



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

re:

MANITOBA HYDRO

2023/24 and 2024/25

GENERAL RATE APPLICATION

Pre-Hearing

Before Board Panel:

Robert Gabor, KC - Board Chairperson

Marilyn Kapitany - Board Vice Chair

Carol Bellringer - Board Member

Hamath Sy - Board Member

George Bass, KC - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

December 5th, 2022

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1 APPEARANCES
2
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6 Brent Czarnecki) Manitoba Hydro
7 Odette Fernandes)
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9 Byron Williams) Consumers Coalition
10 Chris Klassen)
11
12 Antoine Hacault) MIPUG
13
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15 Emily Guglielmin (by TEAMS)) Manitoba Chiefs
16
17 Markus Buchart) MKO
18
19 William Gange) GSS and GSM
20 Robert Walichnowski) customer classes
21
22 Gerald Finkle (np)) in-person
23
24
25

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4		and 2024/25 General Rate Application -
5		November 15, 2022.
6	PUB-2	PUB letter to MH and past Interveners
7		re MH 2023/224 and 2024/25 GRA
8		Applications for Intervener status and
9		pre-hearing conference - November 16,
10		2022.
11	MH-1	Manitoba Hydro 2023/24 and 2024/25
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1 --- Upon commencing at 9:02 a.m.

2

3 THE CHAIRPERSON: Morning, everyone.

4 I now call this public hearing to order. Welcome to
5 the Public Utilities Board -- to the Public Utilities
6 Board's first pre-hearing conference in respect of
7 Manitoba Hydro's 2023/'24 and 2024/'25 General Rate
8 Application.

9 This Application will also review the
10 interim rate granted to Manitoba Hydro which came into
11 effect on January 1st, 2022.

12 My name is Robert Gabor, and I'm the
13 Chair of the Public Utilities Board. I'm also the
14 Chair of the Panel hearing Manitoba Hydro's
15 application.

16 Joining me on the Panel are, to my far
17 right, Vice-Chair Marilyn Kapitany; on my immediate
18 right, Hamath Sy; on my immediate left, Carol
19 Bellringer; and on my far left, George Bass.

20 While Ms. Kapitany and I are grizzled
21 veterans of the PUB process, the remaining Panel
22 members who are only recently appointed to the Board,
23 they bring a wealth of experience and their respective
24 resumes are impressive, but this is their first PUB
25 hearing, and, as such, I'd welcome them to ask any

1 questions of clarification they may have of the
2 parties appearing before the Panel today.

3 Although Shawn McCutcheon and Irene
4 Hamilton remain and continue as Board members, they
5 will not be sitting on this panel.

6 While I and the Board have privately
7 expressed our thanks and appreciation for the services
8 of retired Board members Dr. Hugh Grant and retired
9 judge and former Master of the Court of Queen's Bench
10 Larry Ring, I do not want -- I do want to publicly
11 thank them for their services to all Manitobans.

12 The Board's Panel is assisted in this
13 hearing by the Board's associate secretary Rachel
14 McMillin and the Board's judicial hearing assistant
15 Kristen Schubert.

16 Wendy Woodworth from Digi-Tran will be
17 the reporter for today's pre-hearing conference. A
18 transcript of today's proceeding will be prepared by
19 Digi-Tran and should be available on the Board's
20 website at some point tomorrow.

21 As in prior hearings, the Board is also
22 assisted by technical advisors from Ryall Engineering
23 and Cathcart Advisors. Bob Peters and Sven Hombach
24 will act as Board counsel.

25 At this time, and on behalf of all in

1 attendance, the Board would like to acknowledge that
2 the Treaty 1 lands on which we now gather for this
3 hearing and the Treaties 2, 3, 4, and 5 lands included
4 in Manitoba Hydro's service territories, are the
5 traditional territories of the Anishinaabe Cree, Oji-
6 Cree, Dakota, and Dene people, as well as the homeland
7 of the Metis Nation.

8 The purpose of today's pre-hearing
9 conference is twofold. The first purpose is to hear
10 from applicants for Intervener status in order to
11 allow the Board to adjudicate applications for
12 Intervener status.

13 The second purpose is to establish a
14 process for the hearing and the orderly exchange of
15 information leading up to the hearing. This includes
16 establishing the scope of the hearing and the
17 timetable.

18 This is a unique pre-hearing conference
19 because the application as filed by Manitoba Hydro on
20 November 15th no longer reflects the rate increases
21 the Utility is now seeking.

22 When the Board received the November
23 15, 2022 application, Manitoba Hydro was requesting
24 the Board's approval to (a) finalize the 3.6 percent
25 rate increase the Board approved on an interim basis

1 effective January 1st, 2022; (b) obtain an additional
2 3.5 percent rate increase effective September 1st,
3 2023; and (c) obtain a further 3.5 percent rate
4 increase effective April 1st, 2024. Since that time,
5 there have been some developments.

6 On November 23rd, 2022, the Provincial
7 Government announced in the legislative assembly that
8 it would reduce the water rental fees and debt
9 guarantee payments. Manitoba Hydro makes the province
10 retroactive to April 1st, 2022.

11 On November 29th, Manitoba Hydro wrote
12 to the Board to advise that it would amend its
13 application to continue to seek confirmation of the
14 3.6 percent interim rate increase awarded effective
15 January 1st, 2022, but reduced the requested rate
16 increase for the other two (2) test years from 3.5
17 percent to 2 percent for each year.

18 Manitoba Hydro's November 29th, 2022,
19 letter to the Board and copy to perspective
20 Interveners indicated that specific -- that certain
21 specific tabs of its application would be re-filed but
22 that other tabs would remain the same.

23 In their respective comments this
24 morning, the Board would like to hear from Manitoba,
25 as well, to its intent to revise its -- sorry, as to

1 its intent to revise its application, as well as from
2 applicants for Intervener status as to how this re-
3 filing should affect any procedures for the Hearing.

4 This takes me to the issue of
5 Intervener applications. The Board received six (6)
6 applications for Intervener status. And I would like
7 to welcome the applicants and their representatives to
8 the Hearing room.

9 The purpose of Interveners is to assist
10 the Board in understanding and adjudicating
11 applications before it. Intervener status is not a
12 matter of right but must be approved by the Board
13 under its rules of practice and procedure.

14 The Board received applications for
15 Intervener status from five (5) organizations. In
16 alphabetical order, the organizations are: the
17 Assembly of Manitoba Chiefs, the Consumers' Coalition
18 consisting of the Manitoba branch of the Consumers'
19 Association of Canada, Harvest Manitoba, and the
20 Aboriginal Council of Winnipeg, representatives of the
21 General Service Small and General Service Medium
22 customer class, the Manitoba Industrial Power Users
23 Group, and Manitoba Keewatinowi Okimakanak.

24 In addition, the Board received an
25 application for Intervener status from an individual,

1 Mr. Gerald Finkle.

2 Each of the applicants for Intervener
3 status will have an opportunity to speak to their
4 application for Intervener status today, including why
5 they would like to Intervene, the proposed scope of
6 the Intervention, and any proposed expert witnesses
7 they would plan to retain.

8 Applicants may also wish to respond to
9 the comments in Manitoba Hydro's letter of November
10 30, 2022. The Board also welcomes all parties to make
11 process submissions as to the time table or any other
12 matter to be raised today.

13 With that, I'll turn the microphone
14 over to the Board's legal counsel to discuss the
15 process for today. Mr. Peters...?

16

17 OPENING COMMENTS BY BOARD COUNSEL:

18 MR. BOB PETERS: Thank you. Good
19 morning, Mr. Chair. Good morning, Vice-chair. And
20 good morning and a special welcome to the new Board
21 members that the schairman mentioned: Ms. Bellringer,
22 Mr. Sy, and Mr. Bass. I also send a welcome to those
23 joining us virtually who aren't here in the Hearing
24 room.

25 Today's pre-hearing conference was

1 scheduled by the Board in a letter of November the
2 16th, 2020. The Board sent the letter to Manitoba
3 Hydro, as well as to all past Interveners of record.
4 And the process for today is as set out in the Board's
5 letter, which means that Manitoba Hydro will have an
6 opportunity to make a short presentation to the Board.
7 And, as requested by the Chair, the Utility should
8 address how the change to its application is expected
9 to affect the Hearing or any process with it.

10 Mr. Tess has been invited and will
11 speak to the Board about the recent revisions to the
12 application. I will remind parties that Mr. Tess's
13 comments are non-evidentiary, so there'll be no cross-
14 examination today. I'm sure he's disappointed. But
15 the panel is welcome to ask any questions of
16 clarification that they may have if -- and -- of Mr.
17 Tess.

18 So, following the presentation by
19 Manitoba Hydro, the Board will hear from the
20 applicants for Intervener status. And the plan is to
21 first hear from organizations in alphabetical order
22 that were mentioned by the Chair.

23 And following the presentations by the
24 organizations, the Board will hear from the individual
25 applicant for Intervener status, Mr. Finkle. And

1 Manitoba Hydro will have opportunity to provide reply
2 submissions, but we do note, that on November 30th,
3 Manitoba Hydro did send a letter to the Board and to
4 the parties in respect of applications for Intervener
5 status and, in that letter, Manitoba Hydro raised
6 concern about the duplication of efforts and the
7 breadth of the proposed retainers for expert
8 witnesses. Manitoba Hydro also raised concern about
9 Mr. Finkle's application to intervene as an
10 individual.

11 In the course of the proceedings today,
12 we'll have the November 30th letter marked as an
13 Exhibit in the hearing process.

14 And, to the extent possible, I would
15 like to invite the applicants who are seeking
16 Intervener status, to address Manitoba Hydro's
17 November 30th letter in their comments and their
18 presentation. This will assist the Board in
19 adjudicating their applications.

20 And at the conclusion of today's pre-
21 hearing conference, the Chair will then provide any
22 closing comments and end this pre-hearing conference.

23 The Board's letter of November 16th set
24 out a number of issues on which the Board invited
25 comments. Without reading the list into the record,

1 the basic issues were the stakeholder engagement and
2 who is being represented by the Interveners; the
3 Interveners' overall position and areas of
4 disagreement with Manitoba Hydro; the proposed experts
5 and their areas; the information request process to be
6 followed; and a description of what the proposed
7 Intervener considers to be the key issues in the
8 application, as well as any comments they may have on
9 the proposed hearing schedule that was circulated in
10 draft.

11 To keep everyone organized for today,
12 we have prepared and circulated an agenda that sets
13 out the sequence of presentations. Copies were
14 circulated, as I mentioned, and they are also
15 available at the table to my left.

16 With that, I would invite the Chair to
17 call upon Manitoba Hydro to begin its presentation.

18 THE CHAIRPERSON: Thank you Mr.
19 Peters. Mr. Czarnecki...?

20

21 OPENING COMMENTS BY MANITOBA HYDRO:

22 MR. BRENT CZARNECKI: Thank you, Mr.
23 Chairman, and -- and good morning. Good morning Vice-
24 Chair Kapitany, Members C. Bellringer and Bass.

25 Before I turn it over to Mr. Tess for

1 the presentation, just brief introductions to my
2 immediate left is Odette Fernandes, who will be co-
3 counsel with myself for Manitoba Hydro this
4 proceeding.

5 To my immediate right is Mr. Aurel
6 Tess, who's the Chief Financial Officer of Manitoba
7 Hydro and at the end of the panel is Shannon
8 Gregorashuk, who is the Director of Rates and
9 Regulatory at Manitoba Hydro.

10 By way of brief remark, we're very
11 pleased to be here today in front of you for this pre-
12 hearing conference. Mr. Chairman, you -- you alluded
13 to the fact that there's been some changes in
14 circumstances which we see as being very positive for
15 Manitoba Hydro and its customers.

16 I'd also just like to quickly remark
17 and express some thanks to the Panel for its letter of
18 November 16th for this pre-hearing conference. We see
19 it as a very positive today that we have the
20 opportunity that you've provided to have Mr. Tess
21 provide a -- a general overview of what this
22 application is about and why it is needed and
23 essential for Manitoba Hydro and its customers.

24 I'd also like to express some
25 appreciation to you for the questions that you've

1 asked for Interveners to address in that letter
2 because, from our perspective, the more we can reach a
3 common understanding with Interveners and everyone
4 within the room on what really are the contentious
5 issues before the Panel and the contentious --
6 contentious issues that the Interveners are seeing, it
7 will result in a more efficient process that, at the
8 end of the day, we hope will give you the information
9 you need to make a learned decision.

10 So, we see that as a -- as a good
11 process step and we're looking forward to listening to
12 the Interveners this morning to address the initial
13 concerns that I raised in the letter of November 30th
14 and then provide brief response, if necessary.

15 So, with that, I will turn it over to
16 Mr. Tess so he can provide an overview of our
17 application for you.

18 MR. AUREL TESS: Good morning,
19 everyone. I would like to acknowledge the Chair of
20 the Board, the Interveners, the staff, and the Board
21 Counsel present here today. I am very thankful for
22 the opportunity to provide these opening comments
23 regarding our General Rate Application.

24 Let me start out by saying that much
25 has changed since the last -- we last appeared before

1 the Public Utilities Board, seeking an interim rate
2 increase to off-set the impact of severe drought that
3 resulted in Manitoba Hydro having to borrow three
4 hundred and fifty million dollars (\$350,000,000) to
5 pay for every-day operating costs.

6 This fiscal, we have surplus water and
7 anticipate having sufficient cash flow to repay the
8 three hundred and fifty million (350,000,000) debt
9 that we incurred last year.

10 We have also successfully placed the
11 remaining units of our Keeyask generating station into
12 service, ahead of schedule and five hundred million
13 (500,000,000) under the eight point seven billion
14 dollar (\$8,700,000,000) control budget.

15 With that significant investment, and
16 others, Manitobans have made in securing energy for
17 the future, Manitoba Hydro remains one of the most
18 highly leveraged Crown utilities in Canada, with a
19 debt-to-equity ratio of 86 percent.

