

Order No. 9/23

**SECOND PROCEDURAL ORDER
IN RESPECT OF
MANITOBA HYDRO'S 2023/24 AND 2024/25 GENERAL RATE APPLICATION
(DISPUTED INFORMATION REQUESTS)**

January 23, 2023

BEFORE: Robert Gabor, K.C., Board Chair
Marilyn Kapitany, B.Sc., M.Sc., Vice Chair
Carol Bellringer, FCPA, FCA, Member

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1.0 OVERVIEW AND PROCEDURAL HISTORY

This is the Second Procedural Order in the hearing of Manitoba Hydro's 2023/24 and 2024/25 General Rate Application. The only issue addressed in this order is whether Manitoba Hydro must answer certain disputed Round 1 Information Requests.

In the First Procedural Order released on December 8, 2022 ([Order 130/22](#)), the Board approved several Interveners and established a hearing process with two rounds of Information Requests. Following Manitoba Hydro's receipt of Round 1 Information Requests, the utility wrote to the Board on January 9, 2023, to request that the Board rule several Round 1 Information Requests out of scope. By way of a letter to all parties issued on January 10, 2023, the Board encouraged the parties to attempt to resolve the issue informally but requested written responding submissions from the parties if they could not resolve the dispute.

On January 13, 2023, the Board received responding submissions from the Consumers Coalition, the Representative of the General Service Small and General Service Medium Customer Classes ("GSS/GSM Representative") and the Manitoba Industrial Power Users Group ("MIPUG").¹ On January 16, 2023, Manitoba Hydro filed a written reply.

Manitoba Hydro's January 9, 2023 request also included a request to the Board to withdraw the Board's Information Request PUB/MH I-68 (d). The Board agreed to withdraw the request, so it is not addressed in this Order.

The Board's findings are addressed at the end of each individual Information Request discussed in this order.

¹ These Interveners are described in additional detail in Order 130/22).

2.0 CONSUMERS COALITION

2.1 COALITION/MH I-8 (b) and (c)

The text of these Information Requests is as follows:

(b) Please explain how MH envisions that the results of the IRP will be included and used in future MH multi-year GRA's for 2025/26 and onward.

(c) Please provide a chart similar to Figure 2.10 and associated commentary to depict/explain which of the IRP Scenarios and amount of change of the Key Inputs most closely aligns with the 2021 Electric Load Scenario provided in Tab 5 of the Application.

Manitoba Hydro submits that in Order 130/22 the Board ordered that a review of Manitoba Hydro's Integrated Resource Plan ("IRP") is out of scope, but that assumptions made that underpin the Application are in scope. According to Manitoba Hydro, none of the four scenarios being explored in the IRP underpin the Application. As such, the Board should rule the Information Requests out of scope.

The Consumers Coalition submits that COALITION/MH I-8 (b) is in direct response to Tab 2 of the Application, in which Manitoba Hydro discusses the importance of the IRP. According to this Intervener, rate applications are iterative and the question explores the impact of the IRP on future rates. With respect to COALITION/MH I-8 (c), the Consumers Coalition submits that IRP assumptions underpinning the Application are subject to testing, and that requiring the question to be answered does not prevent the IRP process from continuing independently.

Board Findings

The Board is of the view that COALITION/MH I-8 (b) is premature and Manitoba Hydro is not required to answer the question. The IRP process is ongoing, so the impact of the draft IRP on a future general rate application is hypothetical at this point.

With respect to COALITION/MH I-8 (c), the Board notes that the Application is based on Manitoba Hydro's load forecast and not the draft IRP. In the Board's view, an attempt to compare the draft IRP with the load forecast is of limited value, as IRP scenarios are not finalized yet. In Order 130/22, the Board ruled that assumptions made with respect to Manitoba Hydro's IRP that underpin the Application are in scope. However, Manitoba Hydro has confirmed that none of the draft IRP scenarios set out in Tab 2 of the Application underpin the Application or reflect the utility's load forecast. As such, Manitoba Hydro is not required to answer the question.

