

# Manitoba Hydro

## 2023/24 & 2024/25 General Rate Application

December 5, 2022

Aurel Tess, Vice-President & Chief Financial Officer

# Land & Territorial Acknowledgement

*We acknowledge these lands and pay our respects to the ancestors of these territories. The legacy of the past remains a strong influence on Manitoba Hydro's relationships with Indigenous communities today, and we remain committed to establishing and maintaining strong, mutually beneficial relationships with Indigenous communities.*

# Opening remarks

# Reasons for Proposed Rate Increases

- The proposed rate increases are part of a long-term rate path focused on **providing stable and predictable rate increases to customers.**
- Predictable annual rate increases are required for **rate smoothing** even where favourable financial results are forecasted (such as 2023/24) due to the **extreme volatility** that is inherent in Manitoba Hydro's Operations.
- They also needed to address **increased carrying costs** associated with the **major capital** projects now in-service;
- The proposed rate increases allow for **gradual retirement of existing debt** over a reasonable period of time while **minimizing the use of new debt;**

# Reasons for Proposed Rate Increases

- The **current rising interest rate** environment presents a real and significant risk of increased costs for Manitobans;
- **We have assessed the need to replace and refurbish aging assets** to provide safe and reliable service to customers.
- We are forecasting a **decline in export revenues because** lower value **opportunity energy sales** will make up a **larger share of total export sales** over the coming years; and,
- O&A is increasing but, Manitoba Hydro remains **committed to effectively and prudently managing its costs**; and **continuously evaluating and improving** while facing increasing cost pressures

# Direction from Government on Reduced Payments

- **On November 23<sup>rd</sup> MH was provided with direction** from the Minister
- The direction outlines that **Government is reducing the provincial guarantee fee (PGF) and water rental fee by 50%**
- The reduction of the fees is **retroactive to April 1, 2022**
- **Savings are to be applied against MH's debt** to help financially stabilize MH and **keep rates low for customers.**
- MH will be required to annually confirm the projected amount of the savings through the budget estimates review process and report the **actual savings realized in the annual report as a payment against debt**
- For **2022/23, the savings are estimated at \$185 million**

# Amendment to our GRA Application

- **There is a Material impact** on MH's finances, both for 2022/23 and the long-term forecast scenario.
- Over 20-years the reductions amount to a **savings of approximately \$4 billion**
- Based on the **material impact on our forecast**, it warrants **amendments to the GRA filed on November 15<sup>th</sup>**
- Allows a reduction of the rates requested in 2023/24 & 2024/25 and will allow **both the Bill 36 rate cap and debt ratio targets to be achieved**
- **Revised rate path of 2%** increases from 2023/24 to 2041/32, passing savings to customers through reduced and stable rates, while improving cash flow and debt reduction for MH
- MH continues to request **confirmation of the January 2022 3.6% rate increase**
- MH is working to file **amended GRA materials on or around December 9<sup>th</sup>** and file **Phase 2 of the Application on or before December 21<sup>st</sup>** (Rates & Cost of Service)

# Closing Remarks