20 Also, the interest rate environment,
21 which has shifted from what were record lows to a
22 period of multiple interest rate increases in a single
23 year to combat inflation. The Bank of Canada has also
24 signaled that they are not finished with rate hikes to
25 curb inflation.

1 Also, the provincial government
2 introduced Bill 36 and it was enacted on November 3rd,
3 2022, as the Manitoba Hydro Amendment and Public
4 Utilities Board Amendment Act, known as the Act. The
5 Act sets out changes to the regulatory framework in
6 Manitoba, including the establishment of financial
7 targets and other metrics that will guide rate-
8 setting, commencing in April 1, 2025.

9 And, lastly, as mentioned, on November
10 23rd, the provincial government announced a reduction
11 of water rentals and provincial guarantee fee that
12 will materially impact our financial forecast.

13 What has, however, remained the same,
14 since we last appeared, is that customers continue to
15 expect stable and predictable rates. Manitoba Hydro
16 remains committed to fulfill its legislated mandate to
17 provide safe, reliable energy services to our
18 customers.

19 Let me start out by giving out a bit
20 more detail on the direction from government. We feel
21 this dramatically has a significant impact on our
22 forecast, as mentioned.

23 So, on November 23rd, we received
24 direction from the Minister of Finance. The direction
25 indicated that we will receive a reduction in the

1 provincial guarantee fee and the water rental fee by
2 50 percent and the -- and the fee reduction is
3 retroactive to April 1, 2022.

4 The Minister also directed that savings
5 are to be applied against Manitoba Hydro's debt to
6 help financially stabilize Manitoba Hydro and keep
7 rates low for customers.

8 We are required to report on these
9 savings, in our Annual Report, and indicate how much
10 has been used to off-set against debt.

11 It is a material amount and, for
12 2022/'23, the estimated savings are a hundred and
13 eighty five million (185,000,000).

14 This, as noted, will require a material
15 impact on our GRA application, that was submitted on
16 November 15th. We have adjusted our long-term
17 forecast scenario and are working through the
18 amendments currently.

19 Over twenty (20) years, as was publicly
20 stated, the reductions amount to a savings of
21 approximately four billion dollars (\$4,000,000,000).

22 It allows for a reduction of rates
23 requested in the test years '23/'24 and '24/'25, and
24 it will allow Manitoba Hydro, based on current
25 inflation forecasts, to achieve the Bill 36 rate cap,

1 that's equal to inflation or 5 percent, and the debt
2 ratio targets. We feel it can be achieved with the
3 forecast presented.

4 The revised rate path of 2 percent
5 increases from '23/'24 to 4130 -- there's a typo in
6 there -- sorry -- passing savings to customers through
7 reduced and stable rates and improves cash flow and --
8 and reduces debt for Manitoba Hydro.

9 Manitoba Hydro continues to request
10 confirmation of the January '22 interim rate
11 application request of 3.6 percent that was approved.

12 We intend to file our amended GRA
13 materials on or around December 9th and the phase 2 of
14 the application on or before December 21st, which
15 include the rate -- rates and cost-of-service study.

16

17 (BRIEF PAUSE)

18

19 MR. AUREL TESS: Just a few closing
20 remarks. Again, thank you for taking time here.

21 While Manitoba Hydro is focussed on improving its
22 financial health, there is also a need to ensure
23 sufficient investments are made to both sustain
24 existing assets and address new supply requirements.

25 Balancing the need to invest in assets

1 and improve financial health can be managed
2 responsibly through stable and moderate rate
3 increases, starting with the test years.

4 Manitoba Hydro seeks to invest in
5 sustaining existing assets, using cash from operations
6 or internally generated funds, where possible. As
7 this is a key criteria for an entity to be considered
8 self-supporting by credit reporting agencies.

9 Additionally, funding investments and
10 existing assets using cash from operations is also
11 beneficial because it preserves borrowing capacity for
12 Manitoba Hydro. In the event of a volatile or adverse
13 financial impact, such as drought, that we just
14 experienced just recently.

15 The proposed rate increases in our
16 application will ensure Manitoba Hydro can continue to
17 meet customer expectations and become financially
18 healthy. A healthy utility that Manitobans can
19 continue to rely on for their energy needs now or in
20 the future. Thank you very much.

21 THE CHAIRPERSON: I'd ask the panel if
22 they have any questions? Ms. Kapitany...?

23 VICE-CHAIR KAPITANY: Thank you, Mr.
24 Tess. Can you elaborate a bit on why Manitoba Hydro
25 is not seeking any change to the 3.6 percent that was

1 awarded for January 1st of this year?

2 MR. AUREL TESS: Sure, I can answer
3 that. Our -- our financial forecast was -- was
4 looking at -- was updated, as you know, with -- with
5 the reduction in the payments that -- and when we --
6 when we looked at the -- the impact of that as noted
7 in our outline, you'll see in our application that the
8 evidence does support the need for the 3.6 to achieve
9 that financial health that -- that we're talking
10 about.

11 The 3.6 has a -- has an enormous impact
12 on -- on the long-term future of Manitoba Hydro
13 financially because of that early compounding effect
14 that you get early on with that rate increase has a
15 detrimental act on the finances if it's -- if it's
16 removed. And we saw that with the three and a halves
17 as well.

18 VICE-CHAIR KAPITANY: In your
19 presentation you mentioned maintaining sustaining
20 assets and I know -- you know, for many years you've
21 said to us it's important to have regular rates so
22 that you can do that and, you know, especially with
23 the big assets coming in place like Keeyask and Bipole
24 III, and yet there's no ask for the current fiscal
25 year that we're in for '22/'23.

1 Could you just say why that is?

2 MR. AUREL TESS: In terms of the
3 absence of a rate increase for the current year?

4 VICE-CHAIR KAPITANY: Yes.

5 MR. AUREL TESS: Yeah. That -- that
6 has a lot to do with the planning that we did last
7 year in our Enterprise Plan. If you recall, we were
8 in front of you and we spoke about looking at the
9 future and the timing on the calendar of getting
10 another process through.

11 And we -- we didn't feel it was
12 realistic to assume we could process another rate ask
13 during the fiscal year. But it -- it wasn't from the
14 lack of need. We saw the need, you know, given --
15 given the situation we're in with the big assets
16 coming into service, major capital coming in. Those -
17 - those are adding nine hundred million dollars
18 (\$900,000,000) and so on.

19 And so, it was just really timing and -
20 - and getting the pro -- getting the process done.

21 VICE-CHAIR KAPITANY: Thank you.

22 MR. AUREL TESS: You're welcome.

23 THE CHAIRPERSON: Mr. Tess, I've got a
24 question. I note in your presentation you reference 2
25 percent rate increase from 2023/'24 to 2031/2032.

1 Now, this application is simply for confirming the
2 last year and two (2) forward years.

3 I'm just wondering how you move forward
4 at 2 percent -- for example, when you don't know if
5 it's going to be a draught year or a year which has a
6 lot of water, like this year.

7 Is there that much money that's come
8 forward from the government reduction in fees that,
9 even if you have a draught, you're looking at a 2
10 percent rate increase?

11 MR. AUREL TESS: Yeah. It's -- it's
12 challenging for us to -- to look that far out, as you
13 know, with our -- our financial forecast and -- and
14 determine whether there'll be those very volatile
15 events that occur like we experienced last year.

16 You know, this year, we're -- we're
17 really experiencing almost the -- the mirror opposite
18 of what we experienced last year. This year, we have
19 the high water and we have the higher export prices.
20 Last year, we were net importing, and we were
21 importing at high prices, and we had lack of water, so
22 it's the exact opposite.

23 And I -- I think the -- the forecast
24 kind of represents averages, as you know, in water
25 levels. And we take a consensus forecast when it

1 comes to things like export prices.

2 So, we do our best to try to forecast
3 the future, but there are some real significant
4 variability if we look at what's happening with our
5 Integrated Resource Plan, and those answers are yet to
6 come. But the -- the forecast you have in front of
7 you is really what we know now, and so it's -- it's
8 doing our best to -- to, you know, project out what we
9 can see in the future currently.

10 But, you know, things like -- I think
11 when Jay was here talking about the electrification of
12 energy, for example, that -- and, you know, the three
13 (3) Ds that are impacting the evolving energy
14 landscapes, there's -- there's some big variables out
15 there yet sto be determined.

16 So, Mr. Chair, I would agree with you
17 that it's -- it's challenging to -- to look out and
18 say do we need 2 percent. But currently, based on
19 what we have, that's what we are forecasting.

20 THE CHAIRPERSON: Thank you. Ms.
21 Bellringer...?

22 BOARD MEMBER BELLRINGER: Thanks.
23 Good morning. One (1) of the things that I didn't
24 hear referenced in your opening comments but it's
25 included in the letter, that the IRP development

1 process be -- be excluded and considered out of scope.

2 Can you elaborate on that a bit,
3 please?

4 MR. AUREL TESS: I'll just pass it
5 over to -- to Mr. Czarnecki for that one. Nice to see
6 you back in Manitoba, Ms. Bellringer.

7 BOARD MEMBER BELLRINGER: The weather
8 welcomed me. Thank you.

9 MR. BRENT CZARNECKI: Thank you for
10 the question, Ms. Bellringer.

11 There's two (2) tracks here, and -- and
12 one (1) track is this GRA process. The other track is
13 the integrated resource planning development process
14 which is an engagement process throughout the province
15 of Manitoba to -- to better understand, you know, what
16 the three (3) -- the impacts that the three (3) Ds are
17 having on Manitoba Hydro and how we're going to
18 resource that into the future.

19 So, that is a very open process for
20 everyone in the public to engage with. So, even
21 though our current forecast is considering such as
22 those, we didn't want to blend the -- the IRP process
23 with this GRA process such that the IRP process could
24 continue in a very open and transparent manner on a
25 without prejudice basis to this process so that we

1 truly do get the best engagement.

2 So, our ask is that this Board continue
3 to respect that process and, to the extent possible,
4 keep it on its own separate track from this GRA
5 process.

6 And maybe to conclude, we're seeing
7 that -- timing wise, that when that process, the IRP
8 engagement process concludes itself, or we're better
9 informed, that that would will then form the basis for
10 Manitoba Hydro's 2025 GRA process.

11 So, we need the time to transition from
12 this GRA to the next one to reflect that process work.

13

14 (BRIEF PAUSE)

15

16 BOARD MEMBER BELLRINGER: I'm -- I'm
17 going to assume that anything else I need to
18 understand that goes into the Hearing. I mean, I --
19 I -- you know, at this point, I'm just -- I am trying
20 to figure out -- there will be elements that will
21 clearly be addressed in the Hearing, and so they --
22 they can't be -- oh, but that's part of the IRP, so
23 it's out of scope, so, I mean, the process, yes.

24 But -- so, I'm trying to understand how
25 they are separated but, at this point, I think that's

1 a question for the Hearing.

2 THE CHAIRPERSON: Sorry, can I do a
3 follow-up on that in terms of the IRP? I appreciate
4 Manitoba Hydro's in the midst of the IRP process.

5 Can the IRP process be finalized before
6 there's a provincial energy policy?

7 MR. AUREL TESS: Well, the provincial
8 energy policy is something that is -- is really not
9 under our direct control. We're trying to work with
10 the province and doing everything we can to provide
11 data and information for that process, but I don't
12 think we actually have a time line on that, Mr. Chair,
13 so.

14 THE CHAIRPERSON: Yeah, no, I
15 appreciate that. It's just --

16 MR. AUREL TESS: Yeah, yeah.

17 THE CHAIRPERSON: Good. Thank you.
18 We'll move to the Interveners. And according to the
19 agenda, we'll start first with the counsel for the
20 Assembly of Manitoba Chiefs who I believe are online.
21 Is that correct?

22 MS. EMILY GUGLIELMIN (by TEAMS): Yes.
23 Hello, Mr. Chair. This is Emily.

24 THE CHAIRPERSON: Hello, Emily.

25 MS. EMILY GUGLIELMIN (by TEAMS):

1 Hello.

2 THE CHAIRPERSON: I hope it's warmer
3 there than here.

4 MS. EMILY GUGLIELMIN (by TEAMS): I
5 doubt it.

6 THE CHAIRPERSON: Okay. Please go
7 ahead.

8

9 OPENING COMMENTS BY ASSEMBLY OF MANITOBA CHIEFS:

10 MS. EMILY GUGLIELMIN (by TEAMS):

11 Hello. My name is Emily Guglielmin, and I'm one (1)
12 of two (2) legal counsel for the Assembly of Manitoba
13 Chiefs who I will also refer to as the AMC.

14 My colleague, Carly Fox, was unable to
15 be here today, but thank you for allowing me to attend
16 via Teams from Treaty 7 territory.

17 I want to thank Mr. Chair for
18 acknowledging the treaty land that this Hearing is
19 taking place on and that all of Manitoba Hydro's
20 operations take place on.

21 The Assembly of Manitoba Chiefs has
22 requested to Intervene in this application as part of
23 its mandate to advocate for the collective interests
24 of First Nations and First Nation citizens in
25 Manitoba.

1 The first issue I will address is how
2 the AMC has engaged its stakeholders in support of its
3 intervention. As you may be aware, the Assembly of
4 Manitoba Chiefs is the political and technical
5 coordination organization for sixty-two (62) of sixty-
6 three (63) First Nations in Manitoba.

7 The AMC's member First Nations are
8 parties to Treaties 1, 2, 3, 4, 5, 6, 10 and the
9 Dakota Nations that are party to a pre-confederation
10 treaty.

11 The chiefs representing each First
12 Nation and who make up the assembly meet on a regular
13 basis multiple times per year. They meet at regular
14 assemblies, as well as special assemblies that are
15 called by the Grand Chief.

16 The AMC is a membership-driven
17 organization that responds to the needs and interests
18 of the Chiefs. As a result of this, discussions with
19 the Chiefs and citizens of AMC's member First Nations
20 are ongoing and continuous. Discussions about the
21 impact of Manitoba Hydro rates and rate increases have
22 been ongoing for years.