For greater certainty, the testing of assumptions made for load forecasting purposes remains in scope, regardless of whether the assumptions were developed through the load forecasting process or the IRP process. However, the hearing should not serve as a venue to test preliminary IRP scenarios.

2.2 COALITION/MH I-26 (a) – (d)

The text of these Information Requests is as follows:

Based on the current forecast for Manitoba domestic demand and Manitoba Hydro supply availability, please indicate

- a) In which year the incremental capacity of the Keeyask Generating Station will be required to meet domestic demand?*
- b) In which year the incremental energy provided by the Keeyask Generating Station will be required to meet domestic demand (please provide this forecast assuming both a “normal” water year, and a “drought conditions” year)?*
- c) Please calculate a Levelized Unit Energy Cost (on a \$/MWh basis) for the Keeyask Generating Station based on the final cost of construction of the facility, forecasted operating costs for its useful life, forecasted maintenance capital expenditures for its useful life, and using a discount rate equal to the average cost of debt experienced by Manitoba Hydro over the years during which the facility was constructed.*

d) Please compare the resulting Levelized Unit Energy Cost to the forecasted average price per MWh that Manitoba Hydro currently forecasts to receive from export markets over the period between 2022-23 and the years in which the Keeyask Generating Station is required to meet domestic demand requirements.

Manitoba Hydro has agreed to answer part (c), but submits that parts (a) and (b) represent a hypothetical scenario that would require a number of assumptions and in-depth modelling of an alternative system that excludes export contracts, has a different transmission interconnection capability, and potentially alternate generation resources. This would require significant resources and is not relevant. Manitoba Hydro further submits that part (d) is dependent on parts (a) and (b). According to Manitoba Hydro, if the Consumers Coalition is looking for a simple mathematical calculation, it could perform that calculation based on information on the public record.

The Consumers Coalition submits that the Keeyask Generation Station's ("Keeyask") operating characteristics are well understood and embedded in Manitoba Hydro's operating model. This Intervener has clarified that requests a simple mathematical calculation that would subtract the isolated capacities of Keeyask from the current system. Similarly, Manitoba Hydro already has a load forecast. With respect to part (d), Manitoba Hydro could provide a range of export prices if necessary, or it could rely on the forecast.

Board Findings

The Board requires these Information Requests to be answered. The Consumers Coalition has clarified that it is seeking a straightforward subtraction of Keeyask's energy and capacity supply. Information with respect to the "need date" for Keeyak has been put on the record in previous proceedings and the Board does not consider these Information Requests to be unduly onerous.

2.3 COALITION/MH I-36 (d)

The text of this Information Request is as follows:

d) Please provide both a Low and High Domestic Load growth risk sensitivity similar to that which was provided in the response to PUB/MH II-39 from the MH 2018/19 GRA.

Manitoba Hydro submits that it is analyzing various sensitivities as part of the IRP development process, and that the changing energy landscape is pushing the boundaries of what historically were considered the high and low scenarios. Because the scenario analysis is still being undertaken, Manitoba Hydro requests the Board to rule this Information Request out of scope.

The Consumers Coalition submits that it is not asking Manitoba Hydro to define high and low boundaries, but simply to provide a high and low load sensitivity to understand how sensitive the utility's financial forecast is to changes in the electric load scenario.

Board Findings

The Board requires this Information Request to be answered based on Manitoba Hydro's best estimate of high and low load growth scenarios in accordance with the utility's existing load forecast. While the Board acknowledges that the boundaries will likely change as the IRP is developed, it is reasonable for the Consumers Coalition to want to explore the sensitivity of the utility's financial forecast to changes in the load forecast. Manitoba Hydro will be able to indicate, in its response, what high and low scenarios it chose and why.

