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January 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 – MANITOBA HYDRO'S COMMENTS ON ROUND 1 INFORMATION REQUESTS, REPLY TO INTERVENERS

Manitoba Hydro is in receipt of comments from the Consumers Coalition (“Coalition”), representatives of the General Service Small and General Service Medium Class (“GSS/GSM”), and the Manitoba Industrial Power Users Group (“MIPUG”) with respect to Manitoba Hydro’s January 9, 2023 submission on Round 1, Phase 1 Information Requests. In accordance with the PUB’s letter of January 10, 2023, Manitoba Hydro is providing its reply to intervenor comments.

Both Coalition and MIPUG generally assert that information on Manitoba Hydro’s ongoing collaboration and related work with respect to the Integrated Resource Plan Development Process and potential scenarios is particularly relevant to this proceeding for the testing of the 2021 Electric Load Scenario. Respectfully, it is not as the PUB was clear in Order 130/22 on this topic:

“With respect to Manitoba Hydro’s submission that the utility’s integrated resource plan should be out of scope, the Board agrees that the review of the completed plan is out of scope. At this time, the integrated resource plan has not been released and, if the plan is referred to the Board for review and recommendation under subsection 38.1(3) of *The Manitoba Hydro Act*, that review will happen outside the current general rate application. **Nonetheless, to the extent that assumptions made with respect to the integrated resource plan underpin Manitoba Hydro’s general rate application (such as load forecasting, export revenue or planned capital expenditures), testing those assumptions in the hearing of the application is relevant and in scope.**”

Available in accessible formats upon request

The Coalition and MIPUG have disregarded in their respective submissions the important fact that (from Manitoba Hydro's January 9, 2023 submission):

“Manitoba Hydro can clarify that none of the assumptions made with respect to the IRP nor any outputs of the IRP process underpin Manitoba Hydro's GRA. As noted in Tab 2 of the Application, as part of the IRP Development Process, four different load scenarios have been defined to explore a range of potential futures, ensuring they represent appropriate bookends from only small changes in current energy usage to high levels of decarbonization on a pathway toward net zero. The 2021 Electric Load Scenario (Appendix 5.1) filed with the GRA and underpinning the Financial Forecast Scenario (Appendix 4.1), does not utilize any of the four scenarios being explored as part of the IRP Development Process.”

Given the fact that none of the assumptions in the IRP underpin Manitoba Hydro's current GRA, in accordance with Order 130/22, the information sought within the subject IRP information requests should be definitively ruled out of scope for this proceeding by the PUB.

As noted by the Board, it is anticipated that any scenarios developed for the IRP, regardless of their details or assumptions, will be considered and reviewed by the Board outside of this proceeding at a future Manitoba Hydro proceeding (i.e. an IRP Proceeding if referred to the PUB by Government and/or a future Manitoba Hydro GRA where the results of the IRP underpin the requests being made at that time).

Coalition incorrectly opines that: “This information is particularly relevant in the present application given Manitoba Hydro's own assertions of the evolving energy landscape, and is illustrated by the four IRP scenarios and five key inputs presented in Figure 2.10. Manitoba Hydro relies on this framework to support its proposed rate changes, and as such must also be available to Interveners and the Board to be tested.”

This assertion is untrue and unfounded. While Manitoba Hydro has identified the important reality of having significant uncertainties associated with the evolving energy landscape as is being observed by utilities and regulators in many jurisdictions, Manitoba Hydro is not relying upon the ongoing IRP work and potential future scenarios to support the rate increases sought in the Application.

Manitoba Hydro has been clear and consistent from the outset of filing the Application, that the IRP work, and how it may ultimately relate to Strategy 2040, was provided as informational purposes only. Manitoba Hydro was clear that it was seeking to have the IRP process and work kept separate and ruled out-of-scope by the PUB for this proceeding. (Please see Manitoba Hydro's letter of November 15, 2022, pg. 2-3).