23 In addition, the Executive Council of
24 Chiefs, known as the ECC, functions as a source of
25 authority for the AMC between assemblies. The ECC is

1 composed of Grand Chief Cathy Merrick and ten (1)
2 Chiefs, half representing southern First Nations and
3 half representing northern First Nations.

4 The ECC provides legal counsel with
5 instructions for this matter and also liaises with the
6 AMC stakeholders.

7 The AMC's general position on this
8 application is that the magnitude of the rate increase
9 must be tied to the reasonableness of costs for which
10 Manitoba Hydro is applying.

11 The AMC also believes that the
12 application for the rate increases should be
13 considered in light of the 3.6 percent interim rate
14 increase awarded effective January 1st, 2022, which
15 was based on a significantly different financial
16 outlook than what actually occurred.

17 The AMC intends to focus on whether
18 Manitoba Hydro's requested rate increase is just and
19 reasonable considering the steps that Manitoba Hydro
20 has taken to control its costs, the allocation of cost
21 between classes, and the appropriate rates for each
22 class, with our particular focus on issues of
23 importance to First Nations customers.

24 The AMC will focus on whether Manitoba
25 Hydro has demonstrated a revenue requirement that

1 justifies its requested rate increases. The AMC will
2 also focus on Manitoba Hydro's consultations with
3 customers about these increases and the impact of the
4 proposed increase on First Nations customers.

5 As I know this Board may be aware, any
6 rate increase will negatively impact many First
7 Nations customers due to the increased rate of energy
8 poverty. This is an important consideration for
9 determining the reasonableness of Manitoba Hydro's
10 rates.

11 In terms of collaboration, we have had
12 discussions with counsel for other Interveners, in
13 particular, legal counsel for the Consumers' Coalition
14 and the MKO regarding areas of overlap and for
15 collaboration.

16 We discussed our approaches to the
17 application. And while there may be areas of common
18 concern, we will work together to ensure we are not
19 duplicating issues.

20 The AMC will take a more targeted
21 approach relevant to First Nations customers
22 throughout Manitoba, while we understand that the MKO
23 will focus on issues specific to northern First
24 Nations.

25 We will continue to work with other

1 Interveners to ensure that the interventions are not
2 duplicative or repetitive. We will need to conduct a
3 further analysis to determine what specific areas of
4 Manitoba Hydro's rate application that the AMC agrees
5 with.

6 The AMC agrees that Manitoba Hydro
7 should be managed in a cost-effective manner that
8 maintains its financial stability. The AMC supports
9 just and reasonable rates for the Utility that balance
10 its stability with the impact that rates have on
11 customers, particularly First Nations customers that
12 may face more difficult economic conditions.

13 The AMC agrees with Manitoba Hydro that
14 it will be important to consider long-term strategy in
15 light of changes to the energy sector worldwide.
16 Although the AMC agrees these changes may be evolving,
17 it is the AMC's position that, to the extent that any
18 aspect of the information in tab 2, including the IRP
19 process, is relevant to the costs included in the
20 proceeding or would in any way impact Manitoba Hydro's
21 planning and financial forecast, it should be
22 considered in scope and available to be tested by the
23 Interveners.

24 In terms of experts, the AMC has
25 retained experts from Power Advisory to assist it with

1 its intervention, but does not at this time anticipate
2 that it will provide expert evidence. This may change
3 based on responses to Information Requests or filings
4 in Phase 2 of the Application. If it does change, the
5 AMC will submit an updated Intervener Application.

6 In response to one (1) of the concerns
7 raised by Manitoba Hydro in its reply, the AMC has
8 requested approval for advisory services provided by
9 Power Advisory. And while two (2) specific experts
10 have been listed on the Application, it is not meant
11 to reflect the costs of retaining two (2) distinct
12 experts.

13 Rather, the intention is that, given
14 some of the tighter time lines associated with
15 Manitoba Hydro's Application and magnitude of the
16 Application, now added to that amendments that will be
17 provided after this pre-hearing conference, Ms. Ranj
18 (phonetic) will assist Mr. Yoke (phonetic) on certain
19 discreet issues or as needed. And it is our intention
20 that this will result in few additional costs, but is
21 meant to be a measure of efficiency.

22 Manitoba Hydro has also raised the
23 issue of the hourly rate of the AMC's proposed expert
24 advisors. The AMC notes that the hourly rate charged
25 by both experts are the same rates they charge for

1 regulatory hearings in other jurisdictions in Canada,
2 particularly, at the Alberta Utilities Commission and
3 the Ontario Energy Board, and are recoverable in both
4 jurisdictions.

5 Should the AMC's Intervener application
6 be approved, it intends to request these rates in its
7 budget and requests that any decision on this issue be
8 reserved until the AMC's budget is provided.

9 In terms of the number of Information
10 Requests, the AMC takes no issue with the draft
11 hearing calendar provided by Board counsel subject to
12 the caveat that, due to the filing of new information,
13 there may be some Information Requests related to
14 Phase 1 that end up needing to be filed in Phase 2.
15 But we'll do our best to limit that as much as
16 possible.

17 In terms of estimates for inter -- for
18 Information Requests, we are not at this time able to
19 provide a very specific or realistic estimate of how
20 many Information Requests will be provided. But we
21 intend to collaborate with other Interveners to ensure
22 there is no duplication, and we think it is likely
23 that the number of Information Requests in the first
24 round will be around fifty (50). However, this is
25 likely to be dependent on the Board's Information

1 Requests.

2 Subject to any questions, that -- those
3 are all my submissions.

4 THE CHAIRPERSON: Thank you. I'd ask
5 the Panel if they have any questions. Ms.
6 Kapitany...?

7 VICE-CHAIR KAPITANY: Thank you for
8 the presentation. I think I heard you say that AMC is
9 going to focus on First Nations throughout Manitoba,
10 but you're going to be collaborating with MKO, and
11 that MKO will focus on the north.

12 Now, when you say, "First Nations
13 throughout Manitoba," that would include First Nations
14 in the north. So could you just elaborate on how that
15 collaboration will look?

16 MS. EMILY GUGLIELMIN (by TEAMS): Yes.
17 Thank you for the question. So as has happened in
18 previous hearings, the AMC intends to take a broader
19 and more general approach.

20 Whereas we've had discussions with
21 MKO's counsel about some of the specific issues faced
22 by northern First Nations, I don't really want to step
23 on Mr. Richards's (phonetic) toes on this because I
24 think he'll make better submissions than I will about
25 what his focus will be on. But we have identified a

1 few different distinct approaches that his client is
2 intending to take.

3 VICE-CHAIR KAPITANY: Okay. Thank
4 you.

5 THE CHAIRPERSON: If I could just make
6 a comment. In terms of our -- our costs policy, I
7 just want to confirm to the parties the Board doesn't
8 approve budgets. You'll put forward a budget, as will
9 the others. There will be discussion with our Board
10 staff. Those discussions are not binding on the
11 Board.

12 The Board will simply see an
13 application for costs awards at the end of the hearing
14 and will determine costs based on a number of factors,
15 primarily, on the factor of what assistance you
16 provided the Board. But I don't want anybody to sort
17 of be misled to think that we -- we approve a budget
18 upfront and that's the budget that -- that you'll be
19 paid.

20 So I'm using you as the -- the guinea
21 pig for -- for making the comment. It applies to all
22 Interveners, so I -- I just thought I'd put it on the
23 record, though. Okay. Thank you.

24 MS. EMILY GUGLIELMIN (by TEAMS):
25 Thank you.

1 THE CHAIRPERSON: Thank you.

2 We'll next go to Consumers' Coalition.

3 Mr. Williams...?

4

5 (BRIEF PAUSE)

6

7 OPENING REMARKS BY CAC:

8 DR. BYRON WILLIAMS: Thank you, Mr.

9 Chair and members of the Panel. And it's nice to see
10 some familiar faces from Hydro hearings of the past,
11 as well as from MPI hearings, and also to welcome the
12 new Board members.

13 We're looking forward to appearing
14 before you, and we're very honoured to have this
15 opportunity. We'll do our best to be very responsive
16 to the questions of the Board.

17 It is appropriate, in our clients'
18 view, to start out with a few factors that make this a
19 relatively unusual hearing, or -- or are at least
20 distinctive factors for this hearing. And we
21 reference these because they will influence our
22 submissions as we go along.

23 One (1) of these, of course, is that it
24 has been a number of years since the last full General
25 Rate Application, and certainly we expect that that

1 will tend to put some upward pressure on the
2 information requirements in this hearing.

3 A second important factor is that
4 there's been a tremendous amount of turnover in
5 Manitoba Hydro staff, including at the director and
6 vice-president level, and including with some
7 significant losses at the -- in terms of insight into
8 the export market if we think of the retirement of Mr.
9 Cormie, for example. And that will be something that
10 our clients will be speaking to.

11 And that's important because of a third
12 factor which is we've known about for -- since at
13 least the Need for an Alternatives hearing, but the
14 ongoing dynamic changes in the American marketplace we
15 think are really important to be mindful of.

16 There may be some common ground between
17 our clients and Manitoba Hydro in terms of the
18 importance of those changes, although the conclusions
19 we may draw from them may be different.

20 We've talked about it, and I -- we
21 certainly heard Board Member Bellringer's questions in
22 this regard. There is an uncertain policy environment
23 at this time out there as the Provincial Energy
24 Strategy, the Integrated Resource Planning.

25 And -- and certainly to the extent that

1 Manitoba Hydro's undertaking engagement on those
2 processes, we -- we certainly welcome that and -- and
3 don't want to interfere with that. But at the same
4 time, these processes bring a significant uncertainty
5 in terms of Manitoba Hydro's forecasts in the medium
6 and longer term.

7 And certainly from our clients'
8 perspective, it will be important to explore those
9 uncertainties in terms of the reliability of Manitoba
10 Hydro's capital expenditures, in terms of otherwise.
11 And -- and our friends from MIPUG we know will have
12 some very eloquent comments on this, but we do want to
13 flag that -- that uncertainty.

14 And of course, obviously there's the
15 recent announcement in the Manitoba legislature of
16 changes to the water rental and dike guarantee fees
17 which are an important backdrop to our deliberations
18 and has changed the -- changed the nature of the
19 Application somewhat in midstream.

20 And certainly that -- those are the
21 five (5) kind of factors that, from our clients'
22 perspective, are important contextual factors.

23 In terms of the first question of the
24 Board, which is, How have -- has the prospective
25 Intervener engaged stakeholders in support of the

1 intervention? This Board may be aware -- at least
2 some of the Board members will be aware -- of our
3 clients' ongoing engagement activities.

4 In terms of the general population of
5 Manitobans, our clients last undertook a survey of
6 Manitobans on energy strategies in June of 2022, and
7 there were some important questions relating to the
8 Hydro General Rate Application flowing from that
9 survey.

10 Over the last year, our client has had
11 the opportunity as well to engage with a number of
12 community organizations who are deeply interested in
13 Hydro proceedings.

14 We did that for the first time back in
15 December of 2021. We will be doing -- or we did it
16 again in July of 2022. I call it the Group of 40,
17 it's about forty (40)s community organizations and --
18 and individuals, and we certainly, as I'll advert to
19 in a couple moments, expect to make that part of our
20 ongoing engagement.

21 Our clients have also had the
22 opportunity over the last year to have periodic
23 interactions with newcomer organizations, as they
24 relate to Manitoba Hydro and its implications for
25 ratepayers and some of the experiences of newcomers

1 and will certainly be bringing that insight to the
2 Board as well.

3 And finally, prior to the hearing, or
4 at least prior to this date, but after the
5 application, our clients have, of course, we have met
6 with our clients electronically to give a high level
7 briefing of the application.

8 Going forward, in terms of engagement,
9 there are four (4) aspects that our clients wish to
10 share with you.

11 Similar to what our -- so number 1 of
12 those aspects, is similar to what our clients did in
13 the Manitoba Public Insurance General Rate
14 Application, we will have a special consumer advisory
15 group. We expect it will have eight (8) to ten (10)
16 persons, with representation from urban, rural,
17 northern communities and including newcomers, as well
18 as with academics with related -- related research
19 interest.

20 And what we did in the MPI hearing and
21 we expect to do in this hearing, as well, is start off
22 our deliberations with the advisory group with a -- a
23 general briefing. Then initiate a key policy or issue
24 discussion, and then shortly, prior to our clients'
25 ultimate recommendations, to have another

1 recommendation meeting with that group.

2 Our clients, as they often do on hydro
3 issues, will also undertake specific workshops with
4 their members or the people they serve. We
5 anticipate, for example, Manitoba Harvest providing an
6 opportunity for members of our team to meet with low-
7 income ratepayers.

8 We'll certainly try to -- to gain the
9 experience from the Aboriginal Council of Winnipeg, as
10 well as CAC, as well.

11 We do anticipate and this will be the
12 first for us in a hydro rate hearing, an engagement,
13 as well, with that Group of 40. They have expressed a
14 deep interest in Manitoba Hydro issues dating back the
15 last year. You -- those who observed the -- the Bill
16 36 deliberations would have seen some of those groups
17 participating.

18 So, again, we're just in discussions to
19 how that -- how we integrate their perspective into
20 what is ultimately our clients' choice in terms of
21 their recommendations.

22 And, as always, we will do periodic
23 briefings of our clients and those briefings, of
24 course, include an opportunity for our clients to meet
25 with our independent experts and to get their

1 independent advice on the hearing.

2 So those are, in terms of our
3 engagement to date and our engagement plan, those are
4 the activities that our clients have undertaken or
5 anticipate undertaking.

6 In terms of how our clients plan to
7 collaborate with other perspective Interveners, to
8 date we've met, certainly, with the Aboriginal -- or
9 sorry, the Assembly of Manitoba Chiefs, the legal team
10 for the General Service Class and a whole crew in --
11 in legal, as well as some of the outstanding experts
12 that are friends from the Manitoba Industrial Power
13 Users Group are bringing together.

14 And those discussions with all
15 Interveners, potential Interveners to date, we've had
16 a discussion about general observations about the
17 hydro application, priority matters, as well as
18 opportunities for collaboration. And we certainly
19 expect to have a similar discussion with our friends
20 from the MKO.

