that the rates in place today are not the rates arising from Order 69/19 (as modified slightly by Order 110/20). The provisions of s.26(3) of the *Crown Corporations Governance Act* are written in a manner to test whether the rates that were last approved by the Board remain just and reasonable, where such rates remain in place at the time of application. Hydro is in the unanticipated position where its rates are not, at present, those last found by the Board to be just and reasonable. In fact, Hydro's current rates have never been found by the regulator to be just and reasonable. In other words, oddly, a finding by the Board today that there had been no substantial change in Hydro's circumstances, and that the rates last approved by the Board remain just and reasonable, would in fact be a rejection of current rates and indicate a need for reversion to the rates approved in Order 110/20. At an appropriate time, and certainly before the Board makes any final finding of "no substantial change", submissions should be sought from respective Counsel on the appropriate means to resolve this complication.

the fact of being told by Hydro that the Board will only get the required regulatory information in "*Manitoba Hydro's winter 2022/23 application*" should not dissuade the Board from exercising its discretion to ensure regulatory oversight when a process under section 26(3) is validly initiated.

Under either option, processes should be established for discovery of evidence and ultimately testing of the evidence. An oral pre-hearing conference to solicit procedural input would be appropriate at that time.

Concluding Comments and Recommendations

To MIPUG, the current circumstances represent an unfortunate chapter for the transparent and comprehensive regulation of Manitoba Hydro. The options highlighted above are unprecedented and contentious, but may be unavoidable if the Board is to have any credible role of regulating in the public interest. The refusal by Hydro to comply with the Board's directives, by failing to produce forecast information in accordance with the spirit and intent of the Board's directive, cries out for further regulatory oversight.

MIPUG also notes the obvious interrelationships associated with Bill 35, the *Public Utilities Ratepayer Protection and Regulatory Reform Act*. MIPUG's comments are not based on Bill 35, and they do not reflect, nor are they influenced by, what might arise if Bill 35 is implemented as proposed. The *Public Utilities Act* and *Crown Corporations Governance Act* remain in force in their current form, and the Public Utilities Board retains its role under these operative guiding pieces of legislation. However, MIPUG also notes that one of the features included in the Bill 35 proposal is a material strengthening of the Board's powers to impose administrative penalties for non-compliance with Board Orders. The need for a regulator to have, and where necessary wield, tools to implement its duly authorized role is beyond dispute, whether under the current regime or the hypothesized future regime under Bill 35.

The public interest is not served by permitting Hydro's obfuscation as it attempts to pre-empt a valid investigation by the Board. There is no choice today but to continue the assessment of the justness and reasonableness of Hydro's rates in light of the Board's findings in Order 53/21.

MIPUG has expressed concerns for some time that Hydro has not produced a credible long-term forecast since before 2016, sufficient to give comfort about the future conditions ratepayers may face. Not only is this problematic for companies attempting to operate businesses and invest capital in the Province, it is also egregious in that Hydro's very existence as a Crown public entity is intended to bring the public interest to the forefront. It is



mystifying how Hydro can conclude that more years of concealing key financial forecasts will help give confidence to Manitoba ratepayers and investors. MIPUG is unable to conclude whether Hydro is incapable of producing the directed forecasts, or simply unwilling to disclose those forecasts. Neither inference gives comfort, nor supports the public interest.

Industry has long identified that the most important outcome of regulation is stable and predictable rates into the future. This outcome can only be assessed with long-term forecasts, and the stability that comes with slow adjustments over time, with an eye to the horizon. That facts have changed since 2016 (or the situation anticipated as part of the projections prepared in 2016) appears beyond any reasonable dispute. Bringing forward a proper forecast for full testing permits essential conclusions to be drawn about whether rates are too high, too low, or on the wrong path for the financial conditions and risks faced by Hydro.

Finally, MIPUG supports the right of the applicant (the Coalition) to have the final right of reply. MIPUG thanks the Board for this opportunity to provide a submission.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per:


Antoine F. Hacault*

AFH/av

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TAB 8

Third Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Alan Lagimodiere
Constituency of Selkirk

Vol. LXXV No. 3 - 9 a.m., Tuesday, June 29, 2021

ISSN 1708-6604

MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
ADAMS, Danielle	Thompson	NDP
ALTOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
CLARKE, Eileen, Hon.	Agassiz	PC
COX, Cathy, Hon.	Kildonan-River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
DRIEDGER, Myrna, Hon.	Roblin	PC
EICHLER, Ralph, Hon.	Lakeside	PC
EWASKO, Wayne, Hon.	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	PC
FONTAINE, Nahanni	St. Johns	NDP
FRIESEN, Cameron, Hon.	Morden-Winkler	PC
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GORDON, Audrey, Hon.	Southdale	PC
GUENTER, Josh	Borderland	PC
GUILLEMARD, Sarah, Hon.	Fort Richmond	PC
HELWER, Reg, Hon.	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek, Hon.	Interlake-Gimli	PC
JOHNSTON, Scott	Assiniboia	PC
KINEW, Wab	Fort Rouge	NDP
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan	Selkirk	PC
LAMONT, Dougald	St. Boniface	Lib.
LAMOUREUX, Cindy	Tyndall Park	Lib.
LATHLIN, Amanda	The Pas-Kameesak	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Malaya	Notre Dame	NDP
MARTIN, Shannon	McPhillips	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
MOSES, Jamie	St. Vital	NDP
NAYLOR, Lisa	Wolseley	NDP
NESBITT, Greg	Riding Mountain	PC
PALLISTER, Brian, Hon.	Fort Whyte	PC
PEDERSEN, Blaine, Hon.	Midland	PC
PIWNIUK, Doyle	Turtle Mountain	PC
REYES, Jon	Waverley	PC
SALA, Adrien	St. James	NDP
SANDHU, Mintu	The Maples	NDP
SCHULER, Ron, Hon.	Springfield-Ritchot	PC
SMITH, Andrew	Lagimodière	PC
SMITH, Bernadette	Point Douglas	NDP
SMOOK, Dennis	La Vérendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather, Hon.	Tuxedo	PC
TEITSMA, James	Radisson	PC
WASYLIW, Mark	Fort Garry	NDP
WHARTON, Jeff, Hon.	Red River North	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC

**LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS**

Tuesday, June 29, 2021

TIME – 9 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Alan Lagimodiere (Selkirk)

VICE-CHAIRPERSON – Ms. Janice Morley-Lecomte (Seine River)

ATTENDANCE – 6 **QUORUM** – 4

Members of the Committee present:

Hon. Messrs. Schuler, Wharton

*Messrs. Kinew, Lagimodiere,
Ms. Morley-Lecomte, Mr. Sala*

APPEARING:

Ms. Jay Grewal, President and Chief Executive Officer, Manitoba Hydro

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2020

* * *

Mr. Chairperson: I guess my mic wasn't on there.

Good morning. Will the Standing Committee on Crown Corporations please come to order. This meeting has been called to consider the Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2020.

Before we get started I want to draw everyone's attention to the clock interface. You can see in the Zoom participant we are testing a new piece of software, where—that, if successful, will be fully operational for future committee meetings. Please use this clock as a reference when speaking. If there are any issues with the software during the course of today's meeting, I will also be keeping track of speaking times in the usual way.

Are there any suggestions from the committee as to how long we should sit this morning?

Mr. Adrien Sala (St. James): I propose a total of three hours.

Mr. Chairperson: Sitting for three hours has been proposed. Is that the will of the committee?

Hon. Ron Schuler (Minister of Infrastructure): Mr. Chair, I had my hand up.

I propose we sit 'til 11:55, with calling the votes for annual reports at 11:50.

Mr. Chairperson: Mr. Schuler has recommended that we sit 'til 11:55 and call for the vote at that time.

Is that the will of the committee?

An Honourable Member: Mr. Chairman?

Mr. Chairperson: Mr. Schuler.

Mr. Schuler: We sit to 11:55 and we call the vote at 11:50 on the annual reports.

Is my mic on? Good heavens, it's as if nobody's listening.

Mr. Chairperson: Your mic is on. We are unable to see your hand. Just the way your camera is, we're just getting your head shot.

Mr. Schuler: Okay, so 11:50 we call the vote on the annual report; 11:55 committee rise.

Mr. Sala: That's acceptable. Thank you.

Mr. Chairperson: Is that the will of the committee? *[interjection]* Oh. So, it has been recommended that we sit 'til 11:50 and call for the vote and we rise at 11:55. Is that the will of the committee? *[Agreed]*

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Hon. Jeff Wharton (Minister of Crown Services): Good morning, Mr. Chair, and fellow committee members.

With me today I have Deputy Minister Bernadette Preun. I also have our executive director, Rob Marrese, and also my executive assistant, Madhur Sharma. And again, as Minister of Crown Services, I am here this morning to present the annual report of Manitoba Hydro corporation for the fiscal year ending March 31st, 2020.

I would also like to welcome this morning Manitoba Hydro Chair Marina James and also Manitoba Hydro Chief Executive Officer Jay Grewal as representatives of the Crown corporation.

As attendees to the meeting, we know Manitoba Hydro has a critical role in supplying the electricity and natural gas needs of Manitobans that helps drive our economy and maintain our quality of life. To that end, I have tasked Manitoba Hydro to continue to refine and modernize the ways that the corporation conducts business in an effort to improve the financial health and to find efficiencies and reduce red tape for Manitobans and Manitoba businesses.

Despite the challenges that the COVID-19 pandemic have brought to Manitoba, I know that the board of Manitoba Hydro and the staff at Crown corporation—at the Crown corporation have performed exceptionally well carrying out their mandate, all while continuing to deliver services in an ever-shifting pandemic environment. I know that the board and the staff at Manitoba Hydro will continue to deliver services to the best of their ability as we move through the pandemic and look forward to the eventual return to normalcy.

We look forward to the discussions this morning. Thank you and good morning.

Mr. Chairperson: We thank the honourable minister.

Does the critic for the official opposition have an opening statement?

Mr. Wab Kinew (Leader of the Official Opposition): I want to say good morning to everybody who's participating in the committee today and thank everyone for being here, my colleagues included—from the Legislature, but also the good folks from Manitoba Hydro. I see, in addition to the CEO Mrs. Grewal and board chair Mrs. James, I also see some staff from MH, so I just want to say good morning.

I found last year's committee, which was in person—I think we all remember, and that has changed, certainly—I found it to be a good exercise and, you know, it was helpful for us in our work to hear some of the answers and to be able to ask some of those questions. So I look forward to a similar sort of exchange, albeit over this new format to which we've all become accustomed.

Zoom, of course, is not the only change. There's been many substantial changes to the situation at Manitoba Hydro over the past year. We know that aspects of MHI have been wound down, that fibre-optic backbone under the purview of MHT has been basically farmed out, to a certain extent. The Auditor General has begun an investigation. Teshmont has been sold. Keeyask units have come online. New

export contracts have become publicized, shall we 'shay'—shall we say. New transmission lines are being built. Rates have been set through legislation for the first time in recent memory. A report into Hydro, which was highly political, was released. A 60-day strike with MH workers took place. And, of course, there is a back and forth currently going on between the Crown corporation, numerous stakeholders at the PUB and the PUB itself.

So this is a lot of substance that has changed, in addition to the minister's acknowledgement in his opening statement that he looks forward to a return to normal, which, of course, implies that the past year has seen many substantial changes to the operations in Manitoba Hydro.

So, just looking forward to diving into some of those issues. You know, I do respect my colleague, the Minister of Infrastructure's (Mr. Schuler), suggestion that we sit for about two hours, 50 minutes. Hopefully we can get to all of that substance within that time period. I'm optimistic we can.

And, you know, I know that Manitoba Hydro is at an inflection point in its history both in terms of all the issues that I just catalogued but also internally. You know, we've seen the 2040 plan, and so there's that, I guess, renewal and planning exercise taking place internally. And so certainly that may represent some changes within the organization itself.

Anyway, MH is not only the driver of our economy, but it's also a crucial piece in how we might seek to solve climate change in Manitoba. And, of course, there is the important work of reconciling the past and ongoing impacts with Indigenous communities that MH has had. And so it's a very, very important part of our provincial economy, our provincial society, the fabric of Manitoba. And so this committee seems like a very opportune time for us to be able to dive in and to see not only the impacts on ratepayers but, indeed, the impacts on all Manitobans.

* (09:10)

So, again, I found last year's committee to be productive and look forward to the same thing today and, again, just want to say good morning to everybody who's participating.

Mr. Chairperson: We thank the member.

Do the representatives from Manitoba Hydro-Electric Board wish to make an opening statement?

Ms. James? *[interjection]* Ms. Grewal.

Floor Comment: Can you hear me?

Mr. Chairperson: Yes, but I need to recognize you before you can start to speak.

Ms. Grewal, go ahead.

Ms. Jay Grewal (President and Chief Executive Officer, Manitoba Hydro): My camera keeps freezing, so I'm not quite sure what's wrong. We've had IT support on both sides working on it and it didn't happen 'til I got on this call, because other calls earlier today it was working fine. So, hopefully, it will come back.

So, before we begin, I would like to acknowledge that we are gathered on Treaty 1 territory and in the homeland of the Métis First Nation. Those joining us virtually from elsewhere in Manitoba are doing so from the traditional territories of other Indigenous peoples, including the Anishinabe, Cree, Oji-Cree, Dakota and Dene peoples.

Manitoba Hydro has a presence right across the province with a long history of interaction with many Indigenous communities. We value these relationships and will continue in our efforts to establish and maintain strong, mutually 'benefal'—beneficial relationships with these Indigenous communities.

Good morning. I'm pleased to be here today before the Standing Committee on Crown Corporations to answer questions on Manitoba Hydro's business operations. I would like to acknowledge my board chair, Marina James, who is here with me today, as well as the entire Manitoba Hydro-Electric Board, for their ongoing support and guidance.

While the focus of today's meeting is to consider the Manitoba Hydro-Electric Board's annual report for the year ended March 31, 2020, I would like to provide a brief overview of the last 15 months.

In the spring of 2020, as each and every one of us were rapidly adapting to the onset of COVID-19 pandemic, our goal at Manitoba Hydro was clear: to keep the lights on and the glass—gas flowing. We had to strategically and quickly adjust to ensure that our critical and essential services continued to be reliably provided to our customers, while ensuring the safety of our employees, customers and the public.

During those initial days and weeks, our focus was on making decisions and operational changes across our entire enterprise, including reviewing over 1,000 SAFE Work procedures while implementing new safety protocols for our field

operations and, where possible, moving to a virtual work environment.

Now, more than one year later, many of those protocols remain in place, and two thirds of our staff continue to work virtually as we do our part to be in line with all public health recommendations and reducing the risk of transmission to our employees, customers and the public.

I am very proud of each and every one of our employees who have demonstrated an ability to adapt quickly to new work methods and techniques in the field and within a virtual environment without any impacts to our customers. Throughout 2020 and 2021, they have continued to supply our essential services to support the province, our health-care system and every Manitoban who is working, living and going to school under different and, for some, challenging circumstances.

Our adaptation to the unexpected 'circumstances' presented by the pandemic continued to evolve through to the late fall, when we were able to return our focus to our 20-year long-term strategy, what we are calling a Strategy 2040, on the—and the ongoing organizational work that is critical as we seek to become a more customer-centred, efficient utility for the future.

We know that the energy landscape and our customers' needs and expectations are changing. Around the globe we have seen how the three Ds—digitization, decarbonization and decentralization—have begun to impact utilities in many different ways, and while I have referred to the three Ds on a few occasions, I want to be clear that decentralization is related to new entrants to the market based on new technologies that are becoming available at lower cost. I want to be clear, this has nothing to do with privatization. There are no plans to privatize Manitoba Hydro.

What our customers may soon have are additional energy choices to make, driven by new technologies such as local energy storage, rooftop solar, electric vehicles and public transit and other options. As an example, car makers continue to move away from internal combustion engines towards electric vehicles, with many stating they're stopping work on gasoline-powered platforms, with some as early as 2026. Manitoba Hydro is already well positioned to play an important role in shaping the changing energy landscape for the benefit of the province. We want to help the province and the country decarbonize.

As a vertically integrated utility, we are best positioned to take a holistic approach to managing the changing energy environment. Our goal is to be a trusted energy adviser to Manitobans today and tomorrow. Our new mission statement reflects that objective: help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage while ensuring safe, clean, reliable energy at the lowest possible cost.

To support and make this vision a reality, we completed a lot of behind-the-scenes work over the past eight months to review and revise our business model, including initiating the restructuring of certain areas to support building out and enhancing our capabilities in key areas, and that includes asset planning and delivery, enterprise risk management, customer service, digital technologies and other areas. The launch of Manitoba Hydro's new customer portal and a new Manitoba Hydro app for smart phones in the last few months is evidence that changes are already starting to occur as we seek to engage with our customers more effectively and in the manner they want.

Planning is under way for the development of our first ever integrated resource plan, which will include public and stakeholder input. It's also evidence that we are making fundamentally new approaches to engaging with our customer and other critical stakeholders. The integrated resource plan will seek to better understand Manitobans' perspectives on the changing energy landscape, their evolving energy needs and what they value when they consider their energy supply. This will inform our long-term financial forecast, which we will file as part of our first five-year general rate application in the winter of fiscal '22-23.

So, while we are only at the start of our multi-year journey on this front, I am confident that we will be successful as we build the Manitoba Hydro of tomorrow.

Despite challenges posed by the pandemic, the past year also saw great progress on our major projects and a number of significant announcements all related to Manitoba Hydro and our operations. I am pleased to share that the first of seven generating units at Keeyask came online and was connected to the Manitoba Hydro power grid on February 16th. A second unit was brought online at the end of April, and the project continues to track ahead of the control schedule and on the control budget of \$8.7 billion.

Spanning the full year, we not only started but completed construction on Birtle Transmission Project, a 230,000-volt transmission line from Birtle station to the Manitoba-Saskatchewan border, and it was on schedule and under control budget. Additionally, we were able to secure up to \$18.8 million in federal funding. This line enhances reliability of our grid and allows us to fulfill our export contracts to Saskatchewan, using that revenue to keep rates lower for all Manitobans.

As part of our effort to serve Manitobans in a changing energy landscape, Manitoba Hydro adjusted and reorganized the Manitoba Hydro International business model in January following an extensive and detailed review. This reorganization will allow us to focus on our core business to meet the evolving energy needs of Manitobans. It is not, as was characterized in some media outlets, privatization. Manitobans will continue to receive maximum benefit from Manitoba Hydro International made-in-Manitoba technology and experience.

* (09:20)

Manitoba Hydro will continue to own and operate Manitoba Hydro Telecom fibre-optic network, and permanent Manitoba Hydro International staff are being offered a minimum of a one-year position at Manitoba Hydro. Over the next year, Manitoba Hydro International staff who accept the offers will be fully integrated into Manitoba Hydro, providing greater synergies and efficiency to both organizations.

As I said, Manitoba Hydro International's technology products and services will continue to be marketed under the Manitoba Hydro International brand. The only part of the business being wound up is the international consulting arm known as Manitoba Hydro International Utility Services.

I do want to highlight that there will be no financial impacts on Manitoba Hydro as we will continue to honour the multi-year contracts on the consulting side that are in place.

Why did we choose to get out of the international consulting field? Firstly, this is a highly competitive field, dominated by large, international firms, and we were seeing decreasing financial returns—

Mr. Chairperson: The time for opening statements is—has expired.

Is it the will of the committee to allow Ms. Grewal to continue her opening statement? *[Agreed]*

Ms. Grewal: Thank you.

Why did we choose to get out of the international consulting field? Because this is a highly competitive field, dominated by large, international firms, and we were seeing decreasing financial returns and increased operational and security risk with operating the business.

Manitoba Hydro is focused on its core mandate, which is to provide reliable energy to its customers at an affordable cost. And so the decision was made to wind up the international consulting arm of Manitoba Hydro International, which has 12 permanent employees.

In the fall of 2020, we announced the sale of our interest in Teshmont consulting to Stantec. We purchased a minority stake in Teshmont in 2003 to ensure that local HVDC expertise was available to act as the owner's engineer for the engineering and construction of Bipole III transmission line and converter stations. Given that Bipole III went into service in mid-2018, we decided that this was the right time to divest ourselves of our minority stake in Teshmont—40 per cent. The sale had no impact on Manitoba Hydro's operations or jobs. So I want to just restate: the sale of our share of Teshmont was a business decision made by Manitoba Hydro's management in the best interests of our customer. Government had no role in this decision.

