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October 15, 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 Comments on Intervener Minimum Filing Requirements for the Interim Rate Application

On October 12, 2021, the Public Utilities Board of Manitoba (“PUB”) issued a letter with respect to Manitoba Hydro’s request for the PUB to discontinue the Status Update Process and replace it with an expediated process to review an interim rate application. In its letter, the PUB requested Interveners to provide proposed Minimum Filing Requirements (“MFRs”) for an interim rate application process by October 13th and requested Manitoba Hydro provide comments on Intervener proposed MFRs by October 15th.

On October 13, 2021 the Consumers Coalition (the “Coalition”), the Manitoba Industrial Power Users Group (“MIPUG”) and the Assembly of Manitoba Chiefs (“AMC”) provided updated MFRs for an expected interim rate application. In reviewing the appropriateness of the Intervener proposed MFRs for this interim application process, Manitoba Hydro has considered the PUB’s previous guidance that interim rates are to be set without a full evidentiary record, are adjudicated on a less onerous legal standard than final rates, and should not consider contentious issues¹. More recently for this specific process, the PUB directed in its October 12, 2021 letter that MFRs should be “specifically relevant to an expected interim rate increase application by Manitoba Hydro and are not duplicitous of the PUB MFRs.”

As indicated in its September 29th letter to the PUB, Manitoba Hydro will be requesting expedited review of an interim rate increase for 2021/22 and may also request the PUB consider a conditional interim rate increase for 2022/23. To reiterate, Manitoba Hydro intends to provide responses to the greatest extent possible, to each of the 21 MFRs requested by the PUB, which cover a wide range of topics. Many of the Intervener MFRs request information that MH intends to include as part of its application and other Intervener MFRs request similar information as the PUB MFRs. As such, the requirement for Manitoba Hydro to respond to additional intervener MFRs are not necessary or required to assist the PUB in making a determination of rates. Manitoba Hydro’s interim rate application will be comprehensive and will enable the PUB to determine the

¹ See PUB Order 80/17 at page 21-22; PUB Order 59/18 at page 18-19.

application in an expeditious manner with minimal, or no, additional evidence or information requests required.

After the application is filed with the PUB, Manitoba Hydro of course expects that the PUB will provide Interveners with a fair opportunity to comment upon the application and advance a position as to whether or not Manitoba Hydro has established a prima facie case for interim rate relief given the deleterious financial impact caused by the drought.

In its October 13th letter to the PUB, Manitoba Hydro communicated that the earliest it expects to be in a position to file its rate application to meet the onus it bears is November 15th. This indicative timing is an aggressive target and assumes that Manitoba Hydro efforts will be fully consumed in developing its application and the responses to the MFRs proposed by the PUB. If responses to Interveners MFRs are also required, this will impact the filing date for the application and potentially delay the approval of urgent rate relief required because of the drought.

Should the PUB determine that responses to certain Interveners MFRs are required, Manitoba Hydro provides the following comments on specific Intervener MFRs.

Comments on Intervener Minimum Filing Requirements where information is not available:

- The Coalition has requested variance analysis for each line item on the income statement for 2020/21 to 2022/23, similar to the detailed analysis provided in Tab 6 of Manitoba Hydro's 2017 General Rate Application ("GRA"). Manitoba Hydro will not be able to provide detailed variance analysis typically provided in a GRA, as this is an extensive work effort and this level of detail is not warranted for this Application. As part of its Application, Manitoba Hydro expects to provide an overview of the drivers of significant change in its current 2021/22 Forecast relative to the 2021/22 Budget, as well as an overview of the significant drivers of change in the 2022/23 Budget relative to its 2021/22 Forecast.
- The Coalition has requested a differential comparison of Manitoba Hydro's forecast and budget financial statements for 2020/21 to 2022/23 with Exhibit 93 from the 2017 GRA. A line item comparison of Manitoba Hydro's current forecast and budget with a scenario produced in the 2017 GRA based on its 2016 financial forecast is an extensive work effort and a detailed comparison is not relevant or practical, in particular in the context of an interim rate application.
- The Coalition has requested quarterly budgets for 2021/22 and 2022/23 based on different water flow scenarios and MIPUG MFR #15 requests information on different financial scenarios reflecting forecast water flow assumptions and high/reference/low export prices, with reference to several Information Request responses from the 2017 GRA with information extending to 2026/27. As part of its Application, Manitoba Hydro expects to provide different scenarios for 2021/22 and 2022/23 based on a range of water flow conditions and energy purchase price scenarios. This information will not be available quarterly but rather on an annual basis for 2021/22 and 2022/23 only.
- MIPUG MFR #2 requests information on current staffing levels and forecast full-time equivalent employees ("FTEs") by department, including details on staffing levels arising from external directives to reduce costs. With its Application, Manitoba Hydro intends to provide details of saving achieved through the government savings initiative related to the COVID-19 pandemic and information on current and budgeted O&A levels and FTEs on an overall basis. However, due to the ongoing Business Model Review, Manitoba Hydro is unable to provide

positions or FTE information by division or department at this time.

- MIPUG MFR #3 requests updates to the quantitative and detailed uncertainty analysis provided in the 2017 GRA. Manitoba Hydro has not updated the probabilistic risk analysis associated with the financial target review presented at the 2017 GRA. Manitoba Hydro supported the financial targets set out in Bill 35, and can provide information on Manitoba Hydro's financial ratios relative to other Canadian utilities for consideration by the PUB.
- MIPUG has requested a long-term (20-year) Electric Load Forecast (MIPUG MFR #5), Capital Expenditure Forecast (MIPUG MFR #6), and Debt Management Strategy (MIPUG MFR #8). As previously noted by Manitoba Hydro, due to the ongoing work on Strategy 2040 initiatives, including the development of an Integrated Resource Plan reflecting Provincial Energy Policy, Manitoba Hydro does not presently have these long-term forecasts available.
 - In response to PUB MFR #16, Manitoba Hydro will provide details of its current electric load forecast information up to and including 2022/23, as well as discussion related to the impacts of COVID-19.
 - In response to PUB MFR #19, Manitoba Hydro will provide details of its capital expenditure forecast for the next 5 years, consistent with timeframe provided to the Treasury Board for approval.
- MIPUG MFR #13 requests risk scenarios for drought in comparison to other risks, with reference to a previous Information Request response with information extending out to 2027/28. Manitoba Hydro's application will focus on the most significant risk faced by the Corporation which is related to drought and will provide information on other significant risks for 2021/22 and 2022/23 only.
- AMC has requested any further residential energy use surveys completed since the 2017 Residential Energy Use Survey. Manitoba Hydro has not completed any further residential energy use surveys since 2017.

Minimum Filing Requirements that are duplicative of the PUB's MFRs:

- Coalition has requested credit rating reports for the Province of Manitoba. Manitoba Hydro notes these will be provided in response to PUB MFR #14.
- MIPUG's request for financial statements for Manitoba Hydro's electric operations (MIPUG MFR #4) will be provided in response to PUB MFR #3.
- MIPUG MFR #9 requests the interest rate forecast, which will be provided in response to PUB MFR #13.
- In PUB MFR #8, the PUB has requested the financial impact of a prolonged drought. MIPUG has provided three separate MFRs requesting similar analysis (MIPUG MFR #7, #12 and #14). Manitoba Hydro will provide a response to the PUB MFR and does not believe these additional MFRs by MIPUG are required in the context of an interim rate application.

As indicated in its letter of September 29th, Manitoba Hydro has continued to assess and review the financial impacts of the drought. The Corporation anticipates sharing additional information about these impacts publicly in the near term, in advance of the filing of its interim rate application. Manitoba Hydro is confident that when this information will be released publicly, it will demonstrate to all of its customers and stakeholders the immediate need for interim rate relief from the PUB.

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

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:

A handwritten signature in blue ink, appearing to read "Brent Czarnecki". The signature is stylized and cursive.

Brent Czarnecki
Barrister & Solicitor