21 A couple of the Board members will be
22 aware that in past General Rate Applications our
23 clients have -- have worked closely, in particular,
24 with the Manitoba Industrial Power Users Group,
25 especially on issues related to the revenue

1 requirement.

2 When it comes to cost of service, we're
3 not always on the same page, but on revenue
4 requirement there -- there tends to be meetings in
5 advance to identify important aspects of case theory
6 and also to divide responsibilities.

7 And our practice is to either identify
8 areas where we will share responsibilities or areas
9 where one (1) of the perspective Interveners will take
10 the lead either in cross-examination or in adducing
11 evidence.

12 And based on our conversations to date
13 with the large industrials, we've identified the
14 following areas of collaboration and I've -- I -- I
15 believe Maitre Hacault and myself are on the same page
16 in terms of -- of the list.

17 Issues related to load forecasting
18 where we expect our friends from MIPUG to -- to take
19 the lead.

20 Dynamics in terms of the US and
21 Canadian marketplace, as they may affect forecast
22 revenues, resource needs and investments in the
23 generation and transmission functions of Hydro. We're
24 still deliberating about that and we will have a --
25 some advice for the Board on that.

1 Operating and administrative expenses,
2 including their impact on operational performance. We
3 hope that our client will be bringing expert evidence
4 on that specific issue.

5 Business operational capital
6 expenditures, including its impact on operational
7 performance, as well as major capital expenditures
8 where, again, we're hoping our client can bring some
9 expert evidence to bear.

10 Proposed treatment of depreciation
11 issues. We would never dare trespass in an area of
12 such great interest for Mr. Bowman and Ms. Lee,
13 potentially, so we'll be counting on our friends from
14 MIPUG to take the lead on that, although we'll -- we
15 may have a few questions.

16 Issues related to financial targets,
17 including ongoing affordable access to the financial
18 markets. Our client has a deep and abiding interest
19 in that and has approached Mr. Colaiacovo who's been
20 an expert both for the Public Utilities Board, as well
21 as our clients on these matters.

22 And the broader implications of what
23 appears to be Hydro's changing relationship with the
24 marketplace outside its borders, which I think is a
25 general topic that will be a theme that both our

1 friends from MIPUG and ourselves touch upon.

2 We also hope to work closely with the
3 other Interveners and, in particular, our friends from
4 the Assembly Manitoba Chiefs, as well as the Manitoba
5 Keewatinowi Okimakanak on issues of common interest to
6 residential customers, including whether or not it
7 would be appropriate in this hearing to share the
8 perspective of residential customers, potentially
9 through a ratepayers panel.

10 Going to the third question of the
11 Board: What is the perspective Intervener's initial
12 position with respect to Hydro's GRA?

13 Our clients expect to vigorously test
14 all aspects of the rate application, including
15 finalization of the January 2022 Order, as well as the
16 proposed rate increases for '23/'24 and for '24/'25.

17 In terms of finalization of the interim
18 order, our clients' preliminary view is that the 3.6
19 percent is excessive and should be reduced.

20 In terms of the proposed rate increases
21 for '23/'24 and '24/'25, from our clients'
22 perspective, it's all on the table whether the
23 proposed increases are just and reasonable, whether
24 they're too low or whether they are, indeed, too high.

25 And our client always, perhaps more in

1 the Manitoba Public Insurance context, but our client
2 is always alive to the evidence of the hearing.
3 They're also alive to the fact that there is a
4 provincial election pending and we have seen some
5 unusual rate applications from other Crowns within
6 those contexts. So we're -- we always rely on the
7 evidence. We -- we don't get into politics, but we
8 are aware of the contextual dynamic of -- of that.

9 What aspects of Manitoba Hydro's
10 General Rate Application does a perspective Intervener
11 agree with and why?

12 Tough question. Our clients will bring
13 a 'prove it' perspective to the Manitoba Hydro
14 Application with regard to all three (3) years. And
15 that's especially the case, given the relative dearth
16 of experience of the senior Hydro management team.

17 But, our client does agree with
18 Manitoba Hydro that there are important things going
19 on in the export market, including the MISO
20 marketplace, that may have important ramifications
21 both in terms of Hydro's revenues, as well in terms of
22 Hydro's choices it may be making in terms of supply
23 options and capital expenditure.

24 And that's certainly the question is
25 and why? Certainly, based on our discussions with

1 individuals having considerable experience in the MISO
2 marketplace, our clients are generally aware of
3 important developments.

4 They are both in the capacity market
5 and the energy market. As well as the potential
6 implications for certain type of sales of Manitoba
7 Hydro into that marketplace, including the diversity
8 arrangements that have -- have typified a number of
9 their sales.

10 Our clients, of -- as I've indicated,
11 previously are also aware -- aware that Hydro has
12 suffered important losses on its team, including the
13 loss of Mr. Cormie in this regard.

14 And taken together, this suggests to
15 our client that the Public Utilities Board and all
16 Interveners may benefit from an independent expert who
17 can provide insight into ongoing and potential
18 developments in the US marketplace, as they may affect
19 Hydro's revenues, costs, risks, and opportunities.

20 And when we reflect upon our Intervener
21 application, that's probably a point that we didn't
22 make as well as we -- we should have then and we do
23 apologize to Hydro for that. But our conversations
24 subsequent to reviewing the application have -- have
25 reinforced that concern.

1 So our clients certainly would
2 recommend to the PUB that it consider bringing in
3 independent expertise to provide an overview of
4 development in the MISO marketplace, as well as to
5 review certain aspects of the Hydro's filing which it
6 alleges are commercially sensitive.

7 If -- if that's not an option that the
8 PUB is -- is likely to consider, our clients, perhaps
9 in collaboration with MIPUG, may further explore
10 whether there's value in -- in bringing in some
11 additional expertise to give the PUB that essential
12 context.

13

14 (BRIEF PAUSE)

15

16 MR. BYRON WILLIAMS: The next question
17 of the Public Utilities Board is: What aspect of
18 Manitoba Hydro's General Rate Application does the
19 perspective Intervener disagree with and why? Again,
20 it's a bit premature to -- to articulate that.

21 I can indicate that our clients will be
22 kicking the tires on load forecasting, although we
23 will be deferring to our -- our friends from MIPUG's
24 leadership in there and kicking the tires on the
25 forecast of economic growth and of inflation over the

1 short, medium, and long-term.

2 They'll certainly be looking at the
3 forecast of interest rates over the short, medium, and
4 long-term. As I've clear -- hopefully made clear,
5 certainly we'll be looking at the dynam -- dynamics of
6 the US and Canadian marketplace, as they may affect
7 forecast revenues, resource needs, and investments in
8 the generation and transmission functions of Hydro.

9 Where our clients are definitely going
10 to be heavily engaged are on operating and
11 administrative expenses including their impact on
12 operational performance, business operational capital
13 expenditures, including its impact on oper --
14 operational performance, and certainly, to the extent
15 that there's information technology issues in the
16 Hydro filing, including the migration to the cloud,
17 that will be part of that examination.

18 Our client will be highly interested in
19 depreciation issues. Again, we'll be expecting our
20 friends from MIPUG to -- to take a leading role in
21 that.

22 Another area where we expect our client
23 to be very heavily involved are issues related to
24 risk, including drought risk, and issues related to
25 financial tar -- targets and their relationship to

1 affordable access to the financial marketplace.

2 We haven't got to the phase 2 part of
3 the filing, so it's -- it's a bit difficult to -- to
4 talk about that. But as always, our client will look
5 at the fairness of the proposed rates as they may
6 affect different classes of consumers.

7 They will look at proposals and
8 opportunities for meaningful price signals as they may
9 affect the rates charged by ratepayers. And they
10 also, as always, we'll just keep a general look on
11 fire (sic) Board Orders and the recommendations
12 flowing from that.

13 In terms of the next question of the
14 Board, which relates to on what issues does the
15 perspective Intervener plan to provide expert
16 evidence? There are three (3) areas right now where
17 our -- our clients expect to provide expert evidence.

18 One (1) relates to operating and
19 administrative expenditures. And that evidence would
20 come from Mr. Rainkie, who is certain of the Board
21 Members will know as a former senior executive of
22 Manitoba Hydro, and someone who the Board has relied
23 upon for guidance, both when he was with Hydro and
24 when he became an independent witness working for our
25 clients.

1 And the Board will, of course, be
2 familiar with his advice on operating and
3 administrative expenditures dating back to 50 -- Order
4 59/'18 where he flagged concerns about the growth or
5 the projected growth in operating expenditures.

6 And our client is focussing on this in
7 terms of the Boards asking why, because it's a -- it's
8 a big ticket item and it's among the matters that
9 Manitoba Hydro can exercise the most control over.

10 If you think of operating in
11 administrative expenditures annually, its impact on
12 rates is in the range of \$600 million. I think in 50
13 -- in '21/'22, it was \$579 million. If you think of
14 '23/'24 with Manitoba Hydro projecting a growth in
15 those expenditures of over 11 percent, you can see why
16 our client is very concerned about that.

17 Our client will also -- or also hope to
18 call evidence from Midgard (phonetic) in terms of the
19 prudence and reasonableness and the optimization of
20 Manitoba Hydro's business and operational capital
21 expenditures.

22 The Board will be aware, it's -- it's
23 worked with Midgard in the past and it's -- it's aware
24 of the wide skill set of Midgard. For our purposes in
25 this hearing, and perhaps in response to some of the

1 advice of -- of Manitoba Hydro, Midgard's role will be
2 carefully cirm -- circumscribed to business and
3 operational capital and other capital expenditures.

4 In -- in terms of whether or not the
5 expenditures can be shown to be prudent, reasonable,
6 and consistent with good Canadian and North American
7 practice.

8 And the Board will be aware of our
9 clients' long-standing concerns on this in terms of
10 expl -- explaining why they're interested in the sense
11 that since around 2008, our client has been urging a
12 modernization of Manitoba Hydro's approach to its day-
13 to-day capital expenditures.

14 The Board will know from Order 59/'18
15 that this was a matter of ongoing concern to the Board
16 in that hearing. And if we look at Manitoba Hydro;s
17 General Rate Application, and if you look at the
18 family of capital expenditures that they've got built
19 into it over the next twenty (20) years, it's about
20 \$18 billion. Colloquially, kind of like two (2)
21 Keeyasks, although really focussed on -- on day-to-day
22 expenditures at least at a high level -- high level
23 look.

24 So, our clients hope to bring evidence
25 to look at that and also how it's tied to key

1 performance indicators. What -- what expectations
2 does Hydro have in terms of its impact on the
3 frequency of interruptions, the duration of in --
4 interruptions and otherwise, and does Hydro -- is it
5 demonstrating that there's a rational connection
6 between its expenditures and value to ratepayers.

7 Our clients will note that we have put
8 on the record from Midgard to potential experts, as
9 always, we will control their expenditure by -- by
10 carefully circumscribing the scope of their retainer
11 and also making it clear that in -- in undertaking
12 their tasks, they are to avoid duplication and that to
13 the extent that we're bringing -- if -- we may only
14 bring one (1) body, or to the extent that there is two
15 (2) bodies, that there should be a careful delineation
16 in terms of their responsibilities.

17 The third area of expert evidence that
18 our clients believe would be of value to the Board
19 relates to issues relating to affordable access to the
20 financial markets, including how the financial markets
21 look at Hydro's financial risk, how they look at
22 Hydro's relationship with government, how the
23 financial markets look at financial targets, and --
24 and how the financial markets look at Manitoba Hydro's
25 response and plan for major risks, including drought

1 risk.

2 And for that purpose, our clients
3 intend to propose to the Board Mr. Pelino Colaiacovo
4 of Morrison Park. The Board will be aware that Mr.
5 Colaiacovo was a critical issue during the NFAT
6 hearing, as well as in hearing -- the hearings leading
7 to Order 59/'18.

8 And our clients believe that this
9 information is of critical importance to the Board
10 given the significant rise in interest rates, given
11 Hydro's proposed \$18 billion in capital expenditures
12 over the next twenty (20) years, and -- and because of
13 the significant concerns identified by the Public
14 Utilities Board in Order 59/'18 in terms of Manitoba
15 Hydro's preternatural focus on debt-equity in terms of
16 a financial target.

17 Obviously, that now is a legislated
18 target, but this Board will be well aware of evidence
19 that it accepted from Mr. Colaiacovo in -- in the 2018
20 proceedings that the financial markets are much more
21 alive to other indicators of -- of financial well-
22 being on the perspective of Manitoba Hydro or other
23 utilities including interest coverage.

24 And they're also much more alive to the
25 approach of -- in the context of Hydro utilities, of

1 their approach to drought. And the Board will also be
2 aware that Premier Wall in his review of Manitoba
3 Hydro also raised concerns with the over reliance on a
4 simplistic and not that helpful tool of debt-equity.

5 We've used the words very carefully
6 'financial markets', and we do want to distinguish
7 between what you've heard from Manitoba Hydro this
8 morning where they talked about the bond rating
9 agencies versus the evidence that our clients will
10 bring will not be on a lag indicator like the bond
11 rating agencies, but it will be on the dynamics of the
12 market itself and how it reacts to -- to issues
13 related to Manitoba Hydro's financial well-being.

14 And the Board will recall from 2018 in
15 terms of the evidence from Mr. Colaiacovo that he
16 reached out to the people who are actually buying
17 Government of Manitoba bonds for what they're looking
18 at in terms of he was out speaking to the pension
19 firms and otherwise.

20 And he also did a fantastic review of
21 North American best practice including an innovative
22 look at utilities such as Bonneville Power and their
23 approach to issues such as drought.

24 And from our clients' perspective,
25 financial risk is always a big issue. It's

1 unfortunate, from our clients' perspective, that --
2 that the dialogue to date is -- is relatively
3 simplistically focussed on debt-equity when there's a
4 lot more insight on these important issues that --
5 that they believe can come.

6 Perhaps the toughest question the PUB
7 asked was: How many Information Requests do you
8 expect to ask? It's a bit tough in this hearing
9 because the application has changed. We also have a
10 bit of a change in process in which the Public
11 Utilities Board is asking Information Requests first.