We—this sale of this 40 per cent interest does not in any way constitute privatization of Manitoba Hydro. Teshmont was a private company before we bought into it and remained a private company through our period of involvement. You can't privatize a company that was always private.

Another issue that garnered a lot of media attention this past year was Bill 35. Although I realize this legislation is currently before the Legislature and, as such, I'm unable to discuss it in any detail today, I will say that Manitoba Hydro supports this proposed legislation. The proposed amendments establish a multi-year rate-setting process where the Public Utilities Board approves electricity rate changes at five-year intervals. This will bring Manitoba Hydro's regulatory approach more closely in line with other jurisdictions in Canada and will result in lower costs to Manitoba Hydro customers.

Past regulatory applications for Manitoba Hydro have been twice the average of other Canadian utilities on a per-customer basis. Over the last 10 years, the average external third-party cost of electric and natural gas regulation by the PUB to Manitoba Hydro was approximately \$10 million a

year. We believe that setting rates for multiple years through a general rate application to the Public Utilities Board will allow customers to more effectively budget for their future energy costs while helping reduce expenses and therefore the level of rate increases needed for Manitoba Hydro.

With respect to net income, we do require a reasonable level of net income every year to help protect us against regular, reoccurring operational risk, such as those related to climate change, with drought, intensive winter storms and fires being an example. Additionally, we need to ensure that we make steady progress each year to meet the debt-to-equity targets outlined in Bill 35, helping us to be viewed as a financially self-sustaining entity. This is a 20-year journey and we feel the next five years is critical to get Manitoba Hydro on the right trajectory. A stronger balance sheet will also provide Manitoba Hydro with the flexibility to manage the changing energy landscape that we are preparing for with Strategy 2040. We believe all of this is in our customers' best interest in the years ahead.

We have always and continue to believe in the PUB process and we are in the process of getting ready for our first ever five-year rate application under Bill 35 which, as I already mentioned, we are planning to file in the winter of fiscal 2022-23. We recently responded to requests from the PUB for updated financial information in response to submissions from the Consumers Coalition. We have provided all available internal information to demonstrate that there has not been a substantial change in Manitoba Hydro's financial circumstances since the last general rate application.

However, we cannot supply documents or projections that, quite frankly, simply do not exist. This past week, interveners provided responses to our submissions and I want to make a few comments in response to those. Our submissions to the PUB provide a comprehensive picture of Manitoba Hydro's actual and budgeted financial position for the current fiscal year. The interveners did not dispute the information we provided supporting this fact. Rather, they focused on the fact that we did not provide—because we do not have it—an integrated financial long-term forecast.

We repeatedly clarified that a long-term financial forecast does not currently exist. Why? Because we are going through some significant changes and previous processes no longer exist. We no longer create documents like we used to do, and it was

actually offensive to suggest that Manitoba Hydro has defied orders and is concealing evidence. Manitoba Hydro clearly stated these documents do not exist.

Improvements to our processes are key and should not be taken as an indication of substantive change in our financial circumstances or incompetent management. Rather, there was and remains an obligation to advise the PUB that what was sought does not exist. Informing the PUB that a long-term financial forecast does not exist does not equate to concealing financial forecast content or an inferred admission of substantial change.

Simply put, at this point in time we do not have a 20-year forecast. Why? The energy landscape we are operating in is changing and, by that, supply and demand, which are key components of a long-term financial plan, are in a state of change. If we were continuing status quo, if this energy landscape was not changing, absolutely we would have a long-term financial forecast in place, as we have always in the past. But we are in a time of change where the key variables that are input into a long-term financial forecast are currently unknown and it would be imprudent and misleading for us to release a long-term forecast that does not reflect the changes that will be coming.

When we provide a long-term financial forecast, we want our customers to have confidence in our plans and to be able to make decisions based on that. Our next 20-year financial forecast is going to be informed by the new integrated resource plan which takes into account evolving energy needs and what customers value when considering their energy supply, and it will form the basis of our next general rate application, which will be filed in the winter of fiscal 2022-23.

* (09:30)

Finally, regarding the announcement that the new advisory panel has been named to oversee the implementation of the recommendations in the economic review of Bipole III and Keeyask from Commissioner Brad Wall, we look forward to working with members of the panel to implement the recommendation of the commissioner's port-report. We are always looking to serve our customers as efficiently and effectively as possible, including all decisions made that should be in their best interest. We view this as an opportunity to ensure we have the right processes and decision-making processes in place to enhance our operation in the years ahead as

we move to become the utility of the future that Manitobans expect and need us to be.

I thank the members of the committee for their time, and I look forward to questions.

Mr. Chairperson: Thank you, Ms. Grewal.

We seem to be experiencing some technical difficulties here this morning, and we're asking if it's all right with the committee members if we allow oral questions if the video is not available.

So we're asking committee members if it's all right, if we lose the video feed again for Ms. Grewal, if we just continue on with the audio responses. And, Ms. Grewal, if we lose your video again, if you could—if you're looking to respond to a question, if you could, instead of raising your hand, just address the Chair and identify yourself and we'll acknowledge you.

Is that the will of the committee? Agreed?

Some Honourable Members: Agreed.

An Honourable Member: No, no, no, no. No, no, no, no.

I had my hand up since you started speaking here, Mr. Chair.

Mr. Chairperson: Mr. Kinew.

Mr. Kinew: Yes, so just first of all, you didn't formulate it as a leave request until the very end, so my first question was going to be whether that was a leave request. And I'm not opposed—

Mr. Chairperson: Mr. Kinew, just give me a second here.

Okay, the floor is now open for questions.

Mr. Kinew: Yes, sorry.

I did want to return to the substance of what you just asked. My only concern is that the leave request was overly broad, and it would invite participation from anyone with their cameras off. I do want to be flexible to Mrs. Grewal's situation, so if you wanted to reformulate the leave request and say that it only applied to the CEO's video feed being off and her being able to participate just by audio, I would agree to that.

Mr. Chairperson: So we'll put that back to the committee.

If that's okay if the audio only applies to Ms. Grewal? Agreed? *[Agreed]*

Thank you.

The floor is now open for questions.

Mr. Kinew: Thanks for accommodating that request to revisit the leave.

I also want to thank the CEO for their opening statement and certainly far reaching, and I appreciate it because all those topics that were touched on are now scoped in for the discussion here at the committee this morning, and so certainly we'll definitely be following up on a number of points.

I do have a lot of specific questions, but I did just want to ask a point of clarification from the CEO to begin. It seems that the concluding thought in the opening statement contradicts the rationale for Manitoba Hydro's opposition to the PUB order. The PUB is currently trying to figure out whether there's been a substantial change in Manitoba Hydro's finances, and then the CEO effectively just said they will not provide further information to that PUB process in the form of a current integrated financial forecast because the determinants of the finances at Manitoba Hydro are currently in a state of change.

So the—it's contradictory within itself. On the one hand, MH is arguing that there's not been a substantial change, but then on the flip side, there's an argument that it is a—that there is currently a state of change.

So can the CEO explain that contradiction?

Floor Comment: My apologies. Am I waiting for the Chair to recognize me? Thank you.

Mr. Chairperson: Ms. Grewal, we are unable to see you, so you have to address the Chair and identify yourself when you're ready to speak.

So, go ahead, Ms. Grewal.

Ms. Grewal: So, in response to that question, a few things.

The financial information we submitted to the PUB demonstrates that there has not been a substantial change in our financial circumstances since the last GRA. That is the question at hand. We regularly provide the PUB with information on our operating cost, our major capital project, and the PUB has not expressed any concerns to us today that the circumstances have substantially changed.

The issues that were identified by the Consumers Coalition suggest there is a substantive change, and we've presented the information to demonstrate that that is not the case. And, specifically, when we presented the information in the filing back to the PUB, it demonstrates that our net income has

changed to the positive by only \$17 million. And in '19–2019–2020, this—the Consumers Coalition stated that a change of \$45 million in net income is not a material change for a utility the size of Manitoba Hydro.

Additionally, with respect to capital expenditures, very similar nominal change, with an annual difference ranging anywhere from 1 to 5 per cent on specific projects.

So the change—what is changing is the long-term financial forecast—20 years. But what we've demonstrated to the PUB is that in the near term, between the—what we filed and where we're currently this year and where we expect to be next year, there is no material change which would result in any change to rates.

Mr. Kinew: The role of the PUB in this instance is to ensure that rates are reasonable and just. Part of that determination needs to include the long-term financial forecast of Manitoba Hydro, which the CEO has just acknowledged both in the opening statement and in the previous answer are currently in a—quote—in a state of change.

So can the CEO explain to the committee how the long-term financial determinants of Manitoba Hydro, which would determine whether the rates that—adjudicated in 2019 and then revisited slightly in 2020—are reasonable and just? How can that be in a state of change and yet the utility assert that there's no substantial change in the finances?

Ms. Grewal: The key difference here is near term versus longer term, and rates are set for the near term.

As I stated earlier, Manitoba Hydro will be filing a five-year, comprehensive GRA in the winter of 2022-23, which will include a long-term financial forecast that reflects the evolving energy landscape where the PUB and all Manitobans will have an opportunity to understand the changes in the evolving energy landscape and how that relates to future rates.

Mr. Kinew: So, I'm sitting here as Leader of the Opposition; I don't have access to the documents the government has, so I need some help in understanding this.

In order for us to determine whether current rates are reasonable and just, it seems to me that we need to have an eye towards the long-term financial forecasts of the organization, right? Because the idea is sort of like, if there are steps up in rates, we want to keep the longer term picture in mind so that the near term—to

use the terminology of the CEO—so that the near term matches up with the overall trend or trajectory of where we're expecting to go in the long term.

* (09:40)

So, again, how is it possible that the CEO can assert that the long-term financial forecast of Manitoba Hydro is in, I quote again, a state of change, and yet, at the same time, try to assert that there is a no substantial change when it comes to the financial picture that the PUB ought to consider in determining whether the 2019 rates were reasonable and just?

Ms. Grewal: As I previously stated, we have submitted information to the PUB that demonstrates there is not a substantial change in our financial circumstances since the last GRA, which is what rates were developed and determined on, operating costs as well as major capital projects.

Thank you.

Mr. Kinew: The CEO has just said that there is no change in the financial situation of Manitoba Hydro and then, at the same time, tells us today that there is such a significant change in the financial environment of Manitoba Hydro that they can't share publicly an integrated financial forecast.

So I would like to know which one is true?

Ms. Grewal: As I previously stated, our net income is only changed to the positive by \$17 million, which the Consumers Coalition also recognized and stated that that is not a material change for a utility the size of Manitoba Hydro.

We are talking about near-term rates at this point in time. We are not talking about nor is the question raised by the coalition about rates 10 years from now, 15 years from now or 20 years from now.

Thank you.

Mr. Kinew: First of all, I just want to put on the record that it's not a compelling argument that the variation from that income disproves whether there is a substantial change in the financial situation of Hydro or not. For instance, net income could disguise severe variations in terms of revenue and expenditure; in so long as they stayed within a relatively similar band, the net income picture may be the same. So I just want to dispense of that argument right now because it's simply not compelling.

But I want to return to the question. Again, we know that whether rates are reasonable and just has to be considered within a longer term context. Yes, they

are set typically when a government doesn't try to legislate their way around the Public Utilities Board, anyway. We know that rates are set within, yes, a near-term time horizon, but that has to take into account the longer term situation, right. Because the reasonableness has to—the test of reasonableness in determining rates has to consider whether the amount that the rate is set at today is going to put undue hardship on the ratepayer tomorrow. And similarly, the justness test, I think, needs to be met within a similar balance of current, near- and long-term considerations.

So again, there are two competing arguments that the CEO has advanced here today: one, for the purposes of the Consumers Coalition process at the Public Utilities Board, the CEO is attempting to argue that there is no substantial change in the financial situation of Manitoba Hydro. And yet, conversely and contradictorily, in an attempt to try and not provide an integrated financial forecast to the Public Utilities Board, the CEO argues that there has been such a substantial change in the financial environment of Manitoba Hydro in the long term that such a document cannot be generated.

So with those two competing and, you know, mutually exclusive propositions advanced by the CEO today—one, that there is a substantial change such that an IFF can't be generated, or, two, that there is no substantial change, therefore the PUB doesn't need to inquire further—I would like to know which of those is true and which is accurate.

Ms. Grewal: Firstly, in response to the statement made—that that net income is not the number to look at, absolutely agree. And therefore, the information we submitted to the PUB showed a line-by-line comparison of revenue and costs so that the PUB could assess, is there any material change in our business.

Secondly, as I've stated, we will be filing a five-year GRA in the winter of 2022. That five-year GRA is what our customers can look at to understand rates going forward in the future. And as I've stated, the processes for determining the long-term financial forecasts are changing, including the work we will be doing that will involve material consultation with all Manitobans around an integrated resource plan, and that will inform the long-term financial forecasts.

But what we are saying at this point in time is, in the nearer term, the financial circumstances have not changed: \$17 million in net income is the difference for a utility of our size and scale, which is not material.

Mr. Kinew: I just want to return to the question, because, again, the nearer term cannot be separated in terms of trying to determine the reasonable and justness of rates from the longer term context.

So the CEO advances one argument that says there is no substantial change, and that's why the PUB doesn't need to intervene, but then turns around and says there is so much substantial change that they cannot generate an integrated financial forecast. So I'd like to know which one of those is correct, because they are mutually exclusive.

Ms. Grewal: As I've said, in the near term there is no material change.

The integrated resource plan will help us identify how we [*inaudible*] energy landscape is changing, which will underpin our long-term financial forecasts. If we were continuing status quo, we would have that long-term financial forecast. We do not feel it's responsible to try to create a long-term financial forecast that does not reflect the reality that Manitobans and Manitoba Hydro would be facing. It would be potentially misinformation because it's not based on facts because that is the work that we will undertake in the integrated resource plan.

Mr. Kinew: CEO just said there, if we were continuing status quo. Reflect on that. That means the status quo is not continuing, right? That means there is a substantial change in the environment with which Manitoba Hydro operates. So it seems pretty clear to me, and I think any reasonable person watching or listening, that there is a substantial change at Manitoba Hydro. There's a substantial change in the financial determinants.

Manitoba Hydro, the opening statement of the CEO listed off many substantial changes in the operations of Manitoba Hydro, and yet the CEO, contradictorily—contradicting themselves, tries to advance the argument that there's no substantial change such as the PUB needs to investigate.

How does the CEO justify that?

Ms. Grewal: I am not contradicting myself. I have consistently said, firstly, in the near term net income is only changing by \$17 million and the PUB has line-by-line revenue and cost information to assess and determine if there is a change, and that—and the PUB will work that process through.

* (09:50)

What we are saying is that over the coming years the energy landscape will be changing, and as it

changes it needs to be reflected in a—the 20-year, long-term financial forecast, which we will be developing based on an integrated resource plan that involves consultation with all Manitobans on the energy mix that they would like to see in Manitoba. And that will underpin our five-year general rate application, which we will be submitting to the PUB.

Mr. Kinew: What communication did the CEO have with government about PUB order 5321?

Ms. Grewal: Could you please clarify what that order was? I'm sorry, I can't—I don't equate it back to the number.

Mr. Kinew: That would be the same order that we're discussing at this time, which is a PUB order trying to ascertain as whether there's a substantial change, what the CEO has effectively conceded in this line of questioning, I would say. But that was the PUB order on whether there's substantial change in response to the Consumers Coalition and taking into account the Manitoba Industrial Power Users Group.

So what communication happened with government between the CEO and them on that?

Ms. Grewal: I do not concede the point that there is material change what—in terms of our financial forecast in the near term.

Secondly, the decision on how we proceeded here was made by the management of Manitoba Hydro with the support of our board.

Mr. Kinew: Thanks for that additional information. The question, however, was unanswered and I will repeat it.

What communication did the CEO have with the government on PUB order 5321?

Ms. Grewal: Can you please clarify what you mean by communication?

Mr. Kinew: Yes, we're going into what-the-definition-of-is-is territory here, but I will indulge it: any written, verbal, email, direct message, Twitter DM, Instagram DM interaction between the government and the CEO on this PUB order.

Ms. Grewal: Thank you for that clarification.

As I stated earlier, this was decision made by the management of Manitoba Hydro in terms of our response after we had done the analysis which confirmed that the change in net income is only \$17 million.

As would be expected, we informed our owner of the action that we have taken.

Mr. Kinew: Just want to point out for the record that the owners of Manitoba Hydro are the people of Manitoba, who are being denied access to information by the government currently. However, I take the CEO's answer to mean that they informed the Treasury Board, the Cabinet, the government, perhaps the minister about these deliberations.

So can the CEO just provide detail on who did she mean by saying owner, and what was the nature of that communication?

Ms. Grewal: The protocol for Crown corporations is to inform the owner or the representative of the owner, which is elected officials and government, is through a briefing note. So we drafted a briefing note that we then shared with Crown Services, which is the ministry we report to.

Mr. Sala: Appreciate the response from the CEO.

Is it possible to obtain any of the written communications relating to communication between government and the CEO?

Ms. Grewal: We will take that under advisement.

Mr. Sala: Thank you for that answer.

And I'd like to know, is there a—what were the—what was the content of the communication from government to the CEO, or were there any explicit directions to the CEO given regarding that PUB order?

Ms. Grewal: There were no specific communication or direction provided by government regarding the PUB order.

Mr. Sala: Could the CEO provide dates of communication between herself and government?

Ms. Grewal: We will take that under advisement.

Mr. Sala: I hope that there can be appreciation for why this is of such huge concern to us as the opposition.

There's serious concerns, I think, on the part of a lot of Manitobans about the fact that we're not getting transparency around Hydro's finances. So the concern is that that lack of transparency is feeding into this government's goal to put forward a bill that will ultimately prevent Manitobans to have independent oversight over rate setting. And I hope that the CEO can appreciate why this is important for Manitobans to have clarity about this government's role in

directing or in having any influence over this seeming lack of willingness to disclose or to share or to be transparent around these communications.

So we do appreciate that the CEO has offered to take this under advisement, but I would highlight that this is an incredibly important area of information that Manitobans do deserve to have clarity around, which is what exactly is the role of this government in directing this organization and directing the CEO in effectively avoiding accountability or avoiding transparency around this area.

So I'm going to move on here to another area of questioning. I'd like to ask about some important financial information that's held by the corporation.

Can the CEO describe for this committee the details of the most current or recent export price forecast?

Ms. Grewal: Could you please clarify export price forecast, because there's various components.

I'm assuming when you're saying export price, you're referring to the spot market.

Mr. Sala: This is referenced on page 106 of the annual report.

And I can further clarify that I was referencing—

Mr. Chairperson: Mr. Sala.

Mr. Sala: Thank you, Mr. Chair.

I can further clarify that I was referencing export sales—both spot sales and firm exports.

Ms. Grewal: So, there are two components that make up the price of energy that is sold in the export market. One is the spot market, which is something that we look at five different indicate—consultants who predict spot-market sales, and we take the average of that to determine what we believe in the coming fiscal would be the price of energy sales in the spot market.

And I'd like to—just to remind everybody, what Manitoba Hydro sells in the spot market is energy that is related to surplus water because of how we plan our system and plan how we deal with our revenue, which is we have to ensure that we have sufficient revenue domestically to meet all needs in a range of scenarios but particularly so that we ensure we meet the needs in winter, which is when we peak. So when we have greater water than average, relative to what we've planned, unless that energy is needed domestically, we sell it in the spot markets. So that is the process or

model that we use to determine pricing for spot as we forecast—recognizing, though, it is a forecast.

* (10:00)

Secondly, in terms of firm energy, those are the contracts that we have with various third parties because we are—we sell into four different markets in the US and to the west of us in Saskatchewan, and in those scenarios, those are contracts that are commercial contracts where we can't specifically disclose the pricing. But having said that, if you look at the last 10 years—nine years, from 2010 to 2019, export power contributed more than 22 per cent of our total electric revenue, and it was approximately \$4 billion, and rates would've been 20 per cent higher had we not sold surplus energy, both firm and in the spot markets.

Typically, we share more information when we are in the GRA, but what I can also say is that when we actually filed our last GRA, what we showed—what we shared there was contracts that were in place and signed as off 2016 would be providing revenue of approximately \$6 billion.