3.0 GSS/GSM REPRESENTATIVE

3.1 GSS/GSM/MH I-1 (I)

The text of this Information Request is as follows:

I) Please conduct and provide an analysis of all sections of IFRS, US GAAP and previous Canadian GAAP related to depreciation and outline the specific requirements in respect of depreciation. Additionally, please explain in detail based on these requirements why those requirements as stated would result in a different amount of depreciation being calculated under each standard.

Manitoba Hydro submits that this question is very broad, would require retaining external consultants, and appears to be intended to educate the GSS/GSM representative. According to Manitoba Hydro, these issues have been extensively canvassed in previous proceedings and materials are publicly available. Manitoba Hydro proposes to do the following:

- Refer the GSS/GSM Representative to items already on the record from previous Board hearings and outline what Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) states about depreciation compared to International Financial Reporting Standards (“IFRS”); and
- Outline at a high level Manitoba Hydro’s interpretation of the two IFRS-compliant methodologies and provide a reference to other Information Request responses dealing with the issue.

The GSS/GSM Representative submits that answering the Information Request as written is not onerous, as Manitoba Hydro has already compiled and analyzed much of the information. It is also not an unreasonable request, as Manitoba Hydro is relying on U.S. counterparties to complete an analysis relating to Canadian accounting principles. The GSS/GSM Representative submits that if Manitoba Hydro is unable to provide a response, it should be precluded from filing rebuttal evidence on related evidence filed by this Intervener. This Intervener further submits that if the Board does not order Manitoba

Hydro to answer the Information Request as written, it should require the utility to provide its understanding of the difference in requirements between Canadian GAAP and IFRS, confirm that it has not undertaken a detailed analysis, confirm that it lacks knowledge of U.S. GAAP, and confirm that it does not intend to file evidence on the issue raised in the Information Request.

Board Findings

The Board finds that this Information Request is unduly broad. As written, the Information Request does not test Manitoba Hydro's evidence but rather seeks a general explanation on the differences between various accounting methodologies. In the Board's view, Manitoba Hydro's proposal set out above is reasonable. The Board therefore directs Manitoba to Hydro to provide a response as proposed by the utility.

4.0 MIPUG

4.1 MIPUG/MH I-7

The text of this Information Request is as follows:

At page 36 MH states:

“Different Scenarios were defined to explore a range of potential futures, ensuring that they represented appropriate bookends from only small changes in current energy usage to high levels of decarbonization on a pathway toward net zero. The Scenarios were not defined to predict the likelihood of a future, but to ensure that regardless of the future that may occur, the range of potential implications are understood. Manitoba Hydro must prepare for any future and adjust as needed as the evolving energy landscape unfolds. [emphasis added]”

QUESTION:

Please fully explain how MH intends to prepare for “any” (meaning all) potential futures, and if it has conducted a probability analysis of likely future scenarios. Please also discuss the cost implications today of preparing for “any future”, versus the cost implications of selectively preparing for a likely future.

Manitoba Hydro submits that this Information Request relates specifically to the IRP development process, and that the appropriate avenue for MIPUG to obtain this information is through the IRP engagement process.

MIPUG submits that the Information Request does not seek information about IRP scenarios, but rather a high-level understanding of the process that Manitoba Hydro is engaging in to develop the IRP and how that process compares to the development of the load forecast and financial forecast.

Board Findings

The Board finds that this Information Request is premature, as it relates specifically to draft IRP scenarios which are still under development and do not form the basis of the Application. The Board refers MIPUG to the Board's ruling on COALITION/MH I-8 (b) (c), as well as MIPUG/MH I-57 (c) and (d).

4.2 MIPUG/MH I-8 (a) and (b)

The text of these Information Requests is as follows:

In Figure 2.10 MH indicates that economic growth increases with decarbonization and identifies "natural gas changes" as a key input.

QUESTION:

- a) *Please explain what is meant by "natural gas changes".*
- b) *Please explain why and how MH expects economic growth to increase through decarbonization, over what time frame, and across which jurisdictions.*

Manitoba Hydro submits that these IRs relate specifically to the IRP development process and should be ruled out of scope.