MIPUG

With respect to MIPUG/MH I-7 and MIPUG/MH I-8 a) and b), MIPUG advises that it is seeking information for clarification or to gain an understanding of the purpose of the IRP Development Process and related assumptions. Manitoba Hydro notes that representatives for MIPUG have participated and engaged in the IRP Development Process, and Manitoba Hydro is committed to continue its efforts to actively engage with all stakeholders. The appropriate avenue for MIPUG to seek the information requested in these IRs is through the IRP engagement as this information is not in scope for the current GRA.

With respect to MIPUG/MH I-57 d), MIPUG indicates that it is important to understand the position of the 2021 Electric Load Scenario relative to the IRP scenarios, as the current proceeding is expected to be the last GRA review before the 2025/26 fiscal period but does not explain why it views this to be important. As noted by the Board in Order 130/22, it is anticipated that any scenarios developed for the IRP, regardless of their details or assumptions, will be considered and reviewed by the PUB outside of this proceeding at a future Manitoba Hydro proceeding (i.e. an IRP Proceeding if referred to the PUB by Government and/or a future Manitoba Hydro GRA).

Coalition

Manitoba Hydro respectfully disagrees with Coalition's assertion that information request Coalition/MH I-26 a)-d) does not require detailed modelling of an alternate hypothetical system with a number of assumptions.

If Coalition is only seeking a simple "mathematical" calculation using information about select components of the Manitoba Hydro system (including Manitoba domestic energy and peak load, average hydroelectric generation, Keeyask capacity, etc.) as it suggests, it is open for the Coalition to perform whatever calculations it requires for its purposes utilizing information already on the public record.

As noted, Manitoba Hydro will provide a response to Coalition/MH I-26 c).

GSS-GSM

As noted in Manitoba Hydro's correspondence of January 9, 2023, as written, the information sought in information request GSS-GSM/MH I-1 l) would be onerous and require a significant work effort to compile requiring months of analysis, and in certain cases is not relevant to the limited changes sought by Manitoba Hydro in the Application.

It is not for the applicant to research, analyze and complete onerous and unnecessary work on behalf of interveners and their respective consultants, to formulate and develop their evidence and respective positions. Simply put, the applicant bears the onus of making its case. It has no obligation in assisting the interveners in advancing or making their respective evidence and cases. Doing so would be procedurally unfair to the applicant and would run counter to the principle of regulatory efficiency.

If such work is relevant, significant and fundamental to the evidence and position that GSS-GSM ultimately desires to advance as part of this proceeding, it must be completed by GSS-GSM.

In addition, preemptively depriving the applicant's fundamental right to properly reply to and rebut written evidence that may be advanced by other parties at this stage of the proceeding as suggested by GSS-GSM, is without precedent, and would be procedurally unfair and prejudicial to Manitoba Hydro serving to violate well established principles of administrative law in Canada.

Manitoba Hydro previously followed CGAAP and is now following International Financial Reporting Standards (the "new" CGAAP) for financial reporting purposes. What Manitoba Hydro followed before would be considered "old" CGAAP and is no longer a current standard. US GAAP is not applicable or relevant for either financial reporting or regulatory accounting.

To provide some assistance to GSS-GSM, Manitoba Hydro clarifies that the focus of its filings and discussions in this Application on depreciation relates to two key items:

- 1) The differences between “old” CGAAP vs. an IFRS compliant methodology as a result of the existing regulatory deferral account; and,
- 2) The difference between IFRS compliant methods as it relates to the calculation of depreciation, the treatment of gains & losses and the level of componentization of MH’s assets.

Focusing on these two issues, as an alternative to GSS-GSM's revised IR contained in their letter of January 13, 2023, Manitoba Hydro could reasonably endeavor to provide the following :

- By referring GSS-GSM to items already on the record from previous PUB hearings, outline what old CGAAP states about depreciation vs. what IFRS states; and
- Outline at a high level Manitoba Hydro’s interpretation of the 2 IFRS compliant depreciation methods (ELG vs. ASL) and whether the methods result in different levels of componentization and different treatments of gains and losses. In addition, in order to clarify Manitoba Hydro’s position, provide references to other IR responses that Manitoba Hydro intends on filing to information requests posed by other interveners as part of this proceeding.

Conclusion

Manitoba Hydro’s January 9th objections were very limited, reasonable and respectfully, should be granted by the PUB.

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:



Odette Fernandes
Senior Counsel