What I do want to clarify, though, and ensure everybody understands, is when I am talking about revenue, revenue is not profit, because there are costs associated with that energy, and those costs primarily relate to the assets that are used to generate this power, surplus power, not needed domestically, and that's generation, that's—and that's transmission lines.

So it is not 'provit'—profit, this extra-provincial sales revenue. But what it does do is help pay the cost for those assets that were built primarily to serve Manitobans, and what it does is it keeps—helps cover debt servicing costs, amortization costs, transmission costs, which keeps rates in Manitoba lower than they would be if we—than if we did not sell that energy.

Mr. Sala: I appreciate the answer.

Can the CEO describe to the committee the contents of the most current or recent prospective costs-of-service study?

Ms. Grewal: Could you specify if you're talking electricity or gas, because they're different studies.

Mr. Sala: Electricity.

Ms. Grewal: There was a prospective cost-of-service study where what we did was we provided a comparison of revenue cost-coverage ratios in the 2021 prospective cost-of-service study to scenarios that we'd filed with the PUB in 2017 GRA and our

2019-20 GRA. And that provided an indication of the level of class revenue cost-coverage ratios that would be expected once Bipole III was brought into service.

Mr. Sala: I thank the CEO for that response.

Can the CEO tell this committee the contents of the most current or recent power resource plan or load forecast that is being used by the corporation?

Ms. Grewal: Can you please repeat the question?

Mr. Sala: Absolutely.

I've requested that the CEO tell this committee the contents of the most current or recent power resource plan or load forecast that is being used by the corporation.

Ms. Grewal: I don't have the most recent load forecast available to me at this point.

Mr. Sala: The CEO endeavour to provide that at some point during the committee today?

Ms. Grewal: I'll take that under advisement.

Mr. Sala: The CEO stated yesterday in a news release that, quote, our submissions to the PUB provide a comprehensive picture of Manitoba Hydro's actual and budgeted 2021-2022 financial position. End quote. But there's no operating and admin forecast, there's no export price forecast, no power resource plan or prospective costs of service study that's been mentioned here.

How can Manitobans know what is the true state of affairs with Hydro's finances when this information is not currently within the view of the public?

Ms. Grewal: As I stated previously, we provided all information to the PUB in response that, to the question, is there a material change in the financials for Manitoba Hydro, and it—and that demonstrates through the line-by-line information we did share that net income is only changed \$17 million, which is not material for a utility the size of scale of Manitoba Hydro, and similarly with capex.

Mr. Sala: This is a background from the MIPUG submission that went into the PUB. The quote was, from MIPUG: There was no information on any of the three key financial ratio targets that Hydro has adopted; namely, interest coverage, capital coverage and debt-to-equity. There was also no information on the balance sheet at all. In a capital-intensive utility, the balance sheet and its evolution over time is among the most critical pieces of analysis for sufficiency of rates. Hydro provided no information on the level of

equity nor mention of the risks and variability it faces regarding the sufficiency of this equity. As some of the most notable changes inserted by the coalition relate to reductions in Hydro's risks and not necessarily to its immediate net income, information to assess risks is critical to the determination of whether the circumstances have indeed substantially changed.

Could the CEO provide a response to the quote from MIPUG?

Ms. Grewal: Well, I don't disagree. Balance sheets are important.

When the PUB looks at costs, they are in the income statement not the balance sheet. Secondly, debt-equity levels are reflected in our income statement as they show up in terms of interest costs associated with the debt that's on our balance sheet versus the equity. Thirdly, also in our O and A, our operating costs in our income statement, are the depreciation costs associated with these assets. And so when we peak, our—when Keeyask comes into service, which is going to be in 20—fully in service in 2022, our debt service costs, our interest costs are—and all are going to go up by \$1.1 billion. This is information that we do share.

* (10:10)

Having said that, though, the points that MIPUG is making relate to our longer term financial health. So a couple of points there. We—our debt will peak at \$25 billion. Currently, as of December 31st, 2020, our debt is \$23 billion. It will peak at just under \$25 billion when all units of Keeyask are in service, and debt servicing costs then will be \$1.1 billion, though these will all come into play and will be considered when we file our five-year general rate application in the winter of 2022 and will be included in the long-term financial forecast.

Mr. Sala: I'm sure that the CEO can appreciate that, at the time that this is suggested that it will be filed, that we will no longer have, as Manitobans, independent oversight over rate setting. And one, I think, important question that needs to be asked here, and I just would like to get the CEO's take on this question, is what is her thoughts around the role of a debt-to-equity ratio as a basis for determining rates?

Ms. Grewal: Utilities have various metrics that they use to assess financial health. What I look to, though, is what third parties who assess our financial health focus on.

And, most recently, Moody's issued, on May 4th of this year, 2021, their assessment of Manitoba Hydro's financial health, including looking at our debt-to-equity ratio. And from their perspective, they are concerned about the ongoing weak financial profile of Manitoba Hydro.

The debt rating agencies look at both short- and long-term credit ratings. And what I'd like to point out is that other utilities in Canada, including Crowns, also use the debt-to-equity ratio as a measurement of financial health. And so when we look at other utilities that are similar to us—so, for example, Quebec hydro, which, like Manitoba Hydro, are a fully integrated utility and primarily hydro energy—green, renewable, dependable power is the primary source of energy—their debt-to-equity ratio is 69 per cent, whereas we will peak at 86, 87 per cent.

And the second metric that is tied to debt equity is also how much of your revenue is used to pay interest costs. So if we look at that with other utilities, in Manitoba—for Manitoba Hydro, approximately 40 per cent of our revenues are used to pay interest costs. For Quebec hydro, it's 19 per cent; for SaskPower, it's 17 per cent; and for BC Hydro, it's 16 per cent.

So debt-equity ratios are important because those who assess our financial health, which then relates to the pricing for our debt—which, as I've already said, will be considerable, peaking at \$25 billion—it is an important factor.

Mr. Sala: Does tying rate setting to the debt-to-equity ratio create risks of Manitobans overpaying for electricity?

Ms. Grewal: Could you please provide a bit more context around your question?

Mr. Chairperson: Ms. Grewal, if you could just address your questions to—not directly to the individual as you. Bring your questions through the Chair or addressed to Mr. Sala. So you could say, could Mr. Sala please clarify the question, or—instead of could you please clarify the question.

And, Mr. Sala.

Mr. Sala: Appreciate the need for clarification, here.

The question relating to this concern about the risk of overpaying is that by attaching a rate setting, essentially, to a debt-to-equity ratio, we create this risk of Manitobans overpaying because there's questions to be asked about the need or the accuracy or the benefits to using a debt-to-equity ratio as a

measure of financial health of a government organization.

And, of course, the concern here is that when we talk about increasing the number on the equity side, we're actually talking about simply putting dollars into Hydro reserves, as I understand it. So socking away money into reserves, taking that off the—we'll call it the kitchen tables of Manitobans—to have that sit in Hydro reserve accounts is questionable when that shift or that increase in that equity number doesn't necessarily relate to any particular financial risk to the organization, given it's a government entity. And so some major differences there in terms of how a debt-to-equity ratio can be used in both a private and a government context.

So it would seem that tying rate settings to a debt-to-equity target like a 75-25 target where there's questions to be asked about the validity of using that type of measure in measuring the financial health of the government entity could create serious risks of Manitobans ultimately overpaying because, of course, rate increases will be designed to help us achieve those targets which, ultimately, are targets that will result in significant amounts of dollars coming out of Manitobans' pockets and ending up in Hydro reserve accounts.

So I guess just hopefully that provides some context. But that's the concern here, is that Manitobans could possibly overpay with using that debt-to-equity ratio as a target. So hoping for some commentary from the CEO around that question.

Ms. Grewal: Thank you, Mr. Sala, and my apologies for not using your name previously and saying you.

In terms of your question around overpaying, currently, I'd like to point out, for Manitoba Hydro, we are borrowing, including our working capital. And what do I mean by that? Right now, we are not only borrowing to fund the large, major projects, we are also borrowing to fund our ongoing investing activities—our typical annual business operating capital. And by that, what are some of those things? It's the funds that we pay to Efficiency Manitoba. It's the funds that we need to maintain our assets. Typically, a utility or any organization would want to use internally generated funds to pay for that, to demonstrate that they are self-sufficient. At this point in time, Manitoba Hydro is not.

Secondly, I'd like to point out the concept of reserves. Reserves are our equity. And what is our equity? It is on our balance sheet to help us assess and

deal with risk. But I want to be very clear: equity is not cash. That is why we are borrowing. Even though we have equity, it is not cash. We are borrowing.

And what is the issue here in terms of the debt-to-equity ratios and how that is framed? Which is—you mentioned risk. Risk is going to increase for Manitoba Hydro in the evolving energy landscape. And we, every single fiscal year, face a number of uncontrollable risk. They are inherent in our operating environment and they can result in significant variability year to year. And they are water flows; they are seasonal weather; it's interest rates; it's spot market prices; it's our customer behaviour and therefore consumption of energy; and it's also how and when rate increases are approved.

In any particular year, water alone represents variability for us of potentially \$450 million; \$120 million to the positive, if we have surplus water, but it's \$330 million to the negative if we have severe drought. And those are factors that are beyond our control that we face every year.

* (10:20)

Mr. Chairperson: So just to clarify, Ms. Grewal, so if you could put the questions to Mr. Sala through the Chair or your responses through the Chair and not directly to Mr. Sala. That's what we were trying to relay to you previously, so.

Mr. Sala: I'd like to ask the CEO how are—in terms of determining a 25-75 debt equity versus a 20-80, how are Manitobans more protected by a 25-75 target versus a 20 to 80 target? Is there a substantial increase in sort of de-risking or sort of—is there a substantial benefit to Hydro in that extra 5 per cent? What changes from a 20 to a 25 per cent target in terms of benefits to Hydro?

Ms. Grewal: Currently, Manitoba Hydro has a target debt equity ratio of 75 per cent to 25 per cent. Manitoba Hydro has not achieved that debt-equity target for years. Debt-equity targets are set to reflect the risk an organization is facing and dealing with, with equity being considered what can be looked at as support for that risk.

I look at debt-equity targets the same way, as I said earlier, based on a third party's view, which is a credit rating agency's, and what I would say is, in terms of debt-equity targets, every single Crown utility has set targets at 70-30 debt equity or lower, and they've also set the time frame to achieve that much quicker than the 20 years that is being considered for Manitoba Hydro.

The benefit is that we are considered self-sufficient by the debt rating agencies and therefore we can borrow at the lowest possible cost, recognizing even at 70-30 we will still be carrying a material amount of debt—amount of debt that we will be paying interest on, and those are costs that all go into the rates that Manitoba Hydro customers pay for their energy.

Mr. Sala: I appreciate the response from the CEO, and I hope that she can appreciate why this is so important, this question of that target and, you know, whether or not it's set appropriately and whether or not that transfers risks onto—actually onto Manitobans themselves, who may face risks of overpaying as a result of an overly aggressive target that doesn't necessarily relate or doesn't have a—any specific, you know, purpose or benefit, and I think it's an important question to be asked, which is, you know, is that number the right number that's being set, because ultimately that is what's going to drive rate setting for many years to come, as the CEO would know.

So I do appreciate some of her reflections on that, and I'd like to move on, here. I'd like to ask the CEO if she can provide the integrated financial forecast, capital expenditure forecast, respective cost study and the 2021-2022, and 2022-2023 forecast of next-net export revenue for each possible water flow condition.

Ms. Grewal: The information that Manitoba Hydro has has been shared and it is public, but it's been shared with the PUB.

Mr. Sala: Sorry, just to clarify. The integrated financial forecast, capital expenditure forecast, prospective cost study and the 2021-2022 and 2022-23 forecast of net export revenue for the each of the possible water flow conditions, is the CEO stating that those—that information has been provided to the PUB?

Ms. Grewal: With respect to the items that Mr. Sala has identified, what we have available relative to the question in front of the PUB, we have shared.

Mr. Sala: Would the CEO be able to provide that information to this committee?

Ms. Grewal: We will take that under advisement.

Mr. Sala: Was that information provided to Treasury Board as part of the last budget process?

Ms. Grewal: I do not—there was a longer list of items that were requested, so I would need to check. But I believe we provided detailed financial forecasts and capital for the current fiscal that we are in. I am not aware that we shared longer dated information, particularly anything that we do not have or did not

have at the time we submitted our budget and—to Treasury Board and responded to the questions there. But I'll take that under advisement in terms of getting clarification from the team.

Mr. Sala: Can the CEO provide clarity on what was given to Treasury Board?

Ms. Grewal: As far as I am aware, what we provided to Treasury Board was a detailed financial forecast and capital plan. I would have to check with our CFO to see what other information may have been provided with respect to any questions that we responded to from Treasury Board as they conducted their due diligence on both our operating and capital costs.

Mr. Sala: Page 49 of the 2019-20 annual report, under the heading, Outlook, Hydro writes, quote: "Compared to budget, the corporation is projecting a slight decrease in overall annual revenues of 2% primarily driven by an estimated reduction in domestic consumption for commercial and industrial customers. This decrease is partially offset by expected higher usage in the residential sector given COVID-19 impacts." End quote.

It's clear Hydro produces projections regarding revenue, regarding operating and admin costs, regarding consumption and projections, regarding exports.

Will the CEO provide the projections for 2020-21, '21-22 and '22-23 today?

Ms. Grewal: My understanding is we're here today to discuss specifically the annual report and the numbers in that annual report, but I will take under advisement Mr. Sala's request.

Mr. Sala: Again, on page 49, the annual report of Hydro states, the corp.—quote: "The corporation's earnings can fluctuate significantly due to various uncontrollable factors such as the amount of water inflows, weather, domestic load requirements particularly related to the usage of a small number of large industrial users, market prices for electricity and interest rates. Each year, the uncertainty related to water inflows has the greatest potential to impact expected earnings." End quote.

It's clear Hydro produces forecasts of a different—of the impact of different water flow conditions on revenue. So I'd like to ask if the CEO can provide this to the committee, the '22-23 forecasts of net export revenue and net income for each of the possible water flow conditions.

* (10:30)

Ms. Grewal: I will take that under advisement.

Mr. Sala: Okay, we do look forward to receiving that information.

Section 7(1) of The Crown Corporations Governance and Accountability Act requires Crown corporations like Hydro to produce an annual business plan, yet no plan has been produced for 2020-21 or for the current fiscal year.

Why has Hydro not complied with its statutory obligations?

Ms. Grewal: Manitoba Hydro continues to comply with its statutory obligations and submits, as required under the act, any materials required to our minister.

Mr. Sala: I'd just like to just ask the CEO, is it her understanding that Hydro is required to produce an annual business plan according to The Crown Corporations Governance and Accountability Act?

Ms. Grewal: Manitoba Hydro always prepares an annual business plan that is reviewed and shared with our board and submitted to our owner.

Mr. Sala: So, can the CEO confirm that a plan was produced, an annual business plan was produced for the 2020-21 year, or for the current fiscal year?

Mr. Wharton: Again, certainly appreciate the question from the member from St. James as well.

And, certainly, the business plan that the member is referring to is certainly outside the scope of what we're here to talk about today, the corporation's fiscal year ending March 31st, 2020. However, I will certainly indulge and provide the member and the committee members facts.

And the facts are clear: a report was provided to Crown Services, sent back for further clarification and is currently in that process.

Mr. Sala: Would the CEO provide a copy of that annual business plan to the committee?

Ms. Grewal: As noted by our minister, that will be shared by the minister once it has been finalized and approved by Crown Services.

Mr. Wharton: Again, thank Ms. Grewal for that too, as well.

And this will be shared publicly, as our government has and will continue to share documents of this nature, especially surrounding Crown corporations, particularly Manitoba Hydro, on a go-forward. Unlike the past, those reports are shared publicly so

Manitobans—the owner of Manitoba Hydro—fully are engaged.

Mr. Sala: I'd like to ask the CEO, when was the annual business plan submitted to the minister?

Ms. Grewal: The draft annual business plan was submitted at the end of March, and we are now making some updates to that based on feedback from our minister's office.

Mr. Sala: Has the Manitoba Hydro board had an opportunity to review the business plan?

Ms. Grewal: Management would never submit an annual business plan to government without the board have reviewed it and received feedback from the board on any proposed changes.

Mr. Sala: Appreciate the response.

So just to be clear, the 2020-21 annual business plan was submitted at the end of March? Just want to confirm that, and that is not the final annual business plan, it's a draft? Just want to confirm that with the CEO.

Ms. Grewal: The 2021-22 business plan was submitted to government. Government has asked Manitoba Hydro to look at some of the metrics that we report on, and that is something that we will be submitting before the end of this month with the updates.

Mr. Sala: I just want to highlight, you know, how concerning it would be, I think, for the average Manitoban to know that the annual business plan for arguably the most important Crown corporation in the province for this year has yet to be approved, ultimately. It sounds like it's still in draft form of some kind.

Can the CEO provide some commentary around her thoughts around whether or not she has concerns that the corporation is operating right now, as it seems, without a final approved business plan for this year?

Ms. Grewal: The core of the annual business plan is supported. What we have been asked to do is to look at providing additional metrics that both the board and Crown Services will use to assess our performance relative to achieving what's in the business unit plan.

Mr. Sala: Okay. Going back to the 2020 annual business plan, has that report been finalized? So this is the previous year.

Ms. Grewal: That business plan would have been at a time when we were initially—COVID had appeared

on the horizon and, therefore, it was difficult for us to assess how it was going to impact our business, and, therefore, we were not required to submit anything for that fiscal. Having said that, with—for management, we did have a plan in terms of our core business, our core focus, our core operations, but it was not submitted as a formal plan to Crown Services.

Mr. Sala: I'd just like to get clarity. The CEO mentioned that they were not required to submit one, and I just want to understand how that balances with The Crown Corporations Governance and Accountability Act, which requires that Hydro produce an annual business plan that is finalized prior to the end of the fiscal. Again, just seeking some clarity around what she said there, which was that she was not required to provide an annual business plan for that 2020 fiscal.

Ms. Grewal: We were in unprecedented circumstances, and our ability to actually understand and predict what would be happening in our business was more difficult and—as has been evidenced. We did have a business plan, but we did not submit it through the formal process. Our board did have the business plan.

Mr. Sala: So there was no directive from government to support what was stated by the CEO, that she was not required to submit an annual business plan?

Ms. Grewal: That is correct. As I stated, we were all, as Manitobans, operating in very uncertain times, uncertain waters.

* (10:40)

Mr. Sala: I can absolutely appreciate that from the CEO. It certainly was uncertain times, and I would argue that's often when these plans become most important. And so it is concerning to know that that plan was held back and this does appear to have been in violation of The Crown Corporations Governance and Accountability Act. I just want to put that on the record.

Floor Comment: Mr. Chair.

Mr. Sala: I am finished my response, Mr. Chair, so you can please go ahead and acknowledge the CEO.

Mr. Chairperson: Thank you for that.

Ms. Grewal: My apologies. I've just been corrected: we did submit the plan to Crown Services, but it was unaltered for COVID.

Mr. Sala: I appreciate that clarification from the CEO and would like to ask when that plan was submitted to Crown Services?

Ms. Grewal: As I stated, we did submit a plan, but it was unaltered for COVID so, therefore, wasn't a final plan. But I believe we submitted it in around the same time frame, which have been February, March 2020.

Mr. Sala: Would the CEO be able to endeavour to provide us with a copy of that annual business plan that never made it past the minister's office?

Ms. Grewal: We will take that under advisement.

Mr. Sala: I'd just like to repeat it there just to ask: When the CEO comments that she's taking that under advisement, does that mean that she will be working to provide that to the committee?

Ms. Grewal: When I state under advisement, I'm not committing one way or another, as we would need to go back and check what is available, in what form and if that information is public information.

Mr. Sala: Appreciate the response, and I hope that the CEO can appreciate why Manitobans would like to be able to have access to and have clarity and transparency around annual business plans for an organization as important as Hydro.

I'm going to move on here and ask, you know, Hydro's set to profit \$111 million this year and is forecasted to profit \$190 million in '21-22, according to the government's 2019-20 budget. These are huge jumps in profit from what was originally forecasted for this year and the coming year. In the Q3 report, Hydro attributed this to Keeyask and the pandemic for the current year.

Can the CEO explain why there is a substantial jump in profit this past year and what the anticipated jump in profits this current fiscal are attributable to?

Ms. Grewal: A financial forecast for Manitoba Hydro reflects positive net income of \$111 million for a fiscal that will end March 31st, 2021. The increase here is primarily due to the delay in the in-service of the first generating unit at Keeyask.