MIPUG submits that the load forecast references natural gas for space and water heating and reflects on the impact of future natural gas pricing on electric growth. MIPUG also clarifies that it does not seek onerous details, but rather a high-level understanding of how Manitoba Hydro perceives economic growth to increase with decarbonization and the factors that may impact natural gas changes.

Board Findings

The Board finds that the issues raised by these Information Requests are relevant to the extent they relate to the load forecast that underpins the Application. How economic growth and decarbonization are causally related is also a relevant issue.

The Board therefore directs Manitoba Hydro to provide a general answer to this Information Request with a focus on the utility's load forecast.

4.3 MIPUG/MH I-57 (c) and (d)

The text of these Information Requests is as follows:

The application indicates that “this scenario represents a single potential future and Manitoba Hydro is exploring how the trends of the evolving energy landscape could impact the demand for energy in Manitoba as part of the ongoing Integrated Resource Planning (“IRP”) Development process.” (PDF p.3)

a) Please indicate whether the 2021 Electric Load Scenario (Tab 5, Appendix 5.1) included within the 2023/24 and 2024/25 Electric GRA filing is one the four scenarios presented in the preliminary findings of Manitoba Hydro’s Integrated Resource Planning Development (“IRP”) process (https://www.hydro.mb.ca/corporate/planning/modelling/initial_results/).

b) If the answer to a) is “Yes”, please indicate which of the four scenarios presented in the preliminary findings is representative of the 2021 Electric Load Scenario.

c) If the answer to a) is “No”, please indicate the rationale for not including the 2021 Electric Load Scenario, used in the development of the 20-Year Financial Forecast (Tab 4, Appendix 4.1 and Appendix 4.1.1), in the IRP process.

d) If the answer to a) is “No”, please indicate which of the four scenarios presented in the preliminary findings of the IRP process is most comparable to (representative of) the 2021 Electric Load Scenario.

Manitoba Hydro submits that these IRs relate specifically to the IRP development process and should be ruled out of scope. Manitoba Hydro also suggests that part (d) is similar to COALITION/MH I-8 (c) addressed in section 2.1 of this order.

MIPUG submits that part (c) it is seeking a rationale for not including the load forecast scenario in the IRP process, and that part (d) simply seeks an understanding of what IRP scenario most closely aligns with the load forecast.

Board Findings

The Board finds that MIPUG/MH I-57 (c) is out of scope because it specifically relates to the development of the IRP, which is not relevant to the Application.

The Board finds that MIGUG/MH I-57 (d) is out of scope for the same reasons set out in section 2.1 of this order with respect to COALITION/MH I-8 (c)

5.0 IT IS THEREFORE ORDERED THAT:

1. The Board's procedural ruling on the Information Requests challenged in Manitoba Hydro's letter of January 9, 2023 is as set out in the table below.

| Information Request | Board Decision |
|------------------------------|---|
| COALITION/MH I-8 (b) and (c) | The Information Requests are set aside. |
| COALITION/MH I-26 (a) – (d) | Answer required based on simplified determination of need date for Keeyask. |
| COALITION/MH I-36 (d) | Answer required based on Manitoba Hydro's best estimate of high and low load growth scenarios in accordance with the utility's existing load forecast. |
| GSS/GSM I-1 (l) | The Information Request is set aside. Instead, Manitoba Hydro is to provide a response based on its proposal as described in section 3.1 of this order. |
| MIPUG/MH I-7 | The Information Request is set aside. |
| MIPUG/MH I-8 (a) and (b) | General answer required with a focus on the utility's load forecast. |
| MIPUG/MH I-57 (c) and (d) | The Information Requests are set aside. |

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.pubmanitoba.ca.

THE PUBLIC UTILITIES BOARD

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Board Chair

"Rachel McMillin, B.Sc."

Associate Secretary

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