12 So that -- what I can indicate is what
13 we did is we went back to the two (2) most analogous
14 proceedings. We looked at the proceedings leading to
15 the 2015/'16 General Rate Application.

16 In that case, the Public Utilities
17 Board had seventy-one (71) minimum filed -- or minimum
18 filing requests. Is that what we call them, MFRs?
19 Requirements, excuse me. I guess they're more
20 requirements than requests, aren't they?

21 In that case, our client had about one
22 hundred and thirteen (113) numbered Information
23 Requests. If you times that by four (4) for (a), (b),
24 (c), (d), for example, you're getting about four
25 hundred and fifty (450) IRs.

1 So that's the low end of the range.
2 The high end of the range was the -- the 2017/'18
3 General Rate Application. In that case, the Public
4 Utilities Board had one hundred and ninety-eight (198)
5 MFRs, or minimum filing requirements, and our client
6 had two hundred and forty-nine (249) Information
7 Requests in the first round times four (4), around a
8 thousand (1,000) IRs.

9 We've -- in this hearing, the PUB has
10 asked or has put forward we think ninety-nine (99) or
11 so MFRs. We see this hearing as being significantly
12 larger than the '15/'16 GRA which came right after the
13 NFAT, but smaller than the '17/'18 GRA.

14 We're estimating somewhere in the range
15 of a hundred and seventy (170) Information Requests
16 from our -- from our clients, in that range. Again,
17 it's -- it's a bit hard to estimate, but that's how we
18 came up with the estimate.

19 Sub (h) is: What topics does the
20 prospective Intervener consider to be issues for the
21 General Rate Application? We've primarily addressed
22 this in our response to question 'E', but I will just
23 take a very high-level look.

24 As our client always does, we will be
25 looking at the short-term financial position of Hydro

1 as one (1) aspect. What are the impacts of the 2021
2 drought and the '22 high water?

3 We'll always keep an eye on the long-
4 term financial implications, including the reliability
5 of Hydro's twenty (20) year financial forecast
6 scenario. And in looking at that, of course, we'll be
7 alive to the uncertainty associated with the ongoing
8 Integrated Resource Planning Process and Manitoba
9 Hydro's Energy Strategy.

10 We obviously will be mindful of
11 Manitoba Hydro's proposed metrics on financial health
12 but, more importantly, on the issue of financial
13 health, and especially in terms of ensuring affordable
14 access to the financial markets.

15 Our clients at a high level will be
16 alive to the implications of current economic
17 conditions on Hydro's load forecast and forecast
18 revenues. Certainly, as perhaps I've talked about, as
19 well we'll be looking at the prudence of their drought
20 management and methodology changes.

21 As I was about to say, we will continue
22 to look at the prudence of operating, maintenance, and
23 administrative expenses, their asset management
24 practices, depreciation issues, and Manitoba Hydro's
25 rate-making objectives.

1 Underlying all of it is the human
2 reality that this is not an academic exercise.
3 Ultimately, it's protecting the interests of Manitoba
4 ratepayers and the financial health of Manitoba Hydro;
5 that's the balancing act that this Board is in charge
6 of.

7 And our clients will want to be alive
8 to ratepayer impacts and whether ratepayers are
9 getting service for value. And of course, they have
10 to be alive to the -- to the significant pressures
11 that ratepayers are on from a -- from a variety of
12 circumstances.

13 Finally, in terms of the hearing
14 schedule, our clients truly appreciate the
15 collaborative approach the Board, with Manitoba Hydro
16 and Interveners, have taken to date. And shockingly
17 perhaps, we have no submissions on the proposed
18 schedule for the hearing.

19 Madam Chair -- or Mr. Chair and members
20 of the Panel, those are our submissions, subject to
21 any questions.

22 THE CHAIRPERSON: Thank you. Any
23 questions? Ms. Kapitany...?

24 VICE-CHAIR KAPITANY: Thank you, Mr.
25 Williams. When you were outlining the delineation of

1 responsibilities between your client and the clients
2 of the Industrial Power Users Group, I wasn't clear on
3 business operating capital expenditure.

4 But then I heard you later to say that
5 your client is proposing Midgard as the expert. So
6 I'm assuming your client is taking the lead in that
7 area?

8 DR. BYRON WILLIAMS: I wanted to be a
9 little careful 'cause I'm not sure I'd -- we had
10 finished those conversations but, from our client,
11 that's our expectation. But I -- I'll leave a little
12 room for my -- my friend, Mr. Hacault, if -- if he has
13 a different perspective.

14 VICE-CHAIR KAPITANY: Thank you. And
15 then the other thing, when I read your application, I
16 wasn't clear on the respective roles of Messrs.
17 Colaiacovo and Mr. Rainkie.

18 DR. BYRON WILLIAMS: Yes.

19 VICE-CHAIR KAPITANY: But I -- I think
20 I heard you say that Mr. Rainkie will be focussed on
21 the operating expenditures and Mr. Colaiacovo will be
22 focussed on the -- the markets, the financial market
23 issues?

24 DR. BYRON WILLIAMS: Yeah. And I
25 wasn't -- yeah, I believe -- and thank you for asking

1 that question. I should have addressed it more
2 directly in my comments.

3 Yeah, I think Manitoba Hydro has
4 characterized them as both speaking to financial
5 issues. This Board has heard from Mr. Rainkie before.
6 They know that his focus will be on value for money in
7 terms of day-to-day expenditures of Manitoba Hydro.
8 That's a clear focus of this and that is the focus of
9 his evidence, we -- if -- if he's -- if he brings
10 evidence.

11 In terms of Mr. Colaiacovo, it'll be
12 those more strategic issues similar to what he did in
13 the proceedings leading to Order 59/'18 which spoke
14 about affordable access to the financial markets.

15 They're -- I'll just say, Board Member
16 Kapitany, that when Mr. Rainkie is giving evidence on
17 -- for example, on the prudence and efficiency of day-
18 to-day operations, he will -- and making
19 recommendations, he will have to be mindful of the
20 financial targets of Manitoba Hydro; that will, like,
21 flow into his recommendation.

22 But in terms of the -- the access to
23 financial -- to the financial marketplace and the
24 appropriateness of targets and how that really works,
25 that's Mr. Colaiacovo's job, if that helps.

1 VICE-CHAIR KAPITANY: Yes. Thank you.

2

3 (BRIEF PAUSE)

4

5 THE CHAIRPERSON: Sorry. Ms.

6 Bellringer...?

7 BOARD MEMBER BELLRINGER: Thank you.

8 And thank you for outlining, basically, the priorities
9 and how the experts line up. But I had just a similar
10 question on where each of the proposed experts would
11 fit.

12 The one that I didn't get -- I -- I
13 didn't catch, if you mentioned it, I -- I just didn't
14 catch it, was Kelly Derksen.

15 DR. BYRON WILLIAMS: Oh, thank you.
16 Yes. And Ms. Derksen is an expert on cost of service.
17 She was a former long-term Manitoba Hydro staff member
18 and witness on those issues, so she will be focussed,
19 you know, almost exclusively on phase 2 of the
20 Manitoba Hydro application, and so I apologize for not
21 making that clear previously.

22 THE CHAIRPERSON: Thank you, Mr.
23 Williams. I think -- I don't want to cut Mr. Gange
24 short, so I think maybe we'll take the morning break
25 at -- at this point and reconvene at twenty-five (25)

1 to 11:00. Thank you.

2

3 --- Upon recessing at 10:23 a.m.

4 --- Upon resuming at 10:39 a.m.

5

6 THE CHAIRPERSON: Sorry, Mr.
7 Czarnecki, is Mr. Tess coming back or should we
8 proceed without him?

9 MR. BRENT CZARNECKI: He is intending
10 to --

11 THE CHAIRPERSON: Okay.

12 MR. BRENT CZARNECKI: -- come back,
13 yeah.

14 THE CHAIRPERSON: Okay.

15 MR. BRENT CZARNECKI: Just maybe give
16 him a moment, Mr. Chair.

17 DR. BYRON WILLIAMS: And, Mr. Chair,
18 with -- with the Board's permission, before you turn
19 to my friend, Mr. Gange, I have one (1) other point I
20 -- I failed to make very well in my presentation.

21 THE CHAIRPERSON: Okay. Well, we'll -
22 - we'll wait for Mr. Tess.

23

24 (BRIEF PAUSE)

25

1 THE CHAIRPERSON: Mr. Williams...?

2 DR. BYRON WILLIAMS: Yes. And -- and
3 thank you. And I apologize for this. Perhaps we've
4 worked with Mr. Rainkie for so long I have it just
5 embedded in my mind.

6 In talking about his evidence,
7 obviously, he will speak to operating and
8 administrative expenses. Mr. Rainkie, similar to what
9 he did in the 2029 Hearing, will also offer evidence
10 in terms of the ultimate rate application and the
11 implications of the short, medium, and long -- long-
12 term financial outlook. And he'll offer his advice on
13 the ultimate rates or the finalization of the interim,
14 and then for the '23/'24 and '24/'25.

15 And I apologize for neglecting to
16 mention that earlier.

17 THE CHAIRPERSON: Thank you. Next,
18 we'll hear from representatives of the General Service
19 Small and General Service Medium customer classes.
20 Mr. Gange...?

21

22 OPENING COMMENTS BY GSS AND GSM CUSTOMER CLASSES:

23 MR. WILLIAM GANGE: Thank you, Mr.
24 Chair, Madam Vice-chair, Board Member Sy, Bellringer,
25 and Bass. I will be quite brief in my comments

1 because the majority of the comments that are going to
2 be made on behalf of GSS and GSM will be made by my
3 colleague, Mr. Walichnowski.

4 I -- I just wanted to give a very brief
5 history of how we got here. As the -- as -- as, Mr.
6 Gabor and Ms. Kapitany, you are aware, the General
7 Service Small and General Service Medium classes have
8 been represented for the last several Hearings by
9 Christian Monnin.

10 And Mr. Monnin recently changed law
11 firms and a conflict arose between Mr. Monnin's
12 representation of these classes and the -- the
13 representation that -- that Aikins does for Manitoba
14 Hydro. So, these classes were left homeless. And
15 Board counsel reached out to our firm to ask if we
16 would consider acting on behalf of these classes.

17 So, some of the -- the commentary that
18 will be made is certainly not as -- as developed as
19 Mr. Williams, who has been acting here on behalf of
20 CAC for a long period of time.

21 When we were contacted, we set about to
22 develop a coalition of representatives of these two
23 (2) groups. That -- those efforts are still ongoing.
24 And we expect that there will be more members of the
25 Coalition in due course, but that is an ongoing

1 process.

2 As you are aware, our firm represented
3 the Green Action Centre for quite a few hearings in
4 the past. We were contacted by Board counsel at the
5 start of this process to see whether Green Action
6 Centre was interested in participating.

7 Professor Miller, as indicated to me --
8 indicated to me at the time, as I advised Board
9 counsel, that he did not have an ability to proceed on
10 behalf of general -- of Green Action Centre, and so
11 there is no conflict arising there because Green
12 Action Centre is not involved in this process.

13 The -- the representation of these two
14 (2) classes will be undertaken by Thomas Rimer
15 (phonetic), who is not here today because of a
16 longstanding commitment to other matters in court.
17 And my colleague, Mr. Walichnowski, who will be making
18 the main presentation.

19 Mr. Walichnowski appeared with Mr.
20 Williams at the 2017/2018 Hearing and assisted Mr.
21 Williams in that Hearing so that Mr. Walichnowski has
22 a familiarity with the Board process through the work
23 that he did with Mr. Williams at -- at that Hearing.

24 I will not be taking part because I
25 won't be practising law after the end of this month.

1 And so, I'm going to turn the matter over to Mr.
2 Walichnowski to respond to the -- the requests of the
3 Board with respect to the representation of General
4 Service Small and General Service Medium. Thank you.

5 MR. ROBERT WALICHNOWSKI: Thank you,
6 Mr. Gange. Good morning.

7 As -- as the Board is aware, the
8 General Service Small and General Service Medium
9 customer classes are -- are two (2) classes of
10 Manitoba Hydro customers that, generally speaking, are
11 commercial entities that -- that rely on Manitoba's --
12 or Manitoba Hydro's provision of reliable and
13 affordable electricity in order to operate their --
14 their business.

15 As Mr. Gange indicated, our -- our
16 office is -- is acting for these -- or is acting for
17 the representatives of these customer classes. And we
18 are in the midst of -- of growing the -- the coalition
19 of -- the coalition of organizations that -- that will
20 be providing us instruction in -- in the matter.

21 Currently, we can advise the Board that
22 the building -- the -- I just want to get the -- the
23 name accurate here. The -- the Building Owners and
24 Managers Association of Manitoba, BOMA, is -- is a
25 member of the GSS and GSM coalition.

1 And, as Mr. Gange indicated, there are
2 other organizations that have been approached. And we
3 anticipate that going into the New Year there will be
4 a growing -- there -- there will be -- this coalition
5 will be growing and there will be new members who --
6 who can provide the perspective of the General Service
7 Small and General Service Medium classes.

8 Speaking to the -- the Board's first
9 question with respect to engaging stakeholders, our --
10 our plan is to -- first and foremost, is to shore up
11 this coalition and -- and bring more organizations
12 into this coalition of GSS and GSM customer classes so
13 as -- their -- their perspectives can be -- can be put
14 before the Board.

15 With respect to why this -- this group
16 -- why this group is seeking to intervene -- my -- my
17 apologies. I -- I've been schooled on how to properly
18 use the microphone now.

19 With -- with respect to collaboration
20 with other Interveners, I can advise that, as of
21 today, our -- our office has had a meeting with the
22 Consumers' counsel to discuss areas of -- of common
23 cause and -- and potential area -- areas of -- of
24 working together.