While, as I stated earlier, Keeyask is ahead of control schedule, last year at this time we were anticipating an earlier in-service date for the first unit before the pandemic hit. We had initially assumed that it would be June 1st, 2020. It was actually—the first unit came online in February of 2021, which still is ahead of the control schedule. The impact that had was positive in terms of net income because—by

\$97 million because there was lower interest and depreciation in our operating costs.

But I want to be clear, it's not that the \$97 million in costs did not exist. Those costs are being capitalized, and they will be expensed once the generating units are operational.

In addition to this positive impact of the \$97 million from the delay in the first unit, there was also a \$78-million decrease to our net income, and that was from the result of impacts of COVID-19, reduction in commercial and industrial usage that we appoint to the pandemic, changes in spot market prices for surplus energy as well as bill collections. Additionally, we placed debt earlier in the market, as early in the pandemic early last summer there were concerns about liquidity, so there were some carrying costs there.

Those increases in costs, though, of \$78 million, were partially offset by \$30 million in savings that were part of our pandemic response reduction measures.

Mr. Sala: The 2021-2022 fiscal, the profit is set to jump to \$190 million.

Can the CEO just clarify whether or not the same causes are attributable to that significant jump for the following fiscal, or help to explain why we see an even further jump in expected profits for that fiscal?

Ms. Grewal: Well, we are projecting \$190 million for 2021-22, which is a \$79-million increase over a year. But I want to highlight and remind Mr. Sala of the variability that we have in our net income, because these numbers can change and they do fluctuate significantly and are dependent on weather and water. Weather and water conditions have a significant impact on us throughout the year.

And why is that having such a big impact for Manitoba Hydro versus, perhaps, a Quebec hydro or BC Hydro? Because our reservoirs are seasonal reservoirs. They are not multi-year reservoirs. So we are always dependent on precipitation and so we are constantly monitoring and managing that and updating our cash flows based on that.

So as I said earlier, there—the highest and lowest range is actually not \$450 million, it's \$475 million, and it's—in low-water years that's \$355 million, severe drought conditions. So at this point in time for this year, hydraulic generation is expected to be below average based on the current precipitation, but there is

uncertainty, and it's very dependent on the summer rainfall heading into the fall.

Terms of the changes here, besides water, there's the export revenue which is expected to be higher. Why? Because of the commissioning of the units at Keeyask. So what is also happening is the finance expense and depreciation also go up. So as much as we have an increase in export due to additional energy being produced by Keeyask, we also have the finance expense and depreciation coming in.

Domestic revenues are expected to also be higher because we will have a full year of a 2.9 per cent electric rate increase, which was what was approved by the PUB and was effective December 1st, 2020. We also are assuming, as we have previously in terms of submissions to the PUB, are looking for or assume a 3 and a half per cent increase both on the electric and non-gas-rate side. And we—our assumption is that's effective October 1st, 2021.

In addition, we have the positive impact of that we are no longer amortizing the major capital reserve, which is—reserve is revenue we collected in prior years, but it was placed into a reserve by the PUB to be recognized in future years.

Mr. Sala: Really appreciate the information from the CEO.

Can I ask for some clarity around why she's assuming a 3.5 per cent rate increase effective October 1st, 2021?

* (10:50)

Ms. Grewal: And to clarify, that is an assumption. It isn't something we formally have approval for, and if you look historically at what we typically have asked for in rate increases, in our last rate application we asked for 3 and a half per cent, and we believe 3 and a half per cent is prudent in terms of also setting the trajectory to achieve the debt-equity targets—even the 75-25, which is a target that is currently in place for Manitoba Hydro.

Mr. Sala: So just to dig into that a bit further, so it's clear that there—this is at this point an assumption, and I appreciate that clarification from the CEO, but I am hoping that she can provide some clarity as to why it's being assumed that the rate increase will happen on October 1st.

Was this raised by Hydro and suggested to government that this rate increase needed to occur on that date, or had government provided some direction that this was a possibility?

Ms. Grewal: As Manitoba Hydro, whenever we are preparing forecasts and budgets, we make assumptions on future rate increases.

When we enter and submit a five-year GRA, all Manitobans will have certainty on what rate increases will look like over a five-year period. And we know from our customers, particularly our major industrial customers, that that is very important for them from a budgeting process perspective.

In terms of for Manitoba Hydro, the 3 and a half per cent is something that management determined through our analysis that a 3 and a half per cent rate increase effective October 2021 is important. This is something that was submitted to Treasury Board in August of 2020, when we were doing our initial forecast, but, again, as I said, it is assumption that Manitoba Hydro management believes is the rate increase required to set the trajectory to achieve the current 75-25 debt-equity target that we are to reach.

Mr. Sala: I thank the CO for that information.

The CO alluded to the fact that analysis had been done which spoke to the need for a creeping of 5 per cent rate increase, or why that would be a benefit in helping the corporation to achieve that debt-to-equity target. Could that information be provided to the committee?

Ms. Grewal: We will take that under advisement.

Mr. Sala: You know, it's very—it's unclear to me how it's possible that Manitoba Hydro is in a position to determine, you know, this needed rate increase and to perform this analysis, but is unwilling to provide the Public Utilities Board with an opportunity to provide independent verification of the need for said rate increase, especially given the impacts on Manitobans.

It's obviously really important that Manitobans can have confidence that rate setting is done in a way that preserves their interests and protects their interests. We know that a 1 per cent rate increase is equivalent to about \$15 million a year out of the pockets of Manitobans. We just experienced a 2.9 per cent increase in December, as the CEO knows.

So I guess the concern here is that we're learning, yet again, of an assumed rate increase that's to come and which will be imposed upon Manitobans, but Manitobans have no opportunity at this point to confirm through independent analysis conducted by the Public Utilities Board that that rate increase is actually required.

And this not—in no way intended to offend the CEO, but we're being asked to just take the corporation on its word. And I think, you know, if we look back to one rate request that had been put in—I believe it was for 7.9 per cent a couple years back, where the Public Utilities Board actually ended up delivering Hydro only a 3.5 per cent rate increase, I believe—it's clear that there are times where the analysis done by Hydro doesn't exactly align to the analysis that was performed by that independent body.

So my question to the CEO is, assuming this rate increase does go forward in October 1st, as has been suggested, how can Manitobans be confident that they're not being asked to overpay again, especially thinking back to some of the previously overly aggressive rate increase requests that Hydro has put in to the Public Utilities Board?

Ms. Grewal: I can't speak to rate increases that were put forward prior to my time here. What I would say, though, is rate increases of 7.9 per cent are unprecedented in regulatory models and environment. What we are—the rate increase that we've presented will allow Manitoba Hydro, over the longer term, to move towards being able to start to generate net income to be able to pay down its debt and to get closer to achieving that 75-25 debt-equity target.

Secondly, when you look at rate applications and rates that have been approved by the PUB over the last 10, 15 years, they are typically within the 3 per cent range, 3 and a half per cent range, and we believe modest—or increases—I won't say modest—any increases make these important for our customers, and we take that very, very seriously, but increases that are not resulting in rate shock but will still allow us to move forward to achieve our debt equity target is key.

Mr. Sala: I can certainly appreciate that increasing revenues for Hydro will help Hydro to meet its debt-to-equity targets. The concern here is that the burden is being shifted onto current ratepayers instead of ensuring that that burden is shared for future ratepayers and over a longer period of time. And this concerns, of course, are we asking people at this point in time to carry too great a portion of those costs.

And, again, I just want to highlight that the CEO is stating here that, you know, historically, that we've seen rate increases that are approximately 3 per cent or in that range, and that, therefore, that makes this request or this amount acceptable. And yet Manitobans have no ability to confirm that that is, in fact, the case, because independent analysis, which would normally be performed through the

Public Utilities Board, is not forthcoming, and we've seen serious concerns regarding these questions. Obviously, they have been put forward recently in those comments by the Consumers' Association and by MIPUG and others.

So, again, I want to ask the CEO one more time, how can Manitobans be confident that they are not being asked to carry too great a portion of those cost burdens now? How can we have that confidence without an independent review by the Public Utilities Board?

Ms. Grewal: As I pointed out earlier, Manitoba Hydro's debt is going to peak once all Keeyask units come into service at \$25 billion, and we will have a debt-equity ratio that is the highest amongst all utilities in Canada, including all Crown corporations.

Secondly, the debt servicing costs that will be hitting our income statement are going to peak at approximately \$1.1 billion. We know for certain our costs are going up, driven by these projects coming into service, and that assets will now be depreciated and amortized.

As I've also pointed out earlier, we've had a review done by an independent third party, not the PUB, but the debt rating agencies, and given the risks that we face that are uncontrollable, whether it's the variability from year to year in water flows, whether it's seasonal weather—the last storm that we faced, the unprecedented storm in 2019, costs are still being finalized—it's 100 to 110 million dollars. You add to that the \$350 million in water variability to drought, you add to that potential changes and risk from an interest rate perspective from the spot market prices for our surplus energy, rate increases are needed.

* (11:00)

I'd also like to point out, as I said earlier, that we are—we need to ensure that the regulatory bodies continue to believe and see Manitoba Hydro as being self-sufficient, and Moody's has stated they are concerned about our ongoing weak financial performance.

As I said, we are borrowing our working capital. We are borrowing to fund Efficiency Manitoba, to fund business operations, to fund maintenance capital. That's independent of the major capital projects like Keeyask and Bipole III.

Typically, you would want to be considered financially sound, to use internally generated funds to pay for those ongoing operating and maintenance

costs. We are not in that state at this point in time. A rate increase will help us move forward on that front.

Mr. Sala: I appreciate the response, and I'd like to ask the CEO: has there been any communication between herself and government regarding this proposed potential rate increase?

Ms. Grewal: As I stated earlier, we've included that in a submission to Treasury Board, as we were trying to look forward to anticipate both this year and next year.

Mr. Sala: Did Treasury Board or the minister provide any comments relative to that proposed rate increase?

Mr. Chairperson: Would the minister please let us know when he's ready to comment?

Mr. Wharton: Certainly appreciate the question. And, absolutely, Manitoba Hydro provided information, of course, to support Manitoba Hydro's request.

Mr. Sala: I'd like to ask the CEO for clarity—and I think she can appreciate how important this is for Manitobans, especially given she's alluded to the importance of having that certainty going forward, not just for big businesses but also for regular Manitobans.

Has Treasury Board approved a 3.5 per cent rate increase?

Ms. Grewal: Treasury Board has not approved a 3.5 per cent rate increase.

Mr. Sala: Does the \$190-million projection for profit for next year in any way include an assumed 3.5 per cent rate increase in October?

Ms. Grewal: As I stated earlier, in addition to the other changes, the \$190 million also includes the assumption of a 3 and a half per cent electric and non-gas rate increase, effective October 1st, 2021.

Mr. Sala: Can the CEO provide any clarity on what was approved by Treasury Board in any submissions relating to this rate increase?

Ms. Grewal: As I stated, nothing has been approved by government in terms of our projected \$190-million net income for coming fiscal.

Mr. Sala: Did Hydro assume that government supported a 3.5 per cent rate increase given their lack of response to that specific question?

Ms. Grewal: The 3 and a half per cent rate increase was an assumption that Manitoba Hydro put forward

as a potential rate increase based on the analysis we did, based on the risks identified earlier, the fact that our cost structure is increasing materially with Keeyask coming into service.

Mr. Sala: I guess I just need some clarification because this is slightly confused here.

How can the rate increase not have been approved if that figure was included in budget projections that was ultimately presented to the Legislature that we as legislators voted on? If that wasn't approved, I think there would be reason to have some serious concerns here about how we as legislators were presented information that ultimately, according to the argument being put forward here, that was never approved or actually validated by Treasury Board or government.

So can you clarify for me—or, I'd like the CEO to clarify, how could it possibly not have been approved if it was included in budget projections that were presented to the Legislature?

Ms. Grewal: What was presented to Treasury Board for formal approval was only for the current fiscal that we are in. We did not ask, nor was part of the process, for Treasury Board to approve budgets and forecasts for the coming fiscal which are still being worked on at this time. It was an assumption made by Manitoba Hydro, but we submitted, formally, approval solely for, as per the processes in place, the current fiscal that we are in.

Mr. Sala: The proposed or the assumed rate increase, which has been stated for October 1st, 2021, is in the current fiscal. So why would that not have been included in what was submitted to TB—or Treasury Board, I apologize.

Ms. Grewal: Treasury Board approved our cost structure, but they did not approve a 3 and a half per cent rate increase for this fiscal.

* (11:10)

It is subject to review by Treasury Board—their determination—if that 3 and a half per cent is appropriate and justifiable, and it is also subject to the appropriation act passing.

But as I said, it was submitted as an assumption. We understood and were aware that it is—not been approved at this point in time.

Mr. Sala: I'd like to ask the CEO, is it fair to state that if those increases in revenues were reflected in the expected profits for next year, that it was assumed that

government was supportive of the rate increase—of the proposed rate increase?

Mr. Wharton: Last hour and 10 minutes, there's been a lot of assumptions being thrown out by the member from St. James. I think we know that there are no assumptions in Navigating Change and Challenges with Action—in Manitoba Hydro-Electric Board's 69th annual report for March 31st, 2020.

I would assume that, at some point this morning, the member from St. James will move to the report at hand that we have allotted two hours and 50 minutes to discuss, to move forward with Manitoba Hydro's March 31, 2020 report. Certainly, I would love to indulge the fact that—the reasons why Manitoba Hydro are having the challenges that the CEO have—related to—in the last hour and a half to two hours, and I certainly hope had the opportunity to do that with a number of roll-the-dice scenarios that the former government and this member, particularly, wants to continue on with respect to the status quo.

So I would expect the committee would appreciate, and Manitobans would appreciate, to understand the electric board's 69th annual report for the year ending March 31st, 2020. I would expect the member from St. James to move forward with that process, as we are running a little short on time and Manitobans certainly deserve to understand what's in the March 31st, 2020 report.

Mr. Sala: I appreciate the minister would much prefer us to be doing a line-by-line of the report and its detailed financials, but I'm also sure that he can appreciate why Manitobans would be very interested to know that his government was apparently aware of a proposed 3.5 per cent rate increase that is forthcoming and that has been baked into budgetary forecasts by his government. Clearly, that is of top level of importance to all Manitobans, given the impact on their wallets.

We'll proceed here. I'd like to ask, on page 22 of the annual report, it explains that, quote, construction of the Birtle Transmission Project will begin summer 2020, with a target in-service date of June 2021. By 2022, Manitoba Hydro will be exporting up to 315 megawatts of electricity to SaskPower. End quote.

The line was completed ahead of schedule in March of 2021.

Have exports started to flow to Saskatchewan? And what is the total value of the firm export contracts relating to that?

Ms. Grewal: The—Mr. Sala is correct that the—Mr. Sala is correct that Birtle was completed two months in advance of the committed in-service date of June 1st, 2021, and the project came in, under the approved control budget of \$69.3 million, at \$55 million. In addition, we were able to secure federal funding for the project under the Investing in Canada Infrastructure Program.

In terms of the power that will be flowing, the—we have two agreements with SaskPower. There was an initial agreement for 100 megawatts, and then there was a second agreement that was—that we made public when we signed the term sheet, I believe, in August—or in 2018. So this line will allow us to fulfill our power purchase agreements with SaskPower, and that will start in 2022, in terms of energy flowing through the Birtle line to SaskPower, with total exports to SaskPower being up to 350 megawatts.

In terms of the question about the specific revenue associated with that, these are commercially sensitive contracts and we are unable to share that specifically in terms of SaskPower, but we do publicly share when we are submitting information to the B-U—PUB the total export revenue that we are generating.

Mr. Sala: It's our understanding that Hydro has signed \$5 billion in contracts and firm export sales with Saskatchewan, but the financial number has never been confirmed publicly by Hydro.

Will the CEO confirm the total value of the firm export sale contracts with Saskatchewan?

Ms. Grewal: As I've stated previously, the—two things.

Firstly, there will be \$5 billion in energy sales to Saskatchewan, but those energy sales occur over a full 30 years and it's from two contracts.

Secondly, I'd like to remind those here today that this is revenue, it is not profit. It's extraprovincial sales revenue that helps pay for the costs we've incurred to build a facility that was designed primarily to serve Manitobans, but until that energy is needed in Manitoba, this revenue is used to cover debt servicing costs, transmission costs, amortization costs, and it allows us to keep rates in Manitoba lower than they would otherwise be.

Mr. Sala: I'd like to ask the CEO why the total value of firm export sale contracts with Saskatchewan wasn't revealed to the public.

We know that, in the past, the total value of export sale contracts has always been released by Hydro, but

why was this financial information not given to Manitobans?

Ms. Grewal: I want to be clear and remind those here that we issued a news release October 29th, 2018, when we signed the term sheet which was the basis for this power sale, so it was made public, as well as power sale agreements have been on our website for several years and we report the revenue in our—on extraprovincial sales both in our quarterly and our annually—annual reports.

Mr. Sala: An internal Hydro source stated in the Winnipeg Free Press on March 23rd, '21, that, quote: The utility always wanted to make the announcement. This was huge news for us, but we knew it was not consistent with the current government's attempts to make the previous government look bad over the construction of Keeyask and Bipole. We can only assume the Saskatchewan power sale was deliberately covered up because it didn't serve their political purposes. End quote.

I'm wondering if Ms. Grewal could explain what she thinks about this statement from an internal source?

Ms. Grewal: I can't comment in terms of the internal source, but what I can clarify and confirm is that we were never directed by any party or government to withhold any information on these contracts and sales.

As I said, they are made public on our website, as well as we did issue a news release in October of 2018 to announce the term sheet for this sale—that it had been signed.

Mr. Sala: So, just to clarify: were there any communications, directions, emails, phone calls of any kind that directed the CEO of Hydro to suppress information relating to that sale?

I understand—and just to go further, I understand that a news release was issued regarding the term sheet in 2018. That's kind of old news. But of course this revelation of this gigantic sale is clearly of huge importance to Manitobans for a number of reasons.

* (11:20)

Can she provide any clarity over why this was not celebrated appropriately, given the impact on Manitobans, and did she—or, were there any forms of direction offered to her, given to her, from government to suppress that information?

Ms. Grewal: To restate: a news release was issued when the term sheet for this sale was signed in October 2018.

Secondly, I can categorically confirm that there was no direction in any form in any way from government to withhold information on this transaction.

Mr. Sala: Hydro has publicly stated that there's been no substantial change in Manitoba Hydro's finances.

So why did Hydro then demand layoffs and wage reductions for its employees in May and June of 2020 if there's been no substantial change to its finances?

Ms. Grewal: A year ago, we were facing unprecedented times and we knew that there would be impacts, as I've shared earlier, of the pandemic on Manitoba Hydro, from a revenue perspective as well as increased costs associated with managing the pandemic.

Secondly, we, at Manitoba Hydro, in respect of our customers who suffered and continue to as a result of the pandemic, did everything possible to reduce our cost structure so that it would have less of an impact on our customers. We contributed to the province's response to COVID-19 and the pandemic.

Mr. Sala: How does that square—I'd like to ask the CEO how that squares with the, you know, increase in profits that we've seen from budget.

You know, I understand that there was a lot of uncertainty a year ago. This is absolutely the case, but at that time, just to confirm, the CEO states that we did face this uncertainty and that there was a desire to reduce costs in sort of preparation or to—in anticipation of potentially a challenging year—I just want to clarify: at that point when those decisions were made, there was no awareness or no sense of ultimately this potential increase in profits from the budget that had been put forward last year?

Ms. Grewal: As I stated previously, a primary driver behind our profit increasing to \$111 million this past year was the delay of the in-service of the first generating unit at Keeyask. It was assumed that that would have come in service June 1st, 2020, which would have resulted in \$97 million of cost, interest and depreciation hitting our income statement. The unit did not come online until February 21, 2021.

That was the primary driver for the increase in our profitability and, as I pointed out earlier, the \$97 million in costs did not disappear. They are

continuing to be capitalized and those costs will be expensed once the generating units are operational.

Mr. Sala: Hydro has publicly stated that there's been no substantial change in Manitoba Hydro's finances, but why did Hydro then demand that IBEW workers be held to the unconstitutional provisions of bill 28, which was the two years of zeros, just—when there's no substantial change?

