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June 16, 2023

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'S 2023/24 & 2024/25 GENERAL RATE APPLICATION – UNDERTAKINGS

Please find enclosed Manitoba Hydro's undertakings 25, 28, 40, 55, and 57-62.

Should you have any questions with respect to the foregoing, please do not hesitate to 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', written over a horizontal line.

Brent Czarnecki
Senior Counsel

2023/24 & 2024/25 GENERAL RATE APPLICATION

Manitoba Hydro Undertaking #25

What portion of the new FTEs in the President and CEO group are new hires vs "reassigned"?

Response:

The Enterprise Excellence Division is a new division that reports directly to the President & CEO. With the significant changes resulting from the Business Model review, it is challenging to specifically identify which positions are “new” vs “reassigned” as some positions have been renamed but the role remains substantially the same.

In Manitoba Hydro’s rebuttal evidence, the following table was provided for the FTEs in the President & CEO business unit. This table shows that 9 FTE were planned in 2022/23 for the Enterprise Excellence Division, with two more planned to be added in 2023/24.

Figure 4 FTEs in the President & CEO Business Unit from 2019/20 to 2024/25

MANITOBA HYDRO

STRAIGHT TIME FULL TIME EQUIVALENT (FTE) EMPLOYEES BY DIVISION

	2019/20 Actual	2020/21 Actual	2021/22 Actual	2022/23 Forecast	2023/24 Preliminary Budget	2024/25 Preliminary Budget
President & CEO						
Administration	8	8	10	10	10	10
Enterprise Excellence	-	-	0	9	11	11
	8	8	10	19	21	21

While not all of the positions are filled to date, three positions completing similar work in other areas of the company were simply reassigned to the Enterprise Excellence division. The remaining positions are new requirements for work not currently being completed at Manitoba Hydro in place of other positions within the corporation that have been removed while ensuring that the total FTE levels by 2024/25 are within the 15% reduction from the VDP.

2023/24 & 2024/25 GENERAL RATE APPLICATION**Manitoba Hydro Undertaking #28**

Manitoba Hydro to advise of consulting expenses, how much is being completed by people that used to be on the Manitoba Hydro employee payroll. (Taken under advisement)

Response:

Manitoba Hydro conducted a review of contracts for consulting and professional fees since April 1, 2020, to determine how much of the operating and administration (O&A) expenses were related to work being done by people that used to be on the Manitoba Hydro payroll. The results indicate that approximately \$165,000 (less than 1%) of the 2022/23 forecast of consulting and professional fees expenses were paid to former Manitoba Hydro employees.

A small portion of this work is expected to continue into the 2023/24 fiscal year. No further expenses included in the O&A budgets are currently planned for consulting and professional fees directly by people that used to be on the Manitoba Hydro payroll.

For further clarification, it should be noted that the review was specifically conducted on contracts entered into directly with individuals that used to be on the Manitoba Hydro payroll. It is possible that people that used to be on the Manitoba Hydro payroll may be working for or affiliated with vendors/contractors that Manitoba Hydro has engaged or will engage in the future; a review for such situations was not conducted as that information is not available in the Manitoba Hydro system and the hiring of previous staff by vendors/contractors is not within Manitoba Hydro's control.

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Manitoba Hydro Undertaking #40

Manitoba Hydro to advise which costs for items in Figure 8 (rebuttal evidence) are attributable to new capital cost allowance rules and which are attributable to increase in prices.

Response:

As described in PUB/MH-I-23-c, the Computer Services cost category includes expenses for computer data processing services, application software, computer equipment purchases, service contracts and cloud subscriptions. Figure 8 in Manitoba Hydro’s rebuttal evidence includes the total expenses for the Computer Services cost category, although the largest expense in this cost category is related to cloud subscriptions.

The table below provides the total computer services expense amount as illustrated in Figure 8 followed by the amount related to subscription costs “Subscriptions”. The year-over-year change in cloud subscription expenses is also provided, from 2019/20 through 2022/23, followed by the amount and percentage related to a change in volume and a change in rates.

The change in volumes is larger in the earlier years as more cloud-based services were brought on, and accelerated significantly during the COVID-19 pandemic period. The last two years show that a larger portion of the increase was related to an increase in rates charged by vendors for cloud-based services already in use.

(\$000s)	2016/17 Actual	2017/18 Actual	2018/19 Actual	2019/20 Actual	%	2020/21 Actual	%	2021/22 Actual	%	2022/23 Forecast	%
Computer Services (per Figure 8)	967	817	1 014	1 939		3 096		6 675		8 298	
Subscriptions	550	634	726	1 423		2 532		5 684		8 057	
Change in Subscription Expenses (Year over Year)		84	92	697		1 109		3 152		2 373	
Changes due to Volume				438	63%	672	61%	1 442	46%	673	28%
Changes due to Rates				259	37%	437	39%	1 710	54%	1 700	72%

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Manitoba Hydro Undertaking #55

Manitoba Hydro undertake to determine whether marginal values are used in the determining the level of investment in transmission and distribution assets.

Response:

Manitoba Hydro takes into account projected [DSM] savings in planning transmission and distribution investment through their respective approaches to incorporate the corporate load forecast. Therefore, the demand side management programs are modeled in planning and the projected savings are considered in transmission and distribution investments.

For transmission planning, the system planning models are developed and updated annually to reflect the corporate load forecast.

For distribution planning, the impacts of historical DSM program savings are embedded into distribution station and feeder load forecasts through the usage of metering data at the substation and feeder levels. Studies to assess capacity limitations are performed assessing historical load growth rates in the area under study along with known development plans for the area under evaluation. Typical timing of distribution level investments is in the short-term (e.g. 1-3 years).