25 We intend to but have not yet had a

1 similar conversation with our -- our friends at -- at
2 the Manitoba Industrial Power Users Group. And so,
3 the -- the intention of the representatives of GSS and
4 GSM is to ensure that collaboration -- or that there
5 is no duplication with respect to our -- our proposed
6 intervention, as well as the intervention of -- of the
7 other Interveners.

8 To that -- to that end, our -- our --
9 the -- the -- this coalition of GSS and GSM customer
10 classes doesn't -- has retained Dustin Madsen, of
11 Emrydia Consulting, to -- to provide -- to -- to
12 provide assistance to this class in intervening.

13 It's expected Mr. Madsen will provide -
14 - will provide evidence, although the -- the exact
15 scope of -- of what his evidence and on what issues he
16 will be providing evidence are -- is still something
17 that is -- that is being considered. And I -- I
18 expect that our conversations will continue with the
19 consumers and with MIPUG to -- to avoid duplication in
20 -- in those ways.

21 With respect to our -- the -- the GSS
22 and GSM's positions with respect to the rate
23 application or with respect to Manitoba Hydro's ask on
24 this rate application, it is -- it is too early for --
25 for GSS and GSM to put a -- to put a position on -- on

1 record beyond saying that they -- the GSS and GSM is
2 looking forward to testing the need and the
3 reasonableness of Manitoba Hydro's ask.

4 GSS and GSM anticipates that it will --
5 that a -- a focus of its intervention will be on the
6 cost of service issue, which -- which will be filed
7 later -- later this month.

8 With respect to what issues do the --
9 does GSS and GSM both agree and/or disagree with
10 Manitoba Hydro, again, it's -- at this stage, it's --
11 it's too early for -- for our -- our group to have
12 firm opinions on that, other than ensuring the -- the
13 need for the -- ensuring, as I said, the -- the needs
14 for -- and the reasonableness of Manitoba Hydro's asks
15 as -- as well as focusing on -- on the cost of service
16 as we discussed.

17 With -- with respect to the Board's
18 question about the number of -- of IRs, unfortunately,
19 I'm -- I'm not going to be able to say much more than
20 I -- than I have, in that, the -- at the moment the
21 GSS and GSM are still assessing what their -- what the
22 proposed scope of their evidence would be and,
23 therefore, what the -- we're -- we're unable to give
24 more than -- to say more than we anticipate are the
25 IRs that -- that we are going to ask for to -- to be

1 reasonable in their -- in their scope.

2 With respect to the hearing schedule,
3 we -- we have no -- no submissions on -- on those
4 points. We'll defer to more -- much more seasoned
5 counsel in terms of speaking to the -- to the -- the
6 schedule itself.

7 Lastly, with -- with respect to key
8 issues, as I said, GSS and GSM is still assessing its
9 the -- the -- the application itself. I -- I expect
10 that it will have submissions to be made on the
11 revenue requirement side, but I -- I do expect a focus
12 will be on cost of service and to ensure that all
13 classes pay their -- their fair share in terms of
14 ensuring Manitoba Hydro's or -- or it pay its fair
15 share for Manitoba Hydro rates.

16 Barring any questions, those are my
17 submissions.

18 THE CHAIRPERSON: Thank you. Any
19 questions? Ms. Kapitany...?

20 VICE-CHAIR KAPITANY: Thank you, Mr.
21 Walichnowski. Understanding that the -- that the
22 Manitoba Hydro's perspective cost of service will be
23 coming in phase 2 and that you've referred to that a
24 bit.

25 Could you elaborate a bit on what

1 preliminary cost -- cost of service issues you've
2 identified and plan to address?

3 MR. ROBERT WALICHNOWSKI: So, with --
4 thank you for that question.

5 With respect to cost of service issues,
6 the -- the primary issue that GSS and GSM expects to
7 focus on will be interclass equity and specifically
8 the ensuring that GSS and GSM, as with all other
9 classes, are -- are within the -- the zone of
10 reasonableness and are paying their -- their fair
11 share.

12 To that degree cost allocation among
13 classes will be -- will be something I expect the GSS
14 and GSM to -- to have a particular focus on. I
15 anticipate there will -- there may be other areas as
16 well, but at -- at this time I expect those would --
17 those would be its focus.

18 VICE-CHAIR KAPITANY: And will that be
19 the primary area of interest then for Mr. Madsen?

20 MR. ROBERT WALICHNOWSKI: On the cost
21 of service side, I believe so, but I -- I -- I would --
22 - I -- I -- I believe so, but I would -- I -- I --
23 yes, Mr. Madsen will be reviewing the -- the
24 application and specifically part 2 when its filed and
25 I expect I may be able to give more comments on that,

1 after that filing.

2 VICE-CHAIR KAPITANY: Thank you.

3 MR. ROBERT WALICHNOWSKI: Thank you.

4 THE CHAIRPERSON: Thank you. We'll
5 now move to the Manitoba Industrial Power Users Group.
6 Mr. Hacault...?

7

8 OPENING COMMENTS BY MIPUG:

9 MR. ANTOINE HACAULT: Mr. Chairman,
10 members of the Panel. Bonjour. My name is Antoine
11 Hacault. For the record of TDS LLP and we represent
12 Manitoba Industrial Power Users Group.

13 I've taken the time to put in fairly
14 large font and wide spacing, I guess it's my eyes,
15 some notes that I had put together with our team on
16 answering the questions which was asked of this Board
17 of us. I shared those with Manitoba Hydro and all
18 parties before this presentation.

19 So, I don't intend to read all of it.
20 I would propose if there is a -- a need to mark it as
21 an exhibit to make it formally part of the proceeding,
22 that it be marked as an exhibit. I don't know what
23 that number might be. If not, please to be received
24 on the record, because I don't intend to read it all
25 and I would like it to be in front of the Board in a

1 more formal way for its future reference.

2 THE CHAIRPERSON: We'll mark it as an
3 exhibit. We can -- we'll give it a number at a later
4 time.

5 MS. RACHEL MCMILLIN: It's MIPUG
6 Exhibit number 2.

7

8 --- EXHIBIT NO. MIPUG-2: P r e s e n t a t i o n by MIPUG

9

10 THE CHAIRPERSON: Okay. Thank you.

11 MR. ANTOINE HACAULT: So, with that,
12 I'd like to welcome all counsel. It's nice to see
13 everybody again in the same room. I'd like to welcome
14 the representatives of Manitoba Hydro, Mr. Tess, Ms.
15 Shannon (sic), PUB staff, PUB counsel and advisors.
16 It's always a pleasure to appear in front of this
17 Board and to work collaboratively with everybody in
18 the room.

19 I would also like -- like to take the
20 time to recognize previous Board members, Dr. Grant
21 and -- but I refer to Master Ring, that's how I knew
22 him. They provided outstanding public service to this
23 Board, including mastering writing very eloquent
24 dissents on certain matters and certainly expressed
25 their views and did their best to do great work for

1 the public, which is served by this Board.

2 As -- as my introduction indicates and
3 this is maybe a little bit more for the benefit of the
4 new members of -- of -- the fourteen (14) members of,
5 I'll call it MIPUG, Manitoba Industrial Power Users
6 Group, express their gratitude for the opportunity to
7 address this Board and its new members with respect to
8 this long awaited GRA.

9 We had provided quite a bit of
10 information and comments in the Intervener
11 application. I don't intend to repeat them in this
12 morning's presentation.

13 Just as a brief reminder, this group is
14 an association of large energy consumers accounting
15 for nearly 20 percent of domestic energy sales. And
16 MIPUG has been participating in these regulatory
17 hearings for several decades.

18 I'll address each of the nine (9)
19 questions which were raised in the PUB's November 16
20 letter to us. I will also address some of the
21 concerns raised by Manitoba Hydro in its November 30
22 letter, which commented on Interveners and proposed
23 experts.

24 With respect to the first question: How
25 does MIPUG engage stakeholders in support of an

1 intervention? Well, we have regularly held updated
2 meetings and circulars of information on various
3 issues, such as the Electric GRA Application, Hydro
4 requests. We also informed them on external factors,
5 such as the recent government announcements, including
6 reduced Manitoba hydro fees, legislative initiatives
7 as -- as -- such as Bill 36. And also, things like
8 the government's response to Brad Wall's (phonetic)
9 recommendations.

10 Now, we have provided the members with
11 summaries of Manitoba Hydro's rate requests that were
12 filed with the initial application. We've also
13 provided summaries of the government announcement made
14 after the initial application and the resulting
15 revisions to initial application. There is a letter
16 explaining them very briefly and we have yet to see
17 the actual filing.

18 I am going to jump to the bottom of
19 page 3. We work collaboratively with the members to
20 inform them of the application. They are aware of it.
21 They get briefed on key points of priority and that
22 discussion happens with the executive. This group has
23 an executive that meets and that executive has a
24 monthly meeting to address the issues. So, it'll be
25 an ongoing consultation as the process evolves.

1 We also have contacts with some of the
2 industry associations and -- of which they are members
3 of, including the Cana -- Canadian Manufacturers and
4 Exporters Association, the Manitoba Branch. We also
5 engage with parties with similar interests and
6 priorities relevant to the hearing.

7 Now, on what issues is MIPUG planning
8 to collaborate with? That was the second question.
9 As some of the Board members may know, we have a long
10 history of working collaboratively with other parties
11 to reduce duplication and cost. In the past, when Mr.
12 Monnin was working for the General Service Small, we
13 worked with him and his experts, to look at what was
14 of concern to them, and see how we could collaborate
15 with them.

16 We have always had a healthy
17 collaboration with Mr. Williams and I say "healthy"
18 because we don't always agree on certain issues and
19 our experts don't always agree on certain issues but,
20 where it's possible, including, and I won't repeat the
21 list of Mr. Byron Williams -- I shouldn't say "Mr." --
22 Dr. Williams. I apologize, Doctor, listed, last time,
23 I was given the honour of trying to bore panel members
24 to sleep on depreciation expertise and cross-
25 examination. It looks like I'm going to be faced with

1 the same task of doing that again but we do chat about
2 how things are developing, how we can collaborate and
3 avoid duplication and, perhaps, help each other
4 present the case and, sometimes, that even results us
5 reversing orders of cross-examination because of Mr.
6 Williams is taking lead on something and I would have
7 been the person asking questions first. He'll ask
8 questions first and I follow up and vice-versa.

9 But I do want to note under -- it was
10 the last bullet, on -- on page 4, that there has to be
11 some care, in my respectful submission, in always
12 being a hundred percent focussed on, oh, is there a
13 bit of overlap or a bit of duplication. Although
14 experts are independent and may be touching the same
15 subject, they won't necessarily have the same
16 approach. They won't necessarily have the same
17 information to provide to this Board. They won't
18 necessarily have the same breadth of experience or
19 areas of experience; for example, across Canada or in
20 the States, et cetera.

21 And I just noted in -- this is at the
22 top of page 5 of my notes that, for example, in the
23 Costs of Service Hearing for gas, there was an
24 independent expert, which adduced evidence on the same
25 issue, for Koch Industries, K-O-C-H, and, also, for

1 Industrial Gas users. Now, the reason I raise that
2 example is that, in the end, both experts were quoted,
3 for different aspects of their evidence, in the
4 Reasons for Decision of the Board.

5 I take that to mean that, if the
6 parties that feel there is usefulness to bring these
7 different perspectives, and it is information that's
8 useful and relevant to this Board, that we should not
9 be discouraged, as parties, from being able to adduce
10 that information, which we believe will assist the
11 Board, in its determ -- deliberations.

12 The last point I was making under that
13 question, at page 5, and I -- I won't get into it,
14 because Dr. Williams listed it fairly extensively. We
15 have had a fairly lengthy meeting with Dr. Williams on
16 issues of potential areas of collaboration or issues
17 where we probably won't be collaborating. The Cost of
18 Services is probably going to be one of them. That's
19 going to be in the second phase.

20 Ms. Derksen always has some very good,
21 thoughtful analysis of Cost of Service and how it
22 impacts the Consumers' Association Rate Group, and our
23 witnesses are expected to have some thoughts and
24 opinions on -- on that subject matter, as it relates
25 to other classes, including the residential sector.

1 Now, the third question, MIPUG's
2 initial position with respect to Manitoba Hydro's
3 General Rate Application that -- I'm being a little
4 bit cagey and evasive on answering specifically on
5 that because, quite frankly, a lot of things change
6 and evolve when we continue to get information in a
7 hearing.

8 MIPUG members, and I'm on top of page 6
9 of my notes, seek rates that are cost-based, fair,
10 reasonable, stable, and predictable. We have
11 explained, in the past, why this is so important to
12 them. They make huge capital contributions. They
13 make long-term investments. They want to ensure that
14 they have a financially stable utility, that makes
15 prudent and reasonable expenditures, and they don't
16 want rates to be artificially low or unnecessarily
17 high.

18 This is very important to them and --
19 and they value, immensely, the contribution and
20 insight of an independent regulator, as opposed to
21 having politically set rates which don't have that
22 insight and analysis that this Board brings to
23 hearings, and the information that's presented to it.

24 MIPUG also supports rates that are
25 reflective of the system cost characteristics using

1 reasonably and properly vetted allocations derived
2 from a Cost of Service Study, that's to be filed in
3 Phase 2, and which provide rate design, with options
4 for customers to manage their power costs. So, I
5 don't know if we're going to get into cotrailable
6 (sic) rates and stuff like that. We haven't seen the
7 filing and, also, system benefits, in terms of
8 opportunities to reduce the costs for Hydro to secure
9 and deliver power.

10 We do state, for the record, that MIPUG
11 members are concerned about continued projections for
12 sustained 3.5 percent annual increases, over the
13 coming decade, if that's what the new filing is going
14 to continue to indicate, as being potentially
15 unsustainable for industry operating or located in
16 Manitoba.

17 MIPUG members are encouraged, by the
18 revisions to the application, that is the reduction to
19 2 point percent -- 2 percent annually rate increases
20 for 2023/'24 and 2024/'25. That was in response to
21 government announcements, as we know.