Mr. Wharton: Again, another 15 minutes where Manitobans are not going to have the opportunity to understand the Hydro-Electric Board's 69th annual report.

The member—I've—suggest the member and the committee would probably respect the fact that we should at least spend the last 20 minutes trying to share with Manitobans some of the good things and some of the challenges that Manitoba Hydro continue to navigate with changes as they go forward and with respect to March 31st, 2020.

And I would expect the member from St. James would move down that path in the time that the committee has left, for the betterment of Manitobans.

Mr. Sala: I can appreciate that the minister doesn't appreciate my priorities in questioning here, and we'll continue to ask those questions that we believe are of serious importance to Manitobans.

Earlier this year, the Wall report was released, and one of the most notable recommendations made by Mr. Wall was to sell off non-core divisions and subsidiaries of Hydro. I'd like to give Ms. Grewal an opportunity to explain what non-core means.

Ms. Grewal: As stated in our mission which drives Strategy 2040, our job—our mission is to help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage while ensuring safe, clean, reliable energy at the lowest possible cost. That includes ensuring a reliable supply of renewable electricity and clean-burning natural gas.

Anything that contributes to this, this mission, is a core part of our business and a core asset. Other components of our business, even if they continue to provide value to the business, would be considered non-core.

Mr. Sala: I do appreciate that explanation and that was quite clear.

And so I'd like to just follow up and ask the CEO: What are some examples of what might be considered non-core, using the definition that was just provided?

Ms. Grewal: The two assets that Manitoba Hydro has considered non-core are, firstly, our 40 per cent stake in Teshmont, which was a consulting company that we've already talked about, that was a private-sector entity; and secondly, Manitoba Hydro International utilities consulting, which is part of Manitoba Hydro International, which consults in international markets where the market conditions are changing, and we were becoming less and less competitive and, therefore, we will be unwinding that over the coming years where there are 12 employees.

That being said, those 12 employees will be offered employment within Manitoba Hydro, where we have 300 vacancies, typical average turnover, where they'll have the opportunity, as these consulting contracts in place wind down, to look for other opportunities within the Manitoba Hydro company.

Mr. Sala: Does Manitoba consider Centra Gas as a non-core division?

Ms. Grewal: Centra Gas always has been and will continue to be core to Manitoba Hydro's business in serving Manitobans with clean, reliable electricity and gas.

Mr. Sala: Is Manitoba Hydro Telecom considered non-core?

Ms. Grewal: The Manitoba Hydro Telecom model is shifting as a result of the world broadband RFP.

Mr. Sala: And just to clarify, is that to state that, from the perspective of the CEO, that Manitoba Hydro Telecom is indeed a non-core division of Hydro?

Ms. Grewal: That is not what I stated. That is incorrect.

* (11:30)

Mr. Sala: I appreciate the need for clarity and precision here, so I'll just ask again: Is Manitoba Hydro Telecom considered non-core according to the definition that you provided of what a non-core division would constitute?

Ms. Grewal: As I stated, the Manitoba Hydro Telecom model is shifting as a result of the rural broadband RFP. Surplus fibre, which represents approximately 10 per cent of the Manitoba Hydro infrastructure, is being made available via Xplornet to support broadband and capability in rural, northern, Indigenous communities.

Manitoba Hydro, via Manitoba Hydro Telecom, will continue to own and manage this fibre-optic network. Xplornet will have access to it, but we own those assets and they will remain core to Manitoba Hydro. And the employees of Manitoba Hydro Telecom who will become employees of Manitoba Hydro will be engaged in managing and supporting the optimization of our fibre network.

Mr. Sala: Relating to those employees of Manitoba Hydro Telecom, we understand that there is going to be some transfer of—well, there will be an outright transfer of all contracts from Manitoba Hydro Telecom to Xplornet, and that that will probably be taking up a significant amount of the time for remaining MHT staff, Manitoba Hydro Telecom staff.

When that's finished, can we expect that there will be a reduction in the total number of Manitoba Hydro Telecom staff working with Manitoba Hydro?

Ms. Grewal: At this point in time, we anticipate, and I believe it's 16 employees that were offered employment with Manitoba Hydro, will be required to manage the fibre-optic capacity used by Xplornet as well as our own operations.

Mr. Sala: Relating to MHI, it's my understanding that in addition to the strategic review that had been conducted and that had been contracted by Hydro executive, that there was another strategic review that had been contracted by the employees of MHI. That strategic review was conducted by Shawna Pachal with input from Grant Thornton consultants.

So I'm hoping that the CEO can confirm whether or not she was aware of the existence of this other strategic review.

Ms. Grewal: I am aware that MHI did an analysis itself on the viability of the four distinct operating lines of business.

But as I pointed out earlier, the only change for MHI and the four lines of business is one line of business—international consulting, which saw greater competition, reducing profitability and greater risk for our employees given the jurisdictions they were operating in—we will be unwinding.

All other parts of the business will continue, including the technology that's been developed in Manitoba by MHI, and Manitoba Hydro will continue to deliver value and benefits to Manitobans.

Mr. Sala: Can the CEO share what the costs of the Shawna Pachal-led review were?

Ms. Grewal: That work was undertaken by MHI without the knowledge of Manitoba Hydro, and we do not have—I do not have any access or awareness of what the cost of that study was.

Mr. Sala: My understanding is that that report cost about \$240,000, so that is a significant amount of money for the CEO to not be aware of that expense, especially given its importance relative to the MHI review.

I'm wondering if she can share how the results of the Shawna Pachal-led review, specifically tied to the international consulting line of business, how they contrasted with the strategic review that was conducted by Hydro executives.

Ms. Grewal: As the CEO of Manitoba Hydro, I pay attention to all of our costs, but at times it is difficult for me to get to that level of granularity when you understand the cost structure of Manitoba Hydro is \$3.1 billion.

Secondly, in terms of the study that was conducted, we rely on third-party expertise that looked at the data and the markets, and the analysis that we had was data-driven. And that was the basis upon which Manitoba Hydro made this decision to exit international consulting given the risks, reducing profitability, increased competition.

And I'd also like to point out that other Crown entities, such as BC Hydro, Quebec hydro who had, years and years ago, some decades ago, operated in those markets, have also exited those markets. It is not aligned with our core mission and focus to deliver dependable, renewable energy to Manitobans at the lowest possible cost. We are focusing on our core business today and in the future.

Mr. Chairperson: Mr. Sala? Sorry, Mr. Wharton?

Mr. Wharton: Thank you, Mr. Chair, and I would ask the member, for the benefit of the committee today, the member from St. James, if he would be willing to table that information so that Manitobans also would have the opportunity to do a deeper dive into this contract that he alluded to in his last question to the CEO. I think it would be helpful to the members to be able to get that information in hand.

You know, as the member knows, we have been very transparent, and I would expect that the member from St. James and his party would be transparent as well and table that information for the benefit of everyone today that's on line.

Mr. Chairperson: Just for the record here, Mr. Sala is not required to produce this. It is a public document, so it is available, but it is up to Mr. Sala if he would like to produce this.

Mr. Sala: I appreciate that, Mr. Chair, and I'll take that request under advisement. But I'll also remind the minister that, in fact, it is he who is sitting in government and has access to this report, this information and the total costs associated with it. So I assume, being that he is the minister responsible for Hydro, that he should be able to access that information very easily on his own accord. But I will take his request under advisement.

I'm going to move on to questions here regarding broadband, and I'd like to ask: So, who will be the point of contact for third-party service providers who will utilize the fibre? And will that be Xplornet or will that be Manitoba Hydro Telecom or, I guess, Hydro?

Ms. Grewal: Xplornet Communications will be the party that will provide broadband to the rural, northern, Indigenous communities, as well as those that have existing contracts in place with Manitoba Hydro Telecom. Manitoba Hydro Telecom employees who will become Manitoba Hydro employees will support that interaction for Xplornet in terms of access to the network, the fibre-optic network, and any requests that come on how they will access *[inaudible]*

Mr. Sala: So, for clarity, will Xplornet be selling the services—fibre services, or will it be Manitoba Hydro?

Ms. Grewal: For clarity, it will be Xplornet.

* (11:40)

Mr. Sala: Relating to that, what does that mean for the last-mile businesses, and I'm referring to, you know, Manitoba ISPs who currently work with MHT. Will all of their service agreements be honoured?

Ms. Grewal: I can confirm that all existing service agreements where MHT was the party will be honoured by Xplornet.

Mr. Sala: Will Xplornet have the ability to choose who they work with, or will that be up to Manitoba Hydro?

Ms. Grewal: Manitoba Hydro will continue to own and manage the fibre-optic network. Xplornet will be the party that will build out the broadband in the rural, northern and Indigenous communities, and they will be the party that will be working with all entities and

organizations who are looking for service in those areas.

Mr. Sala: What protections will be in place for last-mile service providers if they have to purchase from Xplornet in terms of quality of service and price protections?

Ms. Grewal: I am not at the table and therefore I can't respond to what is being put in place in the contract that is being drafted with government and Xplornet, but I am assuming there would be provisions of that nature, which is typical in any commercial transaction of this type.

Mr. Sala: The stop-sell order has greatly hindered the last-mile service providers' ability to provide communities with much needed Internet. When will services begin to be sold again?

We understand that as a result of the stop-sell that was imposed on Manitoba Hydro Telecom that there are many, many northern communities and, in fact, other organizations that have had their service delayed as a result of that stop-sell, so this is, I think, a really important question, when can we expect services to begin to be sold again?

Mr. Grewal: The reason why we provided and issued a stop-sell order was to ensure transparency while the provincial RFP for rural broadband proceeded. There are a total of 170 new customer requests that did come in since August 25th, 2020, and those—MHT is now looking to work with those providers and Xplornet to provide a smooth transition so they can engage with Xplornet for the services that they're looking for in terms of the fibre-optic network.

Mr. Sala: It's obviously incredibly important that we help Manitobans to connect to broadband, and especially in the world that we're—what we're increasingly heading into, and we know that there's a massive digital divide in a number of northern communities, especially our Indigenous communities here in the province.

My question to Ms. Grewal is: Why was it assumed that Manitoba Hydro Telecom was not able to effectively provide that connectivity? Were there concerns about their business performance? Were their concerns about business risk? Why was it assumed that Manitoba Hydro Telecom as a publicly owned subsidiary of Hydro, whose profits go back to us as ratepayers—why was it assumed that they were not able to deliver on that need for Manitobans?

Ms. Grewal: We were asked by government to support this initiative to improve broadband service and connectivity to northern, rural and Indigenous communities, and we see it as very positive.

In terms of—specifically about MHT, I've already spoken earlier to the leverage that Manitoba Hydro will face upon the completion of Keeyask. In order to provide this kind of connectivity and capability would have additionally required that Manitoba Hydro, through MHT, invest material capital.

As I stated earlier, our focus is on our core business and maintaining reliable energy—green, dependable—at the lowest possible cost for Manitobans. We are using the capital that we do have to ensure we maintain that reliability, particularly at a time when we are facing aging infrastructure where greater capital will be required to ensure that reliability and safety.

Mr. Sala: Is it reasonable to assume that Manitobans will be forced to pay higher costs for broadband as they'll be purchasing it ultimately through a private intermediary instead of directly from a government-owned subsidiary?

Ms. Grewal: It would be inappropriate for me to make any assumptions on the operations of Xplornet.

Mr. Sala: Has the contract with Xplornet been finalized?

Ms. Grewal: It is my understanding that the contract has not yet been finalized, though it is being worked on.

Mr. Sala: Just like to talk at the highest level here relating to the strategy—the 2040 Strategy information that was released and the—there was some information that had come forward in the form of excerpts from a presentation that had been delivered internally to Hydro employees.

The—my question to the CEO is: Is it of concern that Hydro has developed a 20-year strategy in the absence of a provincial energy policy—and I'll just say a little further, given the possibility that an energy policy may suggest directions or directives or a strategic direction that may be misaligned with what Hydro has produced in their 20-year strategy?

Ms. Grewal: Energy policy is the umbrella under which Strategy 2040 will move forward. We consulted with government as a stakeholder in the development of Strategy 2040 and they had input into the strategy as we developed it. Just as government—we consulted with government on the development of

Strategy 2040, we will be consulted by the Province in the development of energy policy. So the two are interrelated.

And I would like to point out is—though our board has approved the Strategy 2040, we've not formally taken it yet to government for approval, as government is proceeding to think through energy policy. So it can still be adjusted, though Strategy 2040 has been built through broad stakeholder consultation, through a very thorough analysis of the evolving energy landscape, through a development that identified where the opportunities were as well as the threats and a robust strategy that's based around the five pillars. We are at this time continuing to develop the initiatives that would need to be in place for us to successfully execute on it.

Directionally, I do not believe there will be a change to Strategy 2040, but there might be some finessing as a result of the development of energy policy. Having said that, the key bodies of work that we are undertaking are ones that will not change and, for example, I'll refer back to the Integrated Resource Plan. Manitoba Hydro has never developed an integrated resource plan and we're engaged in planning the process to develop that where all Manitobans will have the opportunity to, through consultation, to engage in terms of the energy landscape, energy solutions, energy supply and inform one-load forecasts in energy demand.

Mr. Sala: I'll apologize in advance for bouncing around. I do appreciate the CEO's flexibility in talking about these differing areas here.

I'd like to talk a bit about the strike. And during the strike, we had several—

* (11:50)

Mr. Chairperson: As per our previous agreement by committee, the hour being 11:50, I will now put the question on the report.

Mr. Sala: Mr. Chair, 11:55 was the agreed-upon time.

Mr. Chairperson: The agreement was actually to put the question at 11:50 and rise at 11:55.

Mr. Sala: Okay. I apologize.

Mr. Chairperson: I will now put the question.

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2020—pass.

The hour being 11:51, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 11:51 a.m.

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TAB 9



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July 6, 2021

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: Response to Intervener Comments on Manitoba Hydro's Response to Order 53/21

On May 10, 2021, the Public Utilities Board ("PUB" or "Board") issued Order 53/21 which directed Manitoba Hydro to provide certain documents to assist the PUB in its assessment and determination on the threshold question of whether there had been a substantial change in Manitoba Hydro's financial circumstances since Orders 59/18 and 69/19. On June 9, 2021, Manitoba Hydro complied with the direction in Order 53/21 by providing current information used in the management and operations of the corporation.

By letter dated June 18, 2021, the Board provided interveners an opportunity to file written comments by June 24, 2021 to address Manitoba Hydro's submission. On June 24, 2021, the Board received written comments from the Consumers Coalition (the "Coalition"), the Manitoba Industrial Power Users Group ("MIPUG"), the Assembly of Manitoba Chiefs ("AMC"), and Manitoba Keewatinowik Okimakanak ("MKO"). By letter dated June 28, 2021, the PUB provided Manitoba Hydro the opportunity to reply to the comments filed by the above interested parties by noon on Tuesday, July 6, 2021, which is provided herein. As requested by the PUB, Manitoba Hydro is also providing comments with respect to the motion filed by the Coalition to formally enter the Hansard transcript record of the Standing Committee on Crown Corporations of June 29, 2021 into evidence in this proceeding.

Intervener Submissions Do Not Refute that the Information Filed by Manitoba Hydro Demonstrates that its Financial Circumstances have Remained Substantially the Same

Manitoba Hydro provided the PUB with a fulsome and current picture of its actual and most recent projected financial position as directed by the PUB. This information clearly establishes that there has not been a substantial change in Manitoba Hydro's financial circumstances

Available in accessible formats upon request

since Orders 59/18 and 69/19 when the PUB approved just and reasonable rates.

Although both the Coalition and MIPUG properly reiterate the actual threshold issue that is before the PUB, remarkably, neither party provided any substantive analysis on the financial information provided by Manitoba Hydro or any meaningful refutation of the conclusion that there has not been a substantial change in Manitoba Hydro's financial position relative to information provided in the hearings leading up to Orders 59/18 and 69/19. Rather, and instead of addressing the actual threshold issue before the PUB, the submissions of both parties focussed almost entirely on the fact that a long-term financial forecast was not disclosed as part of Manitoba Hydro's response. As part of this tactic, the Coalition listed the typical inputs to the long-term financial forecast that were not provided by Manitoba Hydro (i.e. Load Forecast, Power Resource Plan, Loan Act Submission and an energy price outlook) in attempt to further support its allegation that a substantive change in the circumstances of Manitoba Hydro has occurred. The Coalition then urges a finding from the PUB that Manitoba Hydro was in contempt of the PUB's direction and seeks subsequent processes to obtain this information.

This approach taken by the Coalition and MIPUG is a diversionary attack on Manitoba Hydro's credibility as they offer no substantive review of the information actually filed by Manitoba Hydro and neither offer any assistance to the Board for the determination of the threshold issue before it.

Manitoba Hydro is not Concealing Evidence as Alleged

Each of the interveners make serious allegations with respect to Manitoba Hydro's compliance with Order 53/21. While ignoring the substantive information that was provided by Manitoba Hydro in compliance with the PUB's direction and offering no meaningful analysis, the parties simply accuse that Manitoba Hydro "chose not to comply", that it "universally ignores, obfuscates, challenges", "defiantly denying the Board", demonstrating a "lack of respect for the Board" and that Manitoba Hydro's submission should be considered "contemptuous". These allegations are uncalled for, unfounded, highly offensive, without any basis or merit and offer nothing to the process established by the Board to consider the threshold issue currently before it.

Despite Manitoba Hydro's repeated public clarifications that a long-term financial forecast (previously referred to as an Integrated Financial Forecast or an "IFF") does not exist, intervener submissions insist that a long-term financial forecast (and the various inputs that comprise a long-term financial forecast) must exist, are available and currently in use by the management for the basis of making decisions for the corporation. The simple reason that an

IFF does not exist at this time is the well-known public fact that Manitoba Hydro is in the process of developing an Enterprise-wide business plan and Integrated Resource Plan (“IRP”) analysis. Going forward, this work will allow the corporation to develop long-term financial forecasts which will be more informed and comprehensive as they will be influenced by the initiatives comprising Strategy 2040, as well as the Enterprise-wide business plan and IRP analysis.

Manitoba Hydro’s President and CEO Jay Grewal recently confirmed at the June 29, 2021 session of the Manitoba Legislative Standing Committee on Crown Corporations that a long-term financial forecast does not exist:

“However, we cannot supply documents or projections that, quite frankly, simply do not exist.... Simply put, at this point in time we do not have a 20-year forecast. Why? The energy landscape we are operating in is changing and, by that, supply and demand, which are key components of a long-term financial plan, are in a state of change. If we were continuing status quo, if this energy landscape was not changing, absolutely we would have a long-term financial forecast in place, as we have always in the past....When we provide a long-term financial forecast, we want our customers to have confidence in our plans and to be able to make decisions based on that. Our next 20-year financial forecast is going to be informed by the new integrated resource plan which takes into account evolving energy needs and what customers value when considering their energy supply,...”

It would be imprudent and a disservice to the PUB’s processes for Manitoba Hydro to artificially prepare and provide a long-term forecast in advance of developing the initiatives underlying Strategy 2040, the Enterprise-wide Business Plan and the IRP analysis as it would not be properly informed by the results of those processes. Completing such a superficial exercise would be inefficient and a waste of precious corporate resources while adding no additional value to Manitoba Hydro’s customers.

Manitoba Hydro appreciates that this is a new approach to long-term financial forecasting and this change is foreign and for some interveners may be difficult to comprehend and accept at this time. However, such improvements in process and planning to better align with the development of Strategy 2040 and related initiatives does not mean that a substantive change in Manitoba Hydro’s circumstances has already occurred, nor do they represent a substantive change in Manitoba Hydro’s financial circumstances in the near term. In fact, these improvements in planning and related processes are beneficial in many respects and will address previous concerns raised by interveners and the PUB regarding the lack of an adequate Corporate strategic plan and IRP to underpin a long-term financial forecast to be

filed as part of future GRAs. The next long-term financial forecast will underpin the utility's first five-year GRA at which time a prospective rate setting process would be appropriate and the PUB and all interested parties will have an opportunity to examine these changes and how they relate to future rates.

Since the filing of its June 9th Submission, Manitoba Hydro has provided Crown Services with an updated Annual Business Plan for the 2021/22 fiscal year for approval. The Annual Business Plan provides, among other important information, the line item details of Manitoba Hydro's Consolidated Statement of Net Income. As previously indicated, once approved by government, this plan will be made publicly available on Manitoba Hydro's website.