The crux of the issue is DSM programs are aimed at achieving overall energy savings without targeting geographical areas such as rural towns or specific urban neighborhoods. The distribution system is comprised of approximately 400 substations and 1,600 feeders, each supplying a small regional area such as a rural town or an urban neighborhood. In order to enable the deferral of capacity investments on the distribution system, heavy localized adoption of DSM programs that also reduce peak demand levels will be necessary.

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Manitoba Hydro Undertaking #57

Does Manitoba Hydro know why the arrears are higher for Aboriginal or MKO aboriginal members?

Response:

From Manitoba Hydro's perspective, there is likely not one definitive reason why arrears are higher for customers on First Nations compared to other customers.

Manitoba Hydro notes, however, that the overall arrears amount is variable between communities, and that the arrears within a single community will change seasonally (arrears tend to build up in winter when there is no risk of disconnection) and in response to other factors.

Manitoba Hydro notes First Nations receive federal funding, administered through the Band, to cover the utility bills of social assistance recipients. The application of this funding is pro-rated between social and non-social assistance recipients. For example, if three adults live in a residence, and one is on social assistance, the customer's bill is prorated, with 1/3rd covered by social assistance. The Income Administrator at the Band office advises Manitoba Hydro of how much is being paid by social funding. Manitoba Hydro then moves this amount off the customer's bill and into a holding account which is paid separately by the Band with the federal funding. This is a monthly process that, when kept current, helps the customer understand how much of the bill is their responsibility, but generally lags by about a month as the portion paid by the Band does not show up until the next bill is printed. A short-term exemption is used to waive late payment charges due to this lag.

To further help customers understand their bill more clearly, a twelve-month statement summary is included on the bill detailing the date and amounts paid by social assistance, date and amounts paid by the customer, billing charges, any adjustments, and the balance owing. If a Band Income Administrator falls behind on the monthly process, then this will compound the arrears for the customer.

In the past, Indigenous Services Canada did not pro-rate the bill. If a social assistance recipient was present in a customer household, then the whole bill was paid with federal funding. This has not been the case for many years, but some customers continue to believe that the whole bill should be paid if a social assistance recipient is present, and this issue causes confusion for some customers. Manitoba Hydro has provided information packages and worked with customers and Income Administrators to help clarify the process.

Customers that are not on social assistance are responsible for paying their own bills or a portion of the pro-rated bill where a social assistance recipient is present. With electricity consumption being higher in the north due in part to colder and longer winters, any unpaid bills accumulate and thus leave a larger amount of arrears for the customer to manage.

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Manitoba Hydro Undertaking #58

Manitoba Hydro to determine what the cause of higher arrears in the MKO nations is?

Response:

Based on the discussion preceding this Undertaking, Manitoba Hydro's understanding is that this question is seeking further information on why arrears are higher among MKO communities compared to other First Nations.

Manitoba Hydro has not specifically studied MKO communities vs. other First Nations, but generally speaking, electric consumption will be higher in more northerly locations due to the colder and longer winters, which may translate into additional arrears.

Please also see the response to Undertaking #57.

2023/24 & 2024/25 GENERAL RATE APPLICATION**Manitoba Hydro Undertaking #59**

What year was the Customer Arrears Assistance Program established along with the Neighbours Helping Neighbours Program?

Response:

As discussed in the response to PUB/MH II-63 a-b), the former Energy Affordability Installment Plan, which was established at the end of 2017, is now referred to as the Customer Arrears Assistance Program. As discussed at transcript page 3512, the Neighbours Helping Neighbours program was established in 2004.

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Manitoba Hydro Undertaking #60

Manitoba Hydro to advise how many customers that are in arrears have their bills paid for by a third party.

Response:

Manitoba Hydro tracks arrears but not based on whether a third party pays for the total amount or a portion of the utility bill or the number of customers in terms of dollar amounts.

In the case of First Nations customers, Manitoba Hydro works closely with First Nation Bands each month to ensure that customers who are eligible for social assistance payments have those payments applied to their accounts. These payments range from 10 percent to 100 percent of the customer's energy bill.

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Manitoba Hydro Undertaking #61

Manitoba Hydro to advise how many First Nations residential on reserve and off reserve customers are in receipt of the Customer Arrears Assistance Program, Neighbours Helping Neighbours, or the Equal Payment Plan

Response:

The number of participants in each program are outlined in the following chart below:

Year	CAAP All	CAAP FN	NHN All	NHN FN	EPP All	EPP FN
2022	1,394	20	413	4	282,862	1,386
2021	2,222	35	374	4	276,289	1,418
2020	1,044	6	217	1	272,872	1,365
2019	1,019	16	480	2	259,987	1,425
2018	78*	0	433	2	265,275	1,415
*CAAP started in Nov 2018						

The total number of customers for each program are listed along with the total number of customers living on reserve who participate in each program yearly.

Information for First Nations customers living on reserve is collected for billing purposes as they are eligible for tax exemptions on their hydro bill, provided a treaty number is supplied. They may also be supported through the Income Assistance program if they have no other means of income. This program is administered by each Band. First Nations customers living off reserve do not qualify for the tax exemption, nor do they qualify for the Income Assistance funding, unless the Band makes an exception to support a member living off reserve. For these reasons, Manitoba Hydro does not ask First Nations customers living off reserve to self-identify and therefore, Manitoba Hydro is unable to determine how many First Nations customers use CAAP, NHN and EPP if they live off reserve.

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Manitoba Hydro Undertaking #62

**Are there any hurdles aware of for First Nation On Reserve undertaking solar installations?
(gov't, board, etc)**

Response:

Manitoba Hydro is not aware of any hurdles, including regulatory hurdles, for First Nations customers, including First Nations governments on reserve, for undertaking solar installations.