22 We also recognize that there appears to
23 be a fundamental and material shift in the balance of
24 power resource. Those -- there's kind of a lot of
25 concepts and things to kind of bite into but we've got

1 lower export prices. That's going to change. We've
2 seen some higher ones but, in the long term, they're
3 forecasting lower export prices, lower import or
4 purchase prices, higher domestic loads, lower system
5 losses, increased Canadian exports, less value on firm
6 export products. It seems to go more towards the
7 opportunity and less use of export contracts and the
8 greater reliance on short-term exports.

9 We say that this is a fundamental and
10 material shift which raises two (2) critical issues.
11 Firstly, is this change in landscape as portrayed in
12 Hydro's late -- latest forecast true and reasonable,
13 or does it fail to reflect the best estimate or
14 expectation of future conditions?

15 Secondly, if this fundamental change is
16 true, is the financial forecast appropriately
17 reflecting strategies that suit this landscape? Lower
18 value of market energy; lower value of energy focussed
19 new resources; lacking firm capacity provisions
20 including capital projects and demi -- demand-side
21 management, DSM as we know it.

22 Greater forec -- focus on winter
23 capacity; enhanced rate flexibility with price signals
24 that track this change in value; alignment of
25 Efficiency Manitoba; spending estimates to an

1 appropriate level of -- of investment, which may be
2 lower energy savings than previously assumed, but new
3 initiatives on capacity if that's where we have to go.

4 And a fund -- potential fundamental
5 shift for reduction in long-term risks faced by Hydro
6 to -- in the export market if both sale and purchase
7 costs are now much lower than previously assumed.

8 We're also attentive to the potential
9 importance of assumptions in the load forecast. And
10 the extent that the financial forecast may rely on
11 uncertain and speculative load growth.

12 Related concerns arise regarding the
13 level of investment in subtransmission and
14 substations, load management options, et cetera.

15 On the issue of the 3.6 interim rate
16 increase, we see the need to test the interim rate
17 increase from 2021 in light of the substantive change
18 in the net income for 2022/2023 from the projection
19 raised by Manitoba Hydro in the 2021/2022 interim rate
20 hearing.

21 Just as a backdrop, what we're seeing
22 today is a very healthy Manitoba Hydro, in my
23 respectful commission -- or submission, compared to
24 what we saw back in NFAT when we'd see anywhere from
25 three (3) to seven (7) years of consecutive, pretty

1 significant losses in absorbing all this new
2 generation and new capital. And we see a very good
3 news story in -- in not having as much negativity
4 happening in the current forecasts and how this has
5 developed.

6 Next question: What aspects do we
7 agree with? Directionally, we agree with the
8 reduction in annual increases following the government
9 announcements.

10 What aspects do we disagree with?
11 Which is the next question. We refer the Board again
12 to the list of issues which we provided in our
13 Intervener application.

14 We will critically assess all the items
15 which follow the bullet on page 10, but note, the
16 prospect of these assessments does not necessarily
17 signal disagreement with Manitoba Hydro's position.
18 You have to test it.

19 Export markets and revenues. Well,
20 that's going to be a challenging one. And Dr.
21 Williams talked about it a bit and perhaps the Board
22 considering an independent expert on that.

23 The challenge is that Manitoba Hydro
24 has expressed concerns about commercially sensitive
25 information and it's expressed its position that if

1 any of the Interveners would be given access through a
2 Board Order, it would seek to withdraw that
3 commercially sensitive information.

4 That poses a challenge in ensuring that
5 that aspect of the Board's consideration in arriving
6 at a just and reasonable rate has some measure of
7 being tested as to whether the assumptions that our
8 CSI are reasonable.

9 We won't be able to test it. But there
10 should be some way that the Board, in fulfilling its
11 duties, and it was a minimum filing requirement, so it
12 was at least important enough for the Board to believe
13 it was a minimum of information that was required.
14 That minimum information won't be available for
15 testing by the Interveners.

16 The next point, linkages between
17 financial projections in relation to the load forecast
18 and demand-side management activities focussed on
19 energy, major decreases in costs of purchasing
20 imports, major reductions in revenues from exports,
21 major changes in the balance of exports between
22 contracted firm sales and opportunity sales, and
23 proposed capital spending aimed at enhancing hydraulic
24 capacity from existing infrastructure.

25 Another matter which we believe that's

1 needs to looked at closely is depreciation. The last
2 time we had a deep dive into this, that's the esoteric
3 world of average service life and equal life group,
4 and depreciation curves.

5 We also think there's asset lives that
6 are going to have to be dealt with and discussed.
7 Operating performance is another important part from
8 our perspective and linkages to salary costs for
9 front-line workers. Concerns about responsiveness for
10 -- of Hydro's front-line staff and ongoing delays in
11 receiving appropriate attention and service.

12 Another area of risk scenarios, we've
13 brought this up at previous hearings. For NFAT we had
14 cones (sic) of probability and knowing where things
15 might go. But to better understand the uncertainty
16 inherent in the long-term, IFF including drought --
17 that was raised by Dr. Williams -- interest
18 variability and export prices.

19 We're also concerned about financial
20 targets and performance against appropriate targets.
21 We're concerned about the fer -- deferral accounts.
22 When I say "concerned," we think it's an issue that
23 needs attention and needs to be analysed. Capital
24 spending, again, should be addressed.

25 And phase 2 matters, we are unable to

1 provide more detail at this time, because we haven't
2 seen the filing. And I've put in bold that I
3 recommend a process be established to provide
4 Interveners and Manitoba Hydro the opportunity to
5 provide further comments on the scope after the phase
6 2 filing is received. We expect that certain costs of
7 service matters and rate design matters will be of
8 interest to MIPUG.

9 The next question: On what issues did
10 MIPUG plan to provide expert evidence and why?

11 I've listed all the issues, which we
12 believe assessment is required. We've identified the
13 people at Intergroup consultants, who we believe have
14 the skill sets to help in that regard.

15 And then depreciation, we've also
16 identified Ms. Pat Lee (phonetic), who is one (1) of
17 those experts that I would categorize, she wrote the
18 book and I believe she provided very useful
19 information to this Board the last time she appeared
20 here in front of the Board on the issue of ELG and --
21 and ASL Average Service Life, and the depreciation
22 curves and -- and asset lives.

23 Now, this brings me to summary comment
24 and -- and there's more detailed comments at the end
25 of this paper, which I won't go through an -- as part

1 of this presentation, unless there's specific
2 comments, because I'm reaching the end of my time.

3 Mr. Bowman has some expertise that he's
4 gained over the last years in depreciation, and
5 Manitoba Hydro has raised the issue, rightfully so:
6 Well, why do you still need Pat Lee?

7 Well, in the past, there has been
8 challenges by Manitoba Hydro in saying, well, you
9 should give more weight to like our expert because
10 that person is specialized in depreciation, has
11 several decades of specialization, and somebody that
12 has only more recent experience, maybe you shouldn't
13 give as much weight to that person's evidence.

14 We're concerned about that, and that's
15 a concern, but the other thing is the concern that the
16 Board has full and complete perspectives from people
17 with equal amounts of experience. And Ms. Lee we
18 think brings that insight and that level of experience
19 which can be useful for this Board.

20 Manitoba Hydro has also criticized the
21 identification of one (1) of the InterGroup
22 consultants who will be providing input with respect
23 to the filings dealing with a number of issues.
24 That's Mr. Dale Friesen.

25 While there's a more complete response

1 at the end of this submission on the issue, we note
2 that Mr. Friesen held positions at Manitoba Hydro and
3 its subsidiaries from 1992 to 2017. That kind of
4 insight is always useful.

5 He had a seven (7) year role as a
6 division manager for Industrial and Commercial
7 Solutions at Manitoba Hydro, so that provides a
8 customer perspective, the interactions, the needs,
9 getting into servicing capital, which was a whole host
10 of experiences.

11 And he has an engineering background
12 which is a different skill set also and brings a
13 different perspective to analysing the information and
14 providing an assessment of that information for this
15 Board.

16 He also, since he has left Manitoba
17 Hydro, has contributed to Alberta Utilities Commission
18 hearings, so he brings an extra provincial perspective
19 to his analysis of things that are happening in
20 Manitoba.

21 Manitoba Hydro notes that it appears
22 his technical expertise is described in an overly
23 broad and general way. It seems to us that that broad
24 and general experience is relevant to the Board's
25 tasks. It should be received as opposed to be

1 excluded.

2 How many rounds of Information
3 Requests? Well, we don't have phase 2 yet, but we've
4 provided a fairly long preamble of how we think it
5 might be a hundred and fifty (150) to two hundred
6 (200) questions, including sub-parts, which is pretty
7 typical.

8 This is the first GRA in a long time.
9 We've had a lot of interim steps where we were going
10 to have specific reviews but very focussed, an Interim
11 Rate Application which was very focussed and proceeded
12 very quickly.

13 We think that a significant amount of
14 the -- or also, given that there's a significant
15 portion of the minimum filing requirements that will
16 only be filed in phase 2, we aren't able to review and
17 assess IRs on that.

18 Another challenge is trying to make a
19 meaningful impact with respect to areas of CSI. It
20 may increase the complexity of those requests to find
21 a way to test the reasonableness of Hydro's forecasts,
22 especially of critical information as CSI.

23 MIPUG is open to alternative approaches
24 to address concerns regarding confidentiality while
25 ensuring that a review of this commercially-sensitive

1 information is undertaken and shared generally,
2 subject to reasonable concerns of confidentiality to
3 all Interveners.

4 We believe two (2) rounds of
5 Information Requests are recommended, given it's been
6 such a long review. There is some discreet issues
7 such as depreciation. Hopefully, Manitoba Hydro will
8 file the full report of Mr. Kennedy and file the analy
9 -- the recommendations and analysis, but not all the
10 underlying schedules. That was an MFR.

11 We hope that we can get that filed so
12 that we can look at the schedules and not simply ask
13 for the schedules as a first part 'cause they're
14 integral to that report.

15 We believe that two (2) rounds saves
16 costs at the hearing because if we get good
17 information through that Information Request process,
18 there's less that needs to be dealt with at the
19 hearing during cross-examinations. And it lessens the
20 undertakings that might have to be taken during the
21 hearing process also.

22 One (1) of the last questions: What
23 topics does MIPUG consider to be issues for the
24 General Rate Application? MIPUG expects a reduced
25 focus maybe -- may be possible in some areas compared

1 to recent reviews such as debt management strategy and
2 interest rate forecasting to the extent that future
3 debt issuances are smaller than was the case prior to
4 the GRA and interim rate proceedings.

5 Remember we had to climb that mountain
6 of debt issuance, and then it kind of levelled off
7 after the big expenses. But given the scale of these
8 costs and the revenue requirement, MIPUG still
9 considers it appropriate that they remain in scope.

10 What about the schedule itself? Which
11 is another question. We would propose some relaxation
12 to the deadline for submission of phase 2 Information
13 Requests due to the later filing of phase 2
14 information and the overlap with the holiday season.

15 Intervener evidence is presently
16 scheduled as due on April 3. In our respectful view,
17 that causes issues with Manitoba school calendar, and
18 it would be useful for the Interveners to have a
19 couple of extra days to be able to present their
20 evidence and give up a few extra days in responding to
21 Information Requests.

22 The last part I don't think I need to
23 go through it in any detail. It is there. It's been
24 provided to Manitoba Hydro. It deals with various
25 comments on perceived conflict of interest,

1 confidential information.

2 I will deal -- sorry. I will deal with
3 two (2) things because some of it arises on page 19 as
4 a result of Board Member Kapitany's questions and some
5 other members: The references to Manitoba Hydro's
6 Strategy 2040 and forthcoming Integrated Resource Plan
7 and Government of Manitoba's pending Energy Policy
8 Framework.

9 We support ongoing engagement in those
10 areas and activities which can continue in an open,
11 candid, and without prejudice forum. However, we note
12 that Manitoba Hydro has not provided a long-term --
13 integrated financial forecast for about six (6) years.

14 So, these activities by -- raised by
15 the CAC application are important contributors to the
16 preparation for a long-term IFF. Our respectful
17 submission, and I guess we'll see how it develops, we
18 can't always be putting off an analysis of the
19 integrated financial forecast on issues, well, we've
20 got to wait, we've got to wait.

21 At one point in time, we have to say,
22 well, how are we approaching it today, what are we
23 doing today? And if it changes in the future, that's
24 why we have subsequent rate hearings. We can adjust
25 our scope and focus when those subsequent rate

1 hearings come up to deal with these new policies and
2 this new integrated resource plan.

3 So, it's our view, and I'm at the top
4 of page 20, that these uncertainties and risk -- risks
5 can be addressed with ultimate scenarios. Say, well,
6 if this happens, where does that lead us? And we --
7 we did a lot of that in NFAT; if this happens, where
8 does that lead us?

9 And if the path in both sense leads to
10 just and reasonable rates, balancing financial
11 stability of the Corporation with the reasonableness
12 of rates and consumer protection, then at least we
13 know where we stand.

14 We believe that following this approach
15 will actually contribute to Manitoba Hydro's efforts
16 to effectively plan and responding -- respond to the
17 changing landscape.

18 The last point which I think I should
19 at least address is page 24, confidential information.

20

21 (BRIEF PAUSE)

22

23 MR. ANTOINE HACAULT: Manitoba Hydro
24 raises very valid concerns about ensuring that its
25 commercially sensitive information remains as such, in

1 a severely impact negotiated contracts with our
2 counterparts both in Saskatchewan and the States and
3 elsewhere.

4 And especially now that we have the
5 Minnesota line, we basically doubled our access to the
6 American markets. It's created a new dynamic in that
7 market in how Manitoba Hydro can negotiate, so that's
8 important to keep in mind.

9 But at the same time, given that these
10 changes in revenues and potential source of those
11 revenues, as long with the construct of Manitoba Hydro
12 engagement with import and export markets are
13 fundamental to this GRA application, and they
14 significantly impact prospective risks and rate
15 increases, we need to find some way to deal with this.

16 In the absence of direct access to this
17 information, MIPUG seeks a means to ensure that the
18 analysis and findings of a review of this information
19 are not withheld from Interveners, at least what's
20 able to be provided publically.