Accepting the Interveners' Recommendations for an Additional Process is Unnecessary, Unwarranted and Would Represent an Abuse of the PUB Process

Several parties recommend additional processes such as for the PUB to issue subpoenas to Manitoba Hydro for information that does not exist and to send in consultants (Daymark) to Manitoba Hydro's offices to search for information that does not exist. The parties also recommend that the PUB simply infer that there has in fact been a substantial change in Manitoba Hydro's circumstances and to immediately commence a status update process, akin to a full GRA process, to evaluate documents and information that simply do not exist. There is no legal or other basis to undertake such unprecedented aggressive enforcement or investigatory action in these circumstances.

MIPUG also criticizes Manitoba Hydro for the format of its response, stating that its submissions and the attached documentation are not "evidence". With respect, MIPUG ignores sections 24(2), 24(6) and 41 of *The Public Utilities Board Act* and the long history of the PUB accepting information in this fashion. Each of the parties routinely provide submissions and evidence to the PUB through legal counsel. None of the parties have advanced any reasonable basis for departing from the past practice of the PUB to accept evidence in this format.

MIPUG further suggests that Manitoba Hydro's June 9th submission cannot be relied upon as it is "only submissions from counsel". In addition to it being a routine and acceptable practice of receiving parties' submissions directly from legal counsel, legal counsel are also subject to professional ethical standards and the implication that Manitoba Hydro's legal counsel would breach those obligations by intentionally misleading, misrepresenting or concealing evidence from the PUB is highly offensive.

Contrary to the interveners' positions that Manitoba Hydro should have and did not advance

a Review and Vary (“R&V”) Application, Manitoba Hydro specifically requested the PUB to treat its initial submission as a R&V Application if the PUB determined that Manitoba Hydro was not strictly compliant with the spirit, intent and direction of Order 53/21:

“To the extent that the PUB may find that this submission and the enclosed information does not fully satisfy Order 53/21, Manitoba Hydro requests that the PUB accordingly vary Order 53/21 in accordance with section 36 of the Public Utilities Board Rules of Practice and Procedure.”

Manitoba Hydro submits that this request ought to be considered by the PUB before consideration of or taking any unwarranted investigatory or enforcement action for the reasons set out above.

Response to the Coalition’s Motion to Introduce the Standing Committee Transcript as Evidence

On July 2, 2021, the Coalition made a motion seeking leave of the PUB to submit the Hansard transcript record of the June 29, 2021 sitting of the Standing Committee on Crown Corporations as new evidence to the Coalition’s Application. On that same day, the PUB requested Manitoba Hydro to include a response to the motion in this reply.

To assist with the efficiency of this process, Manitoba Hydro does not object to the June 29th transcript being placed before the Board as evidence and is confident that the PUB will use its judgement and discretion in affording the appropriate weight to the transcript in its deliberations on the actual substantial change threshold issue before it.

As part of its motion, the Coalition argues that the comments of Ms. Grewal relating to an August 2020 Treasury Board submission and future rate assumptions therein implies that rates currently being charged by Manitoba Hydro are no longer just and reasonable as they may not be sufficient for the Corporation to meet its financial targets. The Coalition also argues that by not providing Manitoba Hydro’s annual business plan proposed to and currently being reviewed by government, Manitoba Hydro is not compliant with Order 53/21. The Coalition finally submits that Ms. Grewal’s comments are determinative of the threshold question constituting that Manitoba Hydro’s circumstances have substantially changed.

Manitoba Hydro submits that any rate increases assumed by Manitoba Hydro beyond the 2019/20 fiscal period should not be considered “new” information that had not previously been provided to and considered by the PUB in setting existing just and reasonable rates in Orders 59/18 and 69/19. Notably, the assumed 3.5% rate increase is less than the 3.57%

annual rate increases assumed in Exhibit 93 (from Manitoba Hydro's 2017 GRA) for every year starting with 2018/19 and ending in 2035/36. The PUB previously noted that the rate increases assumed in Exhibit 93 are directionally consistent with their findings and on page 8 of Order 69/19, the PUB stated:

"In Order 59/18, the Board approved a 3.6% overall rate increase effective June 1, 2018. In that Order, the Board commented that the Integrated Financial Forecast ("IFF") scenario filed in the proceeding as Manitoba Hydro Exhibit 93 supported the Board's decision on the level of the overall rate increase. ... The Exhibit 93 scenario resulted in equal annual rate increases of 3.57%, beginning in 2018/19."

As stated by Ms. Grewal and as consistent with the Exhibit 93 scenario, the assumed 3.5% is "prudent", "important" and required to set the trajectory to achieve the current 75-25 debt-equity target in 20 years. This fact was considered by the PUB in Orders 59/18 and 69/19. The assumption of annual rate increases of 3.5% is not evidence of a substantial change in the circumstances of Manitoba Hydro. Rather that assumption is consistent with the evidence that was before the PUB in the last two rate applications.

In addition to the above, and as noted by Ms. Grewal, the 3.5% rate increase is only an assumption (consistent with previous forecasts provided to the PUB) in an unapproved annual business plan for fiscal 2021/22 before the Minister in accordance with *The Crown Corporations Governance and Accountability Act*. The annual business plan and the financial forecasting and analysis which informs that plan is not equivalent to a long-term financial plan. The Coalition's assumption that an annual business plan must have involved long-term financial forecasting is incorrect.

Manitoba Hydro notes that at page 70 of the transcript, Ms. Grewal provided additional clarification on the type of information that was provided to Treasury Board as part of the last budget process:

"But I believe we provided detailed financial forecasts and capital for the current fiscal that we are in. I am not aware that we shared longer dated information, particularly anything that we do not have or did not have at the time we submitted our budget and - to Treasury Board and responded to the questions there."

When reviewing all of Ms. Grewal's comments as a whole, they are entirely consistent with Manitoba Hydro's evidence in this proceeding. The transcript does not in any way indicate that Manitoba Hydro was non-compliant with Order 53/21 or that the circumstances of Manitoba Hydro have changed substantially as now alleged by the Coalition.

Manitoba Hydro has not applied for a rate increase in 2021 and has no direction or intention to do so at this time. An assumption of future near-term rate increases that has not yet been formally approved is not an indicator that current rates are unjust and unreasonable.

Overall, the Coalition's desperate last hour attempt to present the transcript as new ground-breaking evidence purporting to validate their Application actually provides further support to Manitoba Hydro's position in this Application and reinforces its compliance with Order 53/21. As such, the Coalition's motion does nothing to change the conclusion that no substantive change in circumstances has occurred. Manitoba Hydro has been forthcoming with providing the actual and approved financial information that it has and that is currently being used in the management of the utility as was directed by the PUB.

Conclusion

Manitoba Hydro reiterates that the information it provided in response to the direction of the PUB in Order 53/21 clearly establishes that the financial circumstances of Manitoba Hydro have remained substantially the same. Manitoba Hydro submits that the Coalition as Applicant, and all interveners, have failed in their collective efforts to establish on any factual basis that there has been a substantial change in Manitoba Hydro's circumstances such to warrant the relief requested by the Coalition of having the PUB commence a status update hearing process, to immediately review existing rates as recently established as just and reasonable in Orders 59/18 and 69/19. Accordingly, the Coalition's Application should be dismissed outright by the PUB.

Manitoba Hydro has a strong interest in building a collaborative relationship with interveners and the PUB, but the lack of trust and the adversarial and unfounded attacks launched on Manitoba Hydro as a contemptuous utility by certain interveners do not promote or lend itself to good faith collaboration.

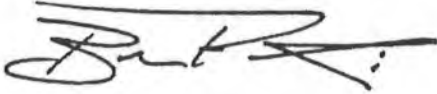
Even if the Coalition established a legal basis for the PUB to immediately commence and conduct a Status Update process as demanded, doing so would not be in the best interests of Manitoba Hydro's customers at this time. Customers' interests would be best served by allowing Manitoba Hydro to continue with its focus on developing the various initiatives underlying Strategy 2040, to build out its Enterprise-wide business plan and to engage with stakeholders on the development of an IRP so as to be in position to develop a more comprehensive and informed long-term forecast that will underpin Manitoba Hydro's next GRA. Disrupting and replacing Manitoba Hydro's plan and related processes to complete this critical work with an unwarranted status update process is not in the public interest.

Should you have any questions with respect to this submission, please contact the writer at 204-360-3257 or Darryl Martin at 204-360-4487.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES DIVISION

Per:

A handwritten signature in black ink, appearing to read "Brent A. Czarnecki". The signature is stylized with a large initial "B" and a long horizontal stroke extending to the right.

BRENT A. CZARNECKI
Barrister & Solicitor

TAB 10

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information, contact
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Engagement:
newsroom@gov.mb.ca.

Media requests for ministerial
comment, contact
Communications and
Stakeholder Relations: 204-290-
5374.

Twitter Feed

News Release - Manitoba

July 8, 2021

MANITOBA GOVERNMENT PROPOSES FIXED HYDRO RATES FOR NEXT THREE YEARS

Annual Increases Limited to 2.5 Per Cent Will Keep Rates Low for Manitoba Households and Businesses: Fielding and Wharton

The Manitoba government will introduce legislative amendments this fall that would set interim rates for Manitoba Hydro and limit annual rate increases to 2.5 per cent for 2021, 2022 and 2023, Crown Services Minister Jeff Wharton and Finance Minister Scott Fielding announced today.

"Our government is proposing a modest increase of 2.5 per cent, the lowest hydro rate increase in 10 years," said Wharton. "Manitobans deserve a financial break during this pandemic and that's why we're keeping rates among the lowest in North America."

While Manitoba Hydro had requested a 3.5 per cent increase to take effect this fall, the government is proposing rate increases of 2.5 per cent in 2021, 2022 and 2023, subject to approval of the legislative assembly.

The proposed 2.5 per cent increase each December is 25 per cent lower than the average annual rate increase over the past decade between 2010-11 to 2019-20. The 2.5 per cent is the lowest rate increase in 10 years since 2011-12 and would result in an average residential annual increase of \$35, Wharton noted.

These limited rate increases will be introduced as amendments to bill 35: the public utilities ratepayer protection and regulatory reform act. The act would reduce the regulatory costs currently paid by ratepayers by an estimated \$40 million by moving to multi-year general rate applications, as is the case in other jurisdictions. These interim rates will be approved by the legislative assembly until the Public Utilities Board (PUB) approves rates for the first multi-year period, to give the PUB time to implement reforms and allow utilities to prepare for more rigorous multi-year reviews.

"The interim rates set by legislation will bring stability to the system and create certainty and predictability for Manitobans as they budget for their home and business hydro bills," said Fielding. "Bill 35 makes the Public Utilities Board stronger and more independent while maintaining its powers of oversight and ensuring transparency on major projects."

The ministers noted bill 35 would create a stronger and more independent Public Utilities Board with the power to review any major projects and contracts worth more than \$200 million. Under this new regulatory framework, Manitoba Hydro would be required to submit a multi-year General Rate Application to the PUB for establishing electricity that includes an Integrated Resource Plan with a 10-year load forecast and development of any new major facilities within the next 20 years.

Tweets by @MBGovNews

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COVID-19 Bulletin #537
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- Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.
- Media requests for general information, contact Communications and Engagement: newsroom@gov.mb.ca.
- Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.



TAB 11

Manitoba Hydro Corporate Update

Presentation to DBRS
August 25, 2021

Agenda

- Corporate Profile
- Strategy 2040
- Financial Results
- Capital Overview
- Power Sale Contracts
- Liquidity & Projected Financing
- Financial Targets
- Rates

Corporate Profile

- ❑ One of the largest integrated electricity and natural gas utilities in Canada.
- ❑ 601,000 electricity customers and 291,000 natural gas customers.
- ❑ \$30.7 billion total assets.
- ❑ \$2.8 billion annual revenues.
- ❑ 5,608 MW generating capability.
- ❑ Among the lowest electricity rates in North America.
- ❑ One of Canada's "Top 100" Employers.

Strategy 2040

Mission Statement:

- Help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage, while ensuring safe, clean, reliable energy at the lowest possible cost.

Strategy 2040

-
- 1**
Provide safe reliable energy that meets the evolving energy needs of Manitobans

Energy powers your life and your business – Manitoba Hydro will ensure your energy is safely and reliably produced and delivered to you
 - 2**
Serve customers efficiently, responsively, and digitally

You expect responsive service, and to be able to deal with your energy provider the way you want – Manitoba Hydro will modernize its customer service to deliver digitally, and to improve responsiveness
 - 3**
Help all Manitobans understand their energy options and make informed choices

Your home and business energy choices are expanding and becoming a lot more complex – Manitoba Hydro will help you understand your energy options and make informed choices that are right for you
 - 4**
Ensure Manitobans get maximum value from their clean hydro generation dams and energy infrastructure

All Manitobans have a tremendous asset (our Hydro Generation dams) that is becoming even more valuable as the world moves to price and reduce the use of carbon – Manitoba Hydro will help protect and maximize the value of these assets for all Manitobans
 - 5**
Keep energy prices as low as possible, while providing the level of service Manitobans expect

Whether at home or in your business, your energy costs are important to you – Manitoba Hydro will take all responsible measures to keep costs low, while making necessary investments to serve the needs of Manitobans

Financial Results

Financial Results – Consolidated

For the Fiscal Years Ended March 31st (\$ are in millions)

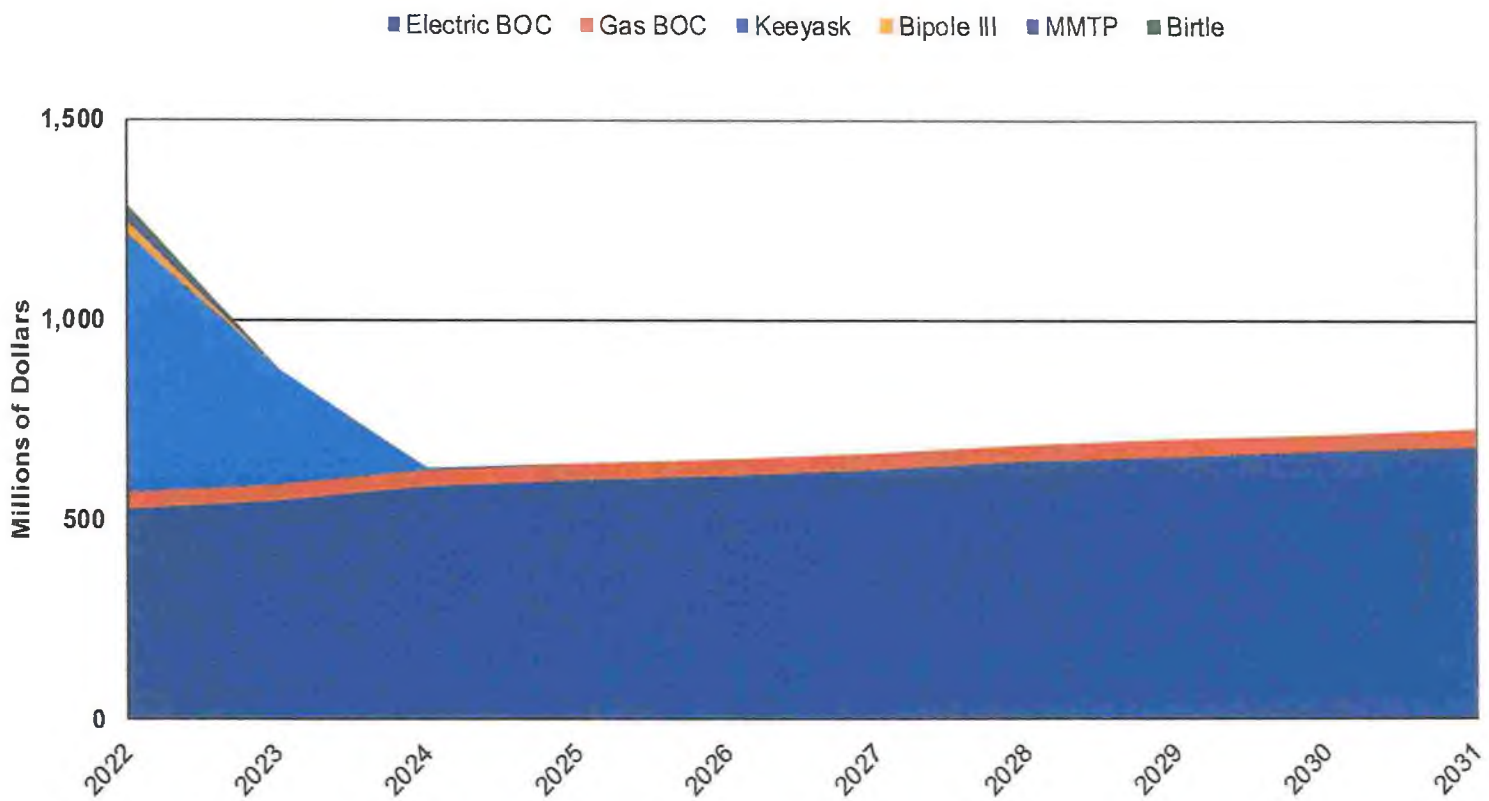
	2020	2021	Approved Budget 2022	Projection 2023
<i>Assumed Electric Rate Increases</i>			3.50%	3.50%
Revenues	\$2,629	\$2,821	\$3,112	\$3,293
Expenses	(2,615)	(2,829)	(3,210)	(3,337)
Net Movement in Regulatory Balances	85	125	272	211
Non-Controlling Interest	0	2	16	(3)
Net Income	\$99	\$119	\$190	\$164
Total Assets and Regulatory Deferral Balance	\$29,306	\$30,715	\$31,445	\$30,973
Retained Earnings	\$3,141	\$3,260	\$3,440	\$3,604
Financial Ratios:				
Debt/ Equity	86:14	86:14	86:14	87:13
EBITDA Interest Coverage	1.60	1.59	1.76	1.78

Capital Overview

Major Generation and Transmission Projects

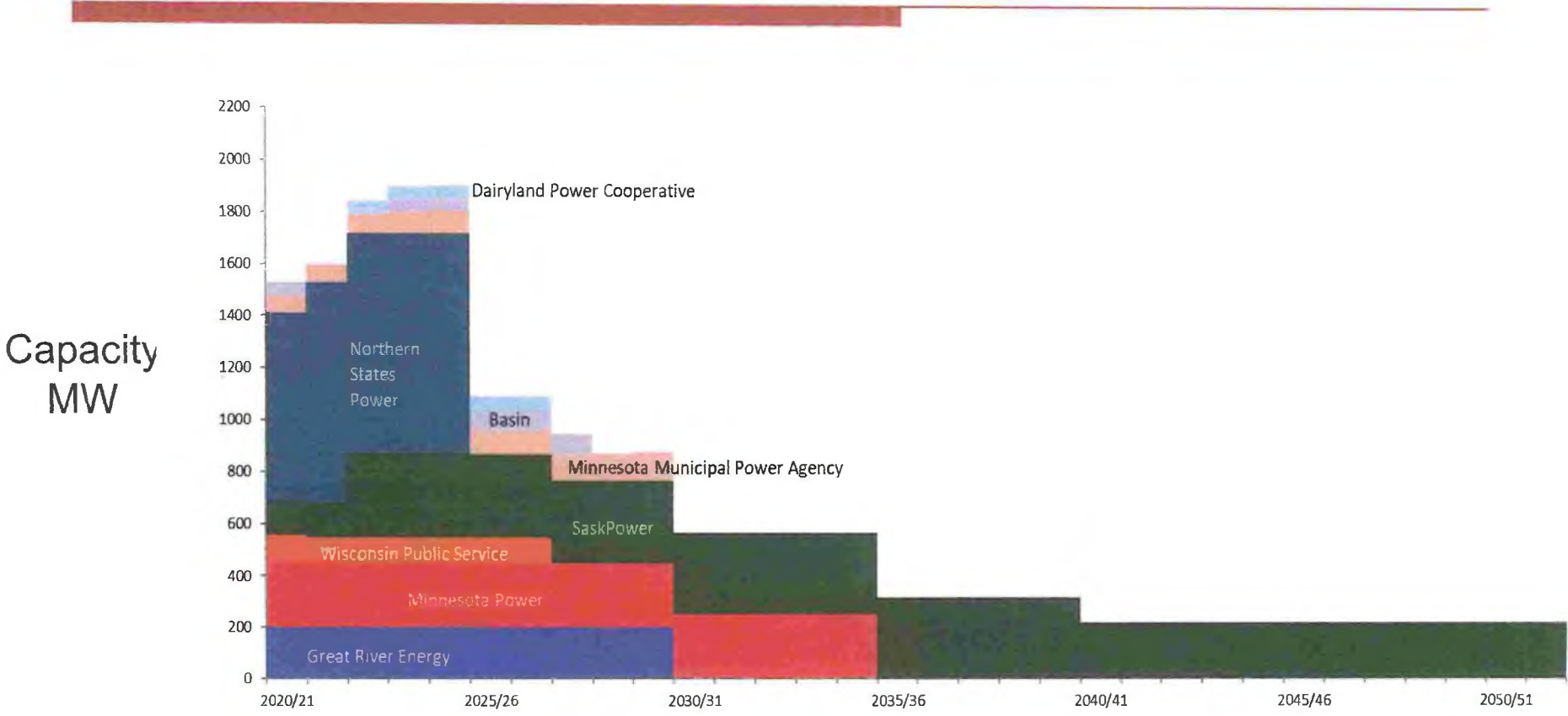
- 695 MW Keeyask G.S. (2020/21) \$8.7 billion
- MMTP (2020/21) \$490 million
- Birtle Transmission Project (2021/22) \$69.3 million

Capital Expenditures (Projected)



Long-Term Export Contracts

MH's Firm Export Contract Portfolio Summer Season 2020 - 2051



Future Long-Term Export Contracts

- Dairyland
 - 50 MW Diversity Exchange Sale starting in 2022 (5 years)

- Northern States Power
 - 125 MW System Power Sale starting in 2021 (4 years)

- SaskPower
 - 215 MW System Power Sale starting in 2022 (30 years)

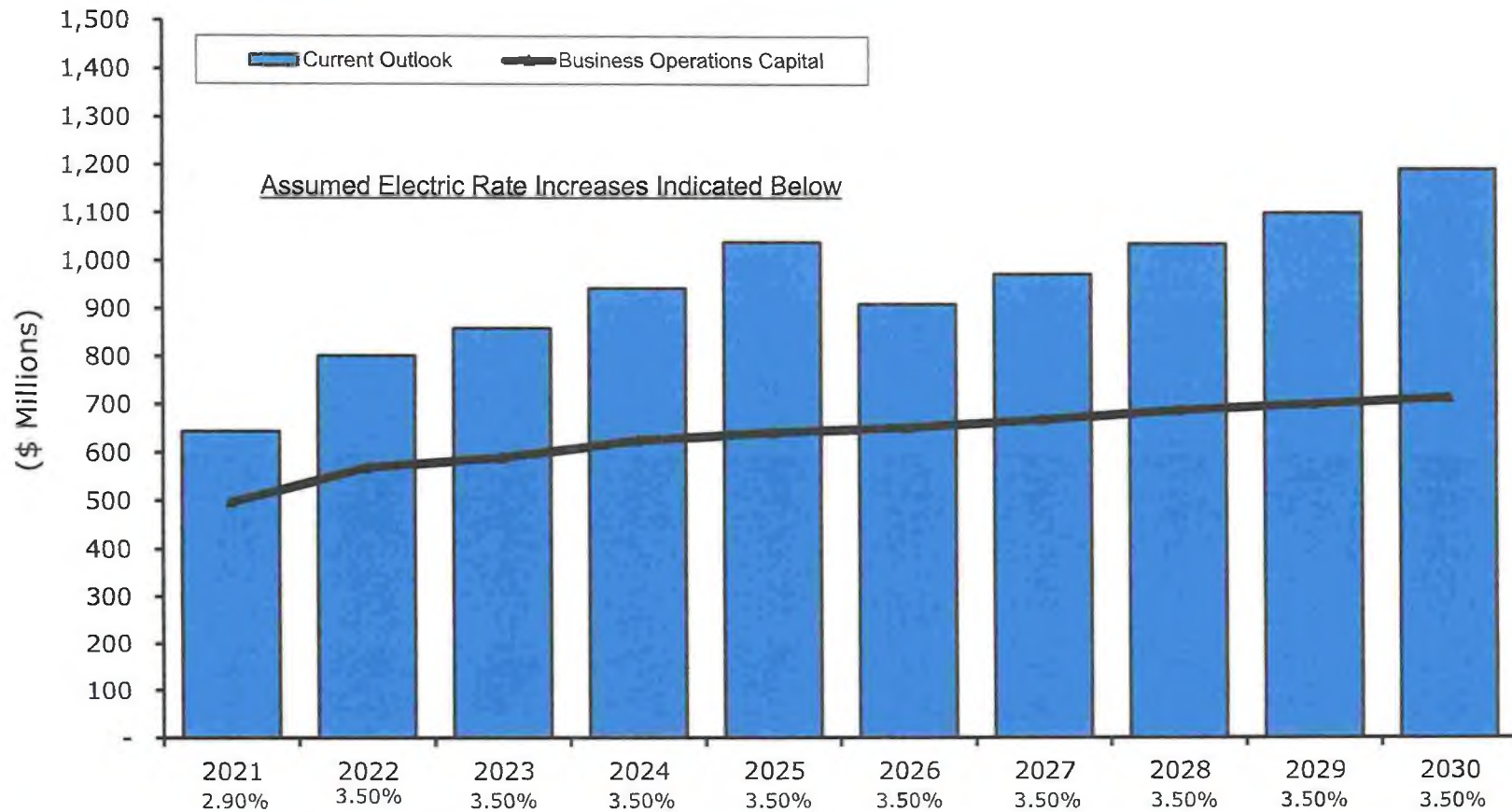
Future Long-Term Export Contracts

- Wisconsin Public Service
 - 100 MW System Power Sale starting in 2021 (6 years)
 - 100 MW System Power Sale starting in 2027 (2 years)

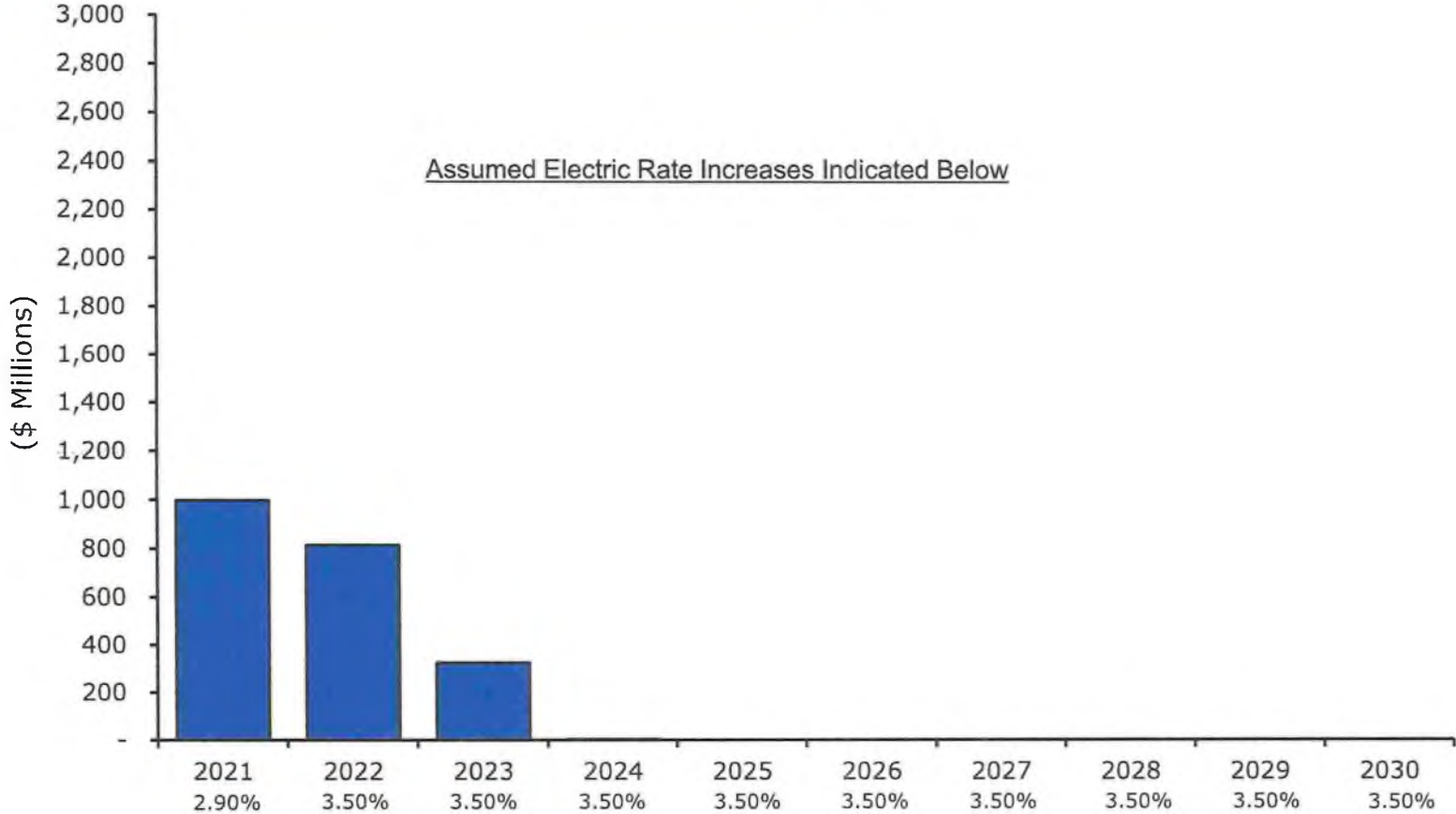
- Basin Electric Power
 - 50 MW Capacity Sale starting in 2023 (5 years)

Liquidity & Financing

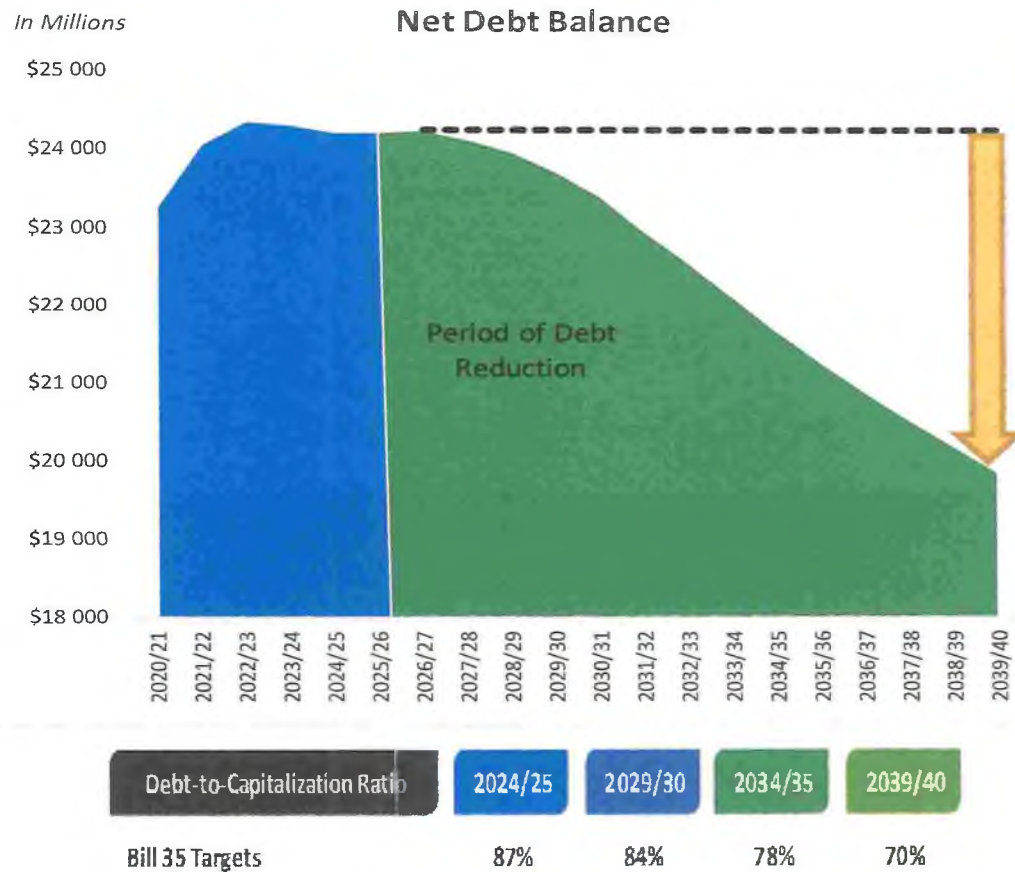
Cash Flow from Operations



Forecasted New Debt Financing Requirements



Net Debt

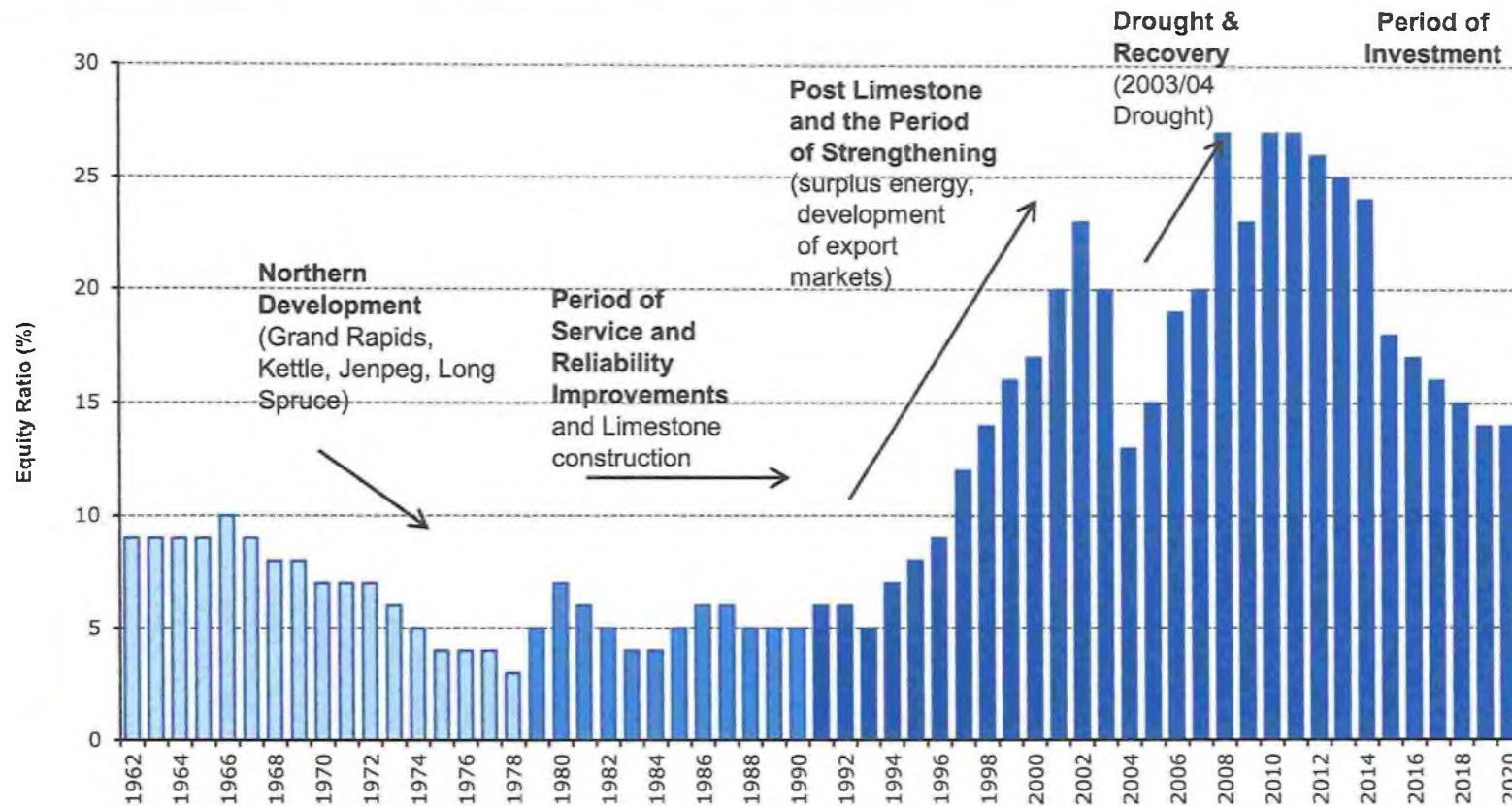


Financial Targets

Equity Ratio



Manitoba Hydro Equity Ratio 1962 to 2020



Capital Coverage Ratio



EBITDA Interest Coverage Ratio



Rates

Domestic Rate Strategy

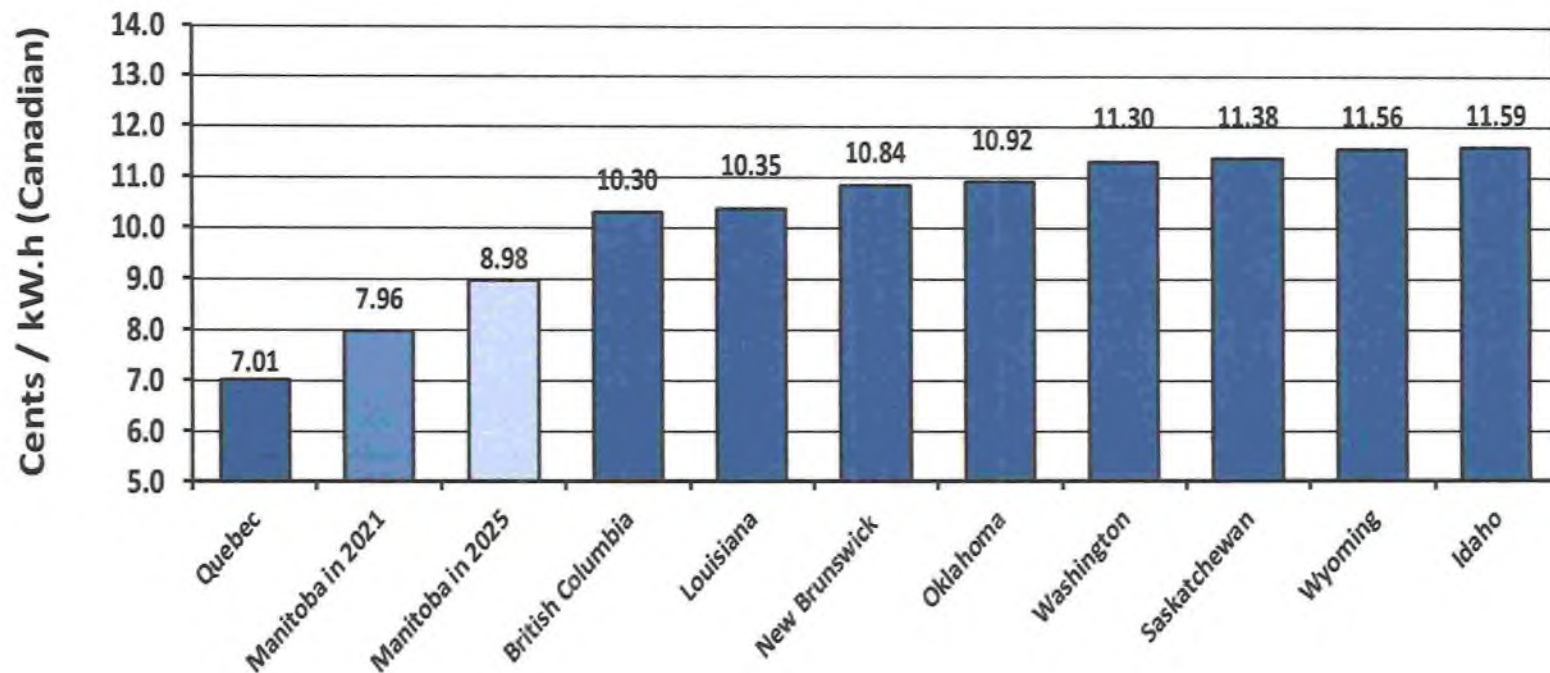
- In March 2020, the Province introduced The Public Utilities Ratepayer Protection and Regulatory Reform Act, which was reintroduced in October 2020 as Bill 35 and is awaiting passage.
- In **November 2020**, the Province legislated a 2.9% rate increase effective December 1, 2020.
- On **July 8, 2021** the Manitoba Government announced their intention to include 2.5% rate increases on the first of December in each of 2021, 2022, and 2023 as part of the proposed legislation.

PUBLIC UTILITIES RATEPAYER PROTECTION AND REGULATORY REFORM ACT

- Amendments:
 - a multi-year rate setting process that enables the PUB to approve a series of rates changes for a five-year period;
 - Financial targets set by government to measure and monitor the utility's debt level;
 - approval by government of all long-term plans and major investment decisions.
 - A legislated rate cap on Manitoba Hydro rates to provide rate stability for customers.
- The proposed legislation provides for a transition period prior to the new multi-year rate setting process beginning in 2024. During the transition period to this new model, rates may be varied or established by government regulations.

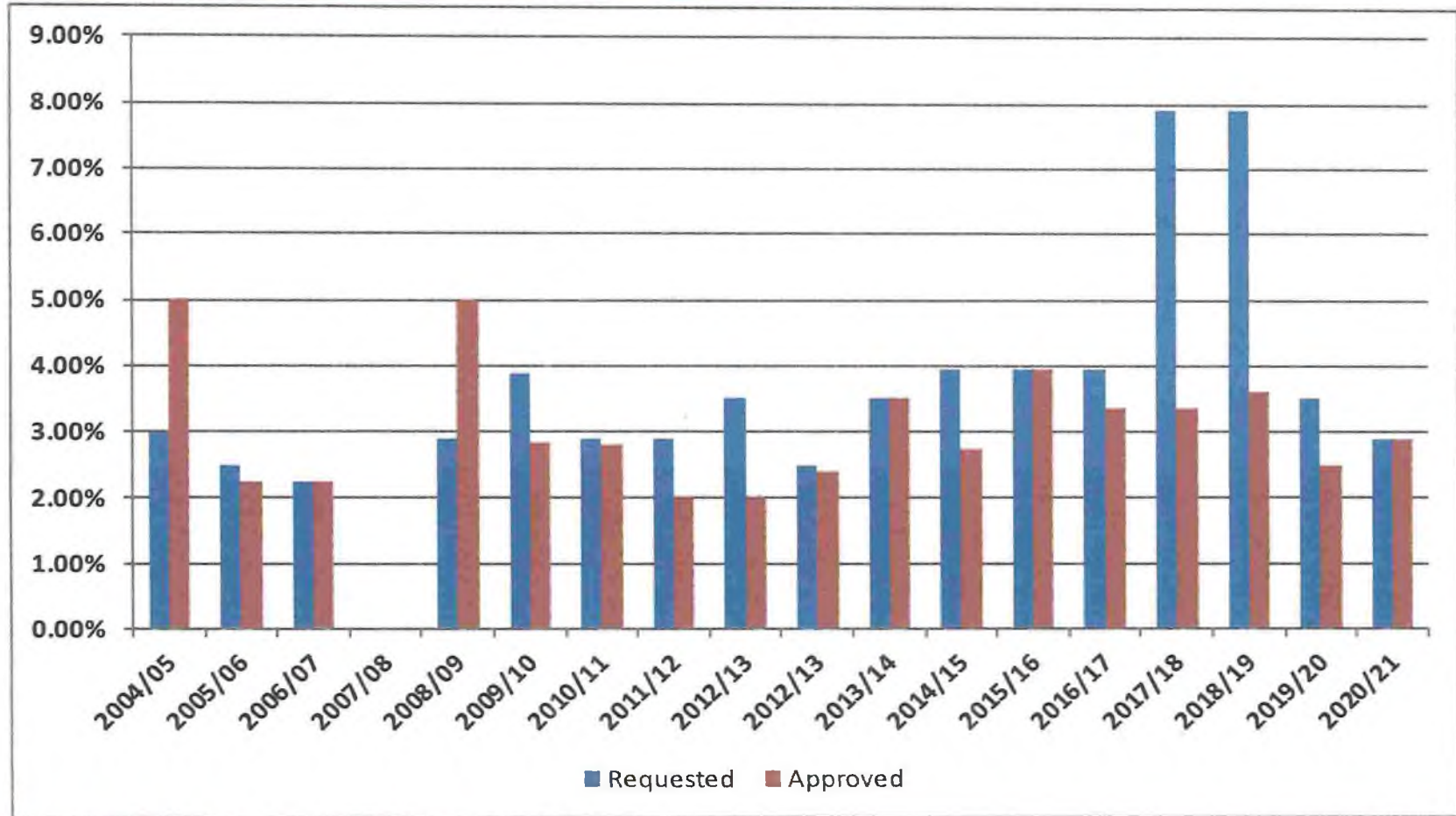
Average Retail Price of Electricity 2020

Ten Lowest Cost Provinces/States in North America



Source: US Dept of Energy (July 2020) & Edison Electric Survey (July 1, 2020)
(Exchange rate as of July 2, 2020: 1 US\$ = 1.3585 Cdn)

Previously Approved or Awarded Rates vs Request



Questions?

TAB 12

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Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

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News Release - Manitoba

September 22, 2021

DEPARTMENT OF CROWN SERVICES ISSUES DIRECTIVE TO MANITOBA HYDRO TO SUBMIT RATE APPLICATION

Manitoba Crown Services has issued a directive to Manitoba Hydro respecting requirements and parameters for submission of an interim rate application to the Public Utilities Board for 2021-22 and to engage with the Public Utilities Board on submitting a multi-year general rate application, Crown Services Minister Jeff Wharton announced today.

"With the pause in the legislative agenda and Bill 35 not advancing, Manitoba Hydro requires direction on how to move forward to ensure the financial health of the corporation," said Wharton. "The directive will enshrine government's intention to proceed with a full general rate application, while also demonstrating intent to address Manitoba Hydro's immediate fiscal requirements including unanticipated impacts created by recent drought conditions."

The directive allows for an open and transparent process intended to reassure ratepayers, signals support for the independence of the Public Utilities Board and demonstrates the interests of interveners has been heard.

Wharton noted that approval at this time enables timely issuance of the directive prior to the Public Utilities Board releasing its final decision on a date for a special hearing in response to the Consumers Coalition of Canada (Manitoba Branch) petition to order a hearing on power rates.

[Manitoba Hydro Directive](#)
[Manitoba Hydro Directive](#)

- 30 -

For more information:

- Public information, contact Manitoba Government Inquiry: 1-866-626-4862 or 204-945-3744.
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- Media requests for ministerial comment, contact Communications and Stakeholder Relations: 204-290-5374.

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**A Directive to
Manitoba Hydro Electric Board
Respecting Manitoba Hydro's General Rate Application**

Issued by: Honourable Minister Jeff Wharton

Effective: _____

BACKGROUND

The *Crown Corporations Governance and Accountability Act* provides for the issuing of directives to one or more Crown corporations as follows:

- 13(1) The minister may — with the approval of the Lieutenant Governor in Council — issue a directive to a corporation
- (a) respecting matters of policy;
 - (a.1) requiring the corporation to conduct an organizational review as specified in the directive;
 - (a.2) requiring the corporation to do something in accordance with its approved annual business plan or prohibiting it from doing anything inconsistent with that plan;
 - (b) to ensure that practices of two or more corporations are consistent; or
 - (c) to ensure that two or more corporations act in concert with each other or with government departments or agencies when doing so will further efficiency and effectiveness.

PURPOSE

This directive provides instruction to Manitoba Hydro on the requirements and parameters for submission of an interim rate application to The Public Utilities Board for 2021/22, and provides clarification that Government supports multi-year general rate applications for greater efficiency and cost savings.

APPLICATION AND SCOPE

This directive applies to Manitoba Hydro's 2021/22 interim rate application and future general rate applications to The Public Utilities Board.

DIRECTIVE

1. Manitoba Hydro is directed to take all steps necessary to proceed with submission of an interim rate application to The Public Utilities Board (or other application as determined by The Public Utilities Board); and
2. Manitoba Hydro is directed to engage with The Public Utilities Board on submitting multi-year general rate applications.

This directive aligns with parameters set forth in The *Crown Corporations Governance and Accountability Act*:

Multi-year approvals

26(1)

A corporation may submit for the approval of The Public Utilities Board pursuant to this Part proposals regarding rates for services relating to a period of not more than three years and the Board shall identify in its order the change approved, if any, with respect to each year.



MANITOBA ORDER IN COUNCIL

DATE: **September 15, 2021**

ORDER IN COUNCIL No.: **319/2021**

RECOMMENDED BY: **Minister of Crown Services**

ORDER

1. Approval is given to the minister responsible for *The Crown Corporations Governance and Accountability Act* (the "Minister") to issue a directive to The Manitoba Hydro Electric Board in the form attached at Schedule "A".
2. This Order comes into effect on the day that it is made.

AUTHORITY

The Crown Corporations Governance and Accountability Act, C.C.S.M. c. C336, states:

Directives

13(1) The minister may — with the approval of the Lieutenant Governor in Council — issue a directive to a corporation

- (a) respecting matters of policy;
- (a.1) requiring the corporation to conduct an organizational review as specified in the directive;
- (a.2) requiring the corporation to do something in accordance with its approved annual business plan or prohibiting it from doing anything inconsistent with that plan;
- (b) to ensure that practices of two or more corporations are consistent; and
- (c) to ensure that two or more corporations act in concert with each other or with government departments or agencies when doing so will further efficiency and effectiveness.

...

Compliance

13(3) A corporation must comply with a directive given under this section.

Directives to be made public

13(4) The minister must make a directive public, in a manner he or she determines reasonable, within 30 days of the directive being given to the corporation.

BACKGROUND

1. The Minister recommends that the attached directive be issued to The Manitoba Hydro Electric Board.



MANITOBA ORDER IN COUNCIL

DATE: **September 15, 2021**

ORDER IN COUNCIL NO.: **321/2021**

RECOMMENDED BY: **Minister of Crown Services**

ORDER

1. Order in Council No. 319/2021 is amended to delete the form of directive to The Manitoba Hydro Electric Board attached at Schedule "A" and to replace it with the form of directive to The Manitoba Hydro Electric Board attached at Schedule "A" to this Order.
2. This Order comes into effect on the day that it is made.

AUTHORITY

The Crown Corporations Governance and Accountability Act, C.C.S.M. c. C336, states:

Directives

13(1) The minister may — with the approval of the Lieutenant Governor in Council — issue a directive to a corporation

(a) respecting matters of policy;

(a.1) requiring the corporation to conduct an organizational review as specified in the directive;

(a.2) requiring the corporation to do something in accordance with its approved annual business plan or prohibiting it from doing anything inconsistent with that plan;

(b) to ensure that practices of two or more corporations are consistent; and

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...

Compliance

13(3) A corporation must comply with a directive given under this section.

Directives to be made public

13(4) The minister must make a directive public, in a manner he or she determines reasonable, within 30 days of the directive being given to the corporation.

BACKGROUND

1. The Minister recommends that the attached directive be issued to The Manitoba Hydro Electric Board.

TAB 13

Third Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
DEBATES
and
PROCEEDINGS

**Official Report
(Hansard)**

*Published under the
authority of
The Honourable Myrna Driedger
Speaker*

Vol. LXXV No. 77 – 1:30 p.m., Wednesday, October 6, 2021 – REPRINT

ISSN 0542-5492

MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

Member	Constituency	Political Affiliation
ADAMS, Danielle	Thompson	NDP
ALTOMARE, Nello	Transcona	NDP
ASAGWARA, Uzoma	Union Station	NDP
BRAR, Diljeet	Burrows	NDP
BUSHIE, Ian	Keewatinook	NDP
CLARKE, Eileen	Agassiz	PC
COX, Cathy, Hon.	Kildonan-River East	PC
CULLEN, Cliff, Hon.	Spruce Woods	PC
DRIEDGER, Myrna, Hon.	Roblin	PC
EICHLER, Ralph, Hon.	Lakeside	PC
EWASKO, Wayne, Hon.	Lac du Bonnet	PC
FIELDING, Scott, Hon.	Kirkfield Park	PC
FONTAINE, Nahanni	St. Johns	NDP
FRIESEN, Cameron, Hon.	Morden-Winkler	PC
GERRARD, Jon, Hon.	River Heights	Lib.
GOERTZEN, Kelvin, Hon.	Steinbach	PC
GORDON, Audrey, Hon.	Southdale	PC
GUENTER, Josh	Borderland	PC
GUILLEMARD, Sarah, Hon.	Fort Richmond	PC
HELWER, Reg, Hon.	Brandon West	PC
ISLEIFSON, Len	Brandon East	PC
JOHNSON, Derek, Hon.	Interlake-Gimli	PC
JOHNSTON, Scott	Assiniboia	PC
KINEW, Wab	Fort Rouge	NDP
LAGASSÉ, Bob	Dawson Trail	PC
LAGIMODIERE, Alan, Hon.	Selkirk	PC
LAMONT, Dougald	St. Boniface	Lib.
LAMOUREUX, Cindy	Tyndall Park	Lib.
LATHLIN, Amanda	The Pas-Kameesak	NDP
LINDSEY, Tom	Flin Flon	NDP
MALOWAY, Jim	Elmwood	NDP
MARCELINO, Malaya	Notre Dame	NDP
MARTIN, Shannon	McPhillips	PC
MICHALESKI, Brad	Dauphin	PC
MICKLEFIELD, Andrew	Rossmere	PC
MORLEY-LECOMTE, Janice	Seine River	PC
MOSES, Jamie	St. Vital	NDP
NAYLOR, Lisa	Wolseley	NDP
NESBITT, Greg	Riding Mountain	PC
PEDERSEN, Blaine	Midland	PC
PIWNIUK, Doyle	Turtle Mountain	PC
REYES, Jon, Hon.	Waverley	PC
SALA, Adrien	St. James	NDP
SANDHU, Mintu	The Maples	NDP
SCHULER, Ron, Hon.	Springfield-Ritchot	PC
SMITH, Andrew	Lagimodière	PC
SMITH, Bernadette	Point Douglas	NDP
SMOOK, Dennis	La Vérendrye	PC
SQUIRES, Rochelle, Hon.	Riel	PC
STEFANSON, Heather	Tuxedo	PC
TEITSMA, James	Radisson	PC
WASYLIW, Mark	Fort Garry	NDP
WHARTON, Jeff, Hon.	Red River North	PC
WIEBE, Matt	Concordia	NDP
WISHART, Ian	Portage la Prairie	PC
WOWCHUK, Rick	Swan River	PC
<i>Vacant</i>	Fort Whyte	

LEGISLATIVE ASSEMBLY OF MANITOBA

Wednesday, October 6, 2021

The House met at 1:30 p.m.

Madam Speaker: O Eternal and Almighty God, from Whom all power and wisdom come, we are assembled here before Thee to frame such laws as may tend to the welfare and prosperity of our province. Grant, O merciful God, we pray Thee, that we may desire only that which is in accordance with Thy will, that we may seek it with wisdom and know it with certainty and accomplish it perfectly for the glory and honour of Thy name and for the welfare of all our people. Amen.

Please be seated. Welcome back, everybody.

An Honourable Member: Welcome back to you.

Speaker's Statement

Madam Speaker: Thank you, and I have a statement for the House.

I must inform the House that Brian Pallister, the honourable member for Fort Whyte, has resigned his seat in the House, effective October 4th, 2021. I am therefore tabling his resignation and my letter to the Lieutenant Governor-in-Council, advising of the vacancy created in the House membership.

ROUTINE PROCEEDINGS

Hon. Kelvin Goertzen (Government House Leader): Could you please canvass members for leave to allow the House to immediately consider the Sessional Order which is currently printed on today's Notice Paper?

Madam Speaker: Is there leave to allow the House to immediately consider the Sessional Order which is currently on the notice paper—is there leave? *[Agreed]*

GOVERNMENT MOTION

Hon. Kelvin Goertzen (Government House Leader): I move, seconded by the Minister of Justice (Mr. Friesen),

THAT the following Sessional Order applies for the Third Session of the 42nd Legislature, despite any other rule or practice of this House.

THAT in the event of a discrepancy between the orders and the Rules, Orders and Forms of Proceeding of the Legislative Assembly of Manitoba, the provisions of this Sessional Order are to apply.

Sitting dates and times

1. To conclude the fall sittings of the Third Session of the 42nd Legislature the House shall sit on the following days, with the following start and end times:
 - (a) Wednesday, October 6, 2021 from 1:30 p.m. until 6 p.m.;
 - (b) Thursday, October 7, 2021 from 10 a.m. to 12 p.m. and 1:30 p.m. to 5 p.m.;
 - (c) Friday, October 8, 2021 from 10 a.m. to 2:30 p.m., and this day will include routine proceedings followed by orders of the day, government business;
 - (d) Tuesday, October 12, 2021 from 10 a.m. to 12 p.m. and 1:30 p.m. to 6 p.m.;
 - (e) Wednesday, October 13, 2021 from 1:30 p.m. to 6 p.m., or until all estimates resolutions have been passed in the Committee of Supply, whichever is later;
 - (f) Thursday, October 14, 2021 from 10 a.m. to 12 p.m. and 1:30 p.m. until royal assent has been granted on all bills passed during the fall sittings.

Withdrawal of Designated Bills

2. The following bills shall be withdrawn from the Order Paper effective on passage of the Sessional Order and will not proceed as House business:
 - (a) Bill 16 – The Labour Relations Amendment Act;
 - (b) Bill 35 – The Public Utilities Ratepayer Protection and Regulatory Reform Act (Various Acts Amended);
 - (c) Bill 40 – The Manitoba Liquor and Lotteries Corporation Amendment and Liquor, Gaming and Cannabis Control Amendment Act;
 - (d) Bill 57 – The Protection of Critical Infrastructure Act;
 - (e) Bill 64 – The Education Modernization Act.

TAB 14



MANITOBA ORDER IN COUNCIL

DATE: **October 27, 2021**

ORDER IN COUNCIL No.: **389/2021**

RECOMMENDED BY: **Minister of Crown Services**

ORDER

1. Approval is given to the minister responsible for *The Crown Corporations Governance and Accountability Act* (the "Minister") to issue a directive to The Manitoba Hydro Electric Board in the form attached at Schedule "A".
2. This Order comes into effect on the day that it is made.

AUTHORITY

The Crown Corporations Governance and Accountability Act, C.C.S.M. c. C336, states:

Directives

13(1) The minister may — with the approval of the Lieutenant Governor in Council — issue a directive to a corporation

- (a) respecting matters of policy;
- (a.1) requiring the corporation to conduct an organizational review as specified in the directive;
- (a.2) requiring the corporation to do something in accordance with its approved annual business plan or prohibiting it from doing anything inconsistent with that plan;
- (b) to ensure that practices of two or more corporations are consistent; and
- (c) to ensure that two or more corporations act in concert with each other or with government departments or agencies when doing so will further efficiency and effectiveness.

...

Compliance

13(3) A corporation must comply with a directive given under this section.

Directives to be made public

13(4) The minister must make a directive public, in a manner he or she determines reasonable, within 30 days of the directive being given to the corporation.

BACKGROUND

1. The Minister recommends that the attached directive be issued to The Manitoba Hydro Electric Board.



MANITOBA ORDER IN COUNCIL

DATE: **November 10, 2021**

ORDER IN COUNCIL NO.: **412/2021**

RECOMMENDED BY: **Minister of Crown Services**

ORDER

1. Order in Council No. 389/2021 is amended to delete the form of directive to The Manitoba Hydro Electric Board attached at Schedule "A" and to replace it with the form of directive to The Manitoba Hydro Electric Board attached at Schedule "A" to this Order.
2. This Order comes into effect on the day that it is made.

AUTHORITY

The Crown Corporations Governance and Accountability Act, C.C.S.M. c. C336, states:

Directives

13(1) The minister may — with the approval of the Lieutenant Governor in Council — issue a directive to a corporation

(a) respecting matters of policy;

(a.1) requiring the corporation to conduct an organizational review as specified in the directive;

(a.2) requiring the corporation to do something in accordance with its approved annual business plan or prohibiting it from doing anything inconsistent with that plan;

(b) to ensure that practices of two or more corporations are consistent; and

(c) to ensure that two or more corporations act in concert with each other or with government departments or agencies when doing so will further efficiency and effectiveness.

...

Compliance

13(3) A corporation must comply with a directive given under this section.

Directives to be made public

13(4) The minister must make a directive public, in a manner he or she determines reasonable, within 30 days of the directive being given to the corporation.

BACKGROUND

1. The Minister recommends that the attached directive be issued to The Manitoba Hydro Electric Board.