21 This Board is a public utility board.
22 It calls out for a solution which reassures the public
23 that there has been a proper vetting of the
24 information on which just and reasonable rates are
25 set.

1 And if -- this is on page 26 -- the
2 Board decides to engage the services of an independent
3 expert, we recommend that the Intervener -- that
4 Intervener input be sought on the scope of the
5 retainer and the nature and extent of the expertise of
6 those experts.

7 They make some comments on the rules.
8 That we won't be able to resolve today. But it may
9 be, if the Board feels that the information which it
10 has requested is important enough to be a minimum
11 filing requirement, there shouldn't be the option to
12 withdraw that information which they Board feels it's
13 so important for it to have, but that's a matter for
14 another day. We've got to get on with this Hearing
15 and find a solution now. Thank you.

16 Subject to any questions, that
17 completes my presentation.

18 THE CHAIRPERSON: Thank you. Any
19 questions? Ms. Kapitany...?

20 VICE-CHAIR KAPITANY: Thank you,
21 Maitre Hacault. My questions relate to your
22 submission on page 11 principally, and it's in
23 reference to collaboration that you referred to.

24 So, I noted that Consumers Coalition is
25 proposing an expert on operating performance. And I

1 understood from Mr. Williams's presentation that CAC
2 would be taking the lead in that area.

3 So, do you want me to go through all of
4 them or do you want to comment --

5 MR. ANTOINE HACAULT: Oh, we -- maybe
6 comment on as we go. I -- I expect that to be the
7 case. It doesn't lessen some concerns and -- and
8 comments that we may wish to make on behalf of
9 Manitoba Industrial Power Users Group getting adequate
10 service for the funding that was being provided.

11 VICE-CHAIR KAPITANY: The next one was
12 on financial targets and performance against
13 appropriate targets. And, again, the Consumers
14 Coalition is proposing an expert.

15 And so, is it the same comment then
16 based on that one?

17 MR. ANTOINE HACAULT: Yes. Mr.
18 Colaiacovo, the last time we had addressed that issue,
19 it's the CAC that took the lead role with Mr.
20 Colaiacovo as the lead -- lead witness on that. It
21 did not exclude Mr. Bowman providing some comments
22 from his perspective though on the issue, but not the
23 same evidence as Mr. Colaiacovo.

24 VICE-CHAIR KAPITANY: And on capital
25 spending, I had asked Mr. Williams about business

1 operating capital expenditure because, again, the
2 Consumers Coalition is proposing an expert there. And
3 he had said that it wasn't yet decided on the
4 respective roles of the Industrial Power Users and the
5 Consumers Coalition.

6 Do you have any more comment on that?
7 And is the capital spending you refer to in your sub
8 point (8) the business operations and capital
9 expenditures or is it a different focus?

10 MR. ANTOINE HACAULT: Well, there's a
11 couple aspects to it. The -- part of the context I
12 think I provided in my submission, it may be that
13 we're saying that there needs to a refocus on capital
14 spending because if we need -- or we're focussing on
15 energy as opposed to capital -- or sorry, capacity.
16 We likely will have comments on that.

17 We also will likely have comments on
18 the necessity, prudence of capital expenditures and
19 whether some of them which are not being made should
20 be made from the perspective of MIPUG. And let me
21 just consult with Mr. Friesen if I might provide more
22 clarification.

23

24 (BRIEF PAUSE)

25

1 MR. ANTOINE HACAULT: So, part of what
2 we'll be investigating as it relates to MIPUG is what
3 portion of that \$18 billion that we've talked about
4 relates to ensuring proper supply to the major
5 industrials and whether those expenses are being
6 avoided or reasonable or should be expended based on
7 the changing markets and load forecast.

8 VICE-CHAIR KAPITANY: So, then, in
9 terms of the expert that the Consumers Coalition is
10 proposing, it's not going to be duplication with what
11 you're speaking to?

12 MR. ANTOINE HACAULT: I think we'll be
13 providing -- again, as the matter evolves, usually we
14 end up having a couple of meetings with Dr. Williams
15 and the consultants speak to each other.

16 Usually what ends up happening is there
17 is a more focussed approach. When CAC deals with more
18 kind of a general approach, we have a more focussed
19 approach as it relates to our particular client group.

20

21 (BRIEF PAUSE)

22

23 MR. ANTOINE HACAULT: But, again, it
24 doesn't mean -- although experts are independent and
25 provide independent opinions, it doesn't mean that the

1 opinions will always be the same on a particular
2 issue.

3 So, just because one (1) class of
4 customers deals with a similar issue as is being dealt
5 with by, say, for example, CAC, or GSM, the smaller
6 consumers, it doesn't mean that the opinion and
7 perspective will be the same. If it's going to be
8 overly duplicative and -- and not informative, well
9 then, we try to deal with that in -- in our meetings
10 prior to the filing of evidence in -- in providing
11 information to the Board.

12 VICE-CHAIR KAPITANY: My final
13 question was on your Phase 2 matters and Mr.
14 Walichnowski had noted that they are proposing an
15 expert on the -- among other things, the perspective
16 cost of service that Manitoba Hydro will be filing in
17 Phase 2.

18 And so, I just wanted your comments on
19 that, in terms of, you didn't mention collaboration on
20 that issue.

21 MR. ANTOINE HACAULT: Well, Ms. -- I
22 know that Mr. Bowman and their expert have already
23 been speaking to each other. In -- in fact, it -- Mr.
24 Bowman, who identified an expert for GSM and there may
25 be some mis -- issues which are very specific to

1 General Service Small and General Service Medium which
2 are not specific to the MIPUG class of consumers.

3 We fully expect to have continuing
4 conversations to ensure collaboration and
5 identification of issues that are more relevant to the
6 different classes.

7 VICE-CHAIR KAPITANY: Okay, thank you.
8 Those are my questions.

9 THE CHAIRPERSON: Mr. Sy...?

10 BOARD MEMBER SY: Okay. Thank you.
11 Thank you, Mr. Hacault. I just wanted to make
12 reference to MIPUG being a significant player with
13 fourteen (14) members and 20 percent of the domestic
14 energy sales. So it's a significant market share
15 holder here.

16 So, listening to your presentation you
17 talked and focused mainly on the -- on the supply side
18 of this market. And my question is: Are we going to
19 get a little bit more about the demand side, meaning
20 MIPUG demand, current demand and forecast, as well,
21 and what are the elements that will be playing a
22 significant role in determining the future demand for
23 MIPUG. Thank you.

24 MR. ANTOINE HACAULT: Yes, thank you
25 for that question. That brings two (2) aspects, and

1 one (1) of which is commercially sensitive
2 information.

3 There's always been a collaboration by
4 our members in discussing with the Manitoba Hydro
5 group that deals with industrials as to what their
6 future plans and expansion plans are.

7 There's also information on potential
8 entrants, that would be commercially sensitive that
9 Manitoba Hydro has, and usually the way we've been
10 able to deal with that, together with Manitoba Hydro,
11 is to aggregate the information and not specifically
12 attribute it to any particular members because that
13 would be commercially sensitive information which
14 probably shouldn't -- not probably, it shouldn't get
15 out in the public.

16 So, what usually happens also is we
17 have one (1) or two (2) members provide a presentation
18 and their perspective on what's happening, including
19 competing capital. Because some of our members, for
20 example, Gerdau Steel, if they want to do a capital
21 investment, they've got to compete with other
22 companies in other jurisdictions and say, well listen,
23 no spend a dollar in Manitoba.

24 So, there's a number of factors that
25 will come into the decision by the overall group as to

1 whether that dollar does get spent in Manitoba to
2 upgrade and update, for example, the Gerdau Steel
3 Plant as opposed to another plant, including rates,
4 including a whole bunch of other transportation
5 logistics, et cetera.

6 So, our group always attempts to
7 provide general information in that regard, hopefully
8 to assist the Board in understanding part of -- of
9 that demand portion of the equation and it certainly
10 has shared, to my knowledge, that kind of information
11 with Manitoba Hydro because that size of user, for
12 example, when Rokett (phonetic) came in, or Simplot
13 did the -- its -- its expansion, those are pretty
14 significant additions to the system and if there's
15 some of those that are anticipated or reasonably
16 anticipated, then it's important for Hydro to know, in
17 a general way, and also for this Board to know the
18 demand side.

19 CHAIRPERSON: Thank you, sir. Mr.
20 Buchart...? -- on behalf of Manitoba Keewatinowi
21 Okimakanak.

22

23 OPENING COMMENTS BY MANITOBA KEEWATINOWI OKIMAKANAK:

24 MR. MARKUS BUCHART: Thank you, Mr.
25 Chair. Good morning, Panel. So my name is Buchart,

1 B-U-C-H-A-R-T for the monitor, appearing on behalf of
2 Manitoba Keewatinowi Okimakanak Incorporated.

3 So, I just want to say that MKO, which
4 is easier to say, is comprised of the twenty-six (26)
5 northern Manitoba First Nations.

6 So, if you -- if you look at northern
7 Manitoba, it's all of the First Nations, except for
8 four (4) at Island Lakes. So, if there -- that means
9 that if there's sixty-three (63) First Nations in
10 Manitoba, that means that MKO comprises roughly 40
11 percent of the First Nations.

12 The population of those First Nations
13 is about sixty-five thousand (65,000) people. So,
14 indirectly, MKO represents those sixty-five thousand
15 (65,000) First Nation people, most of whom are
16 resident on -- on the First Nations.

17 So I'm going to answer the questions,
18 the nine (9) questions in Associate Secretary
19 McMillin's letter and just go through them one (1) at
20 a time.

21 So, the first question was how a
22 perspective Interveners -- this Intervener MKO engaged
23 stakeholders? Well, basically, there's ongoing
24 engagement in the sense that MKO has a professional
25 staff and that -- that sits year round and the -- MKO

1 pools the First -- the twenty-six (26) First Nations
2 pool their resources. They have a research
3 department. They also meet regularly in -- in
4 Assembly and all the Chiefs and counselors vote on --
5 on the Grand Chief, the Northern Grand Chief, so
6 basically there's ongoing engagement of the
7 stakeholders, being the twenty-six (26) First Nations
8 that comprise MKO.

9 Second question is the collaboration
10 with perspective Interveners. Yes, I -- I'll back up,
11 but Ms. Guglielmin said for Assembly of Manitoba
12 Chiefs, we have been in conversations with them. We
13 have been contacted by the Consumer's Coalition,
14 haven't called them back yet, but we will be talking
15 about them in trying to eliminate duplication.

16 I can say that -- that the --
17 Interveners, like the consumers -- Consumers
18 Coalition, MIPUG and the small and medium business
19 users are likely going to do a much more -- the word
20 gets over used at these hearings, but granular
21 analysis of Hydro's plans.

22 Our intervention is basically, as I'll
23 explain later, more on big picture matters and we're
24 not likely to duplicate with those, with those
25 Interveners. Nonetheless, we -- we will talk to the

1 Consumers Coalition to -- to ensure that we don't run
2 efforts on the same questions.

3 With -- with AMC, it's difficult not to
4 duplicate some things, because if you consider that
5 AMC represents all sixty-three (63) of the First
6 Nations and MKO represents twenty-six (26) of the
7 First Nations, 40 percent of them, there's some
8 overlap there.

9 That said, Ms. Guglielmin did
10 accurately say that we are going to try to focus on
11 the issues that are -- that are peculiar to the
12 northern First Nations. I'll get to that a -- a bit
13 later, but we -- some -- some -- some things we will
14 overlap on -- on our position, but hopefully not in
15 our -- in our evidence and Information Requests. But
16 some things will be unique to the northern First
17 Nations.

18 Third question. What's our position
19 with respect to the General Rate Application? Well, I
20 guess I'll say it here. Just -- just some brief
21 history for the -- for the new Panel members.

22 So in 2018, the -- the Board permitted
23 the creation of a new rate class for First Nation on-
24 reserve residential residents, FNORR, the FNORR class.

25 However, Panel Member Ring, who I also

1 remember as Master Ring, had a dissent, and he thought
2 that, while not opposed to it in principle, he thought
3 it was ultra vires, beyond the authority under the
4 Hydro Act to -- to create a new class for this Board
5 to do so.

6 And unfortunately from our client's
7 perspective, the Court of Appeal agreed with Member
8 Ring, so that class was then rolled back about a year
9 ago, the Court of Appeal's decision, and the appeal to
10 the Supreme Court leave was denied.

11 So what we said at the end of the
12 Interim Rate hearing last December was our roadmap for
13 where we were going to go in the next General Rate
14 Application, which is where we're at.

15 MKO's position is that the one (1)
16 power that the -- that is not ultra vires, this Board
17 can make recommendations to the -- to the minister
18 responsible for Hydro, and that's in Section 38 of the
19 Hydro Act. And Section 39 of the Hydro Act says that
20 the -- the recommendation of the PUB the minister has
21 to take it to the Lieutenant Governor in Council,
22 meaning the cabinet.

23 So our -- our -- we're not going to
24 engage in the granular detailed analysis that the
25 other more industrial Interveners are going to engage

1 in. We're going to try to make the case why the FNORR
2 class recommendation should be made in the -- in the
3 course of this hearing.

4 And -- and that would be something I
5 would expect AMC to agree with, and perhaps other
6 Interveners, but that's -- that's going to be one (1)
7 of our main thrusts in this hearing.

8 So what -- what -- sub (d): What
9 aspects of the General Rate Application do we agree
10 with? Well, again, as our position was in the Interim
11 Rate hearing, we don't want to see any rate increase
12 for our -- the -- for the sixty-five thousand (65,000)
13 people that we represent.

14 The Board accepted in past hearings the
15 energy poverty of those people, and we -- we
16 appreciate that there's no power to do anything about
17 that. So the only thing we're left with arguing is no
18 increase, so that would be our position on Hydro's
19 Application.

20 What aspects do we disagree with?
21 Well, I just -- I just answered that.

22 Expert evidence: We don't anticipate
23 bringing any expert evidence, so there won't be
24 anybody to cross-examine on that. We may bring other
25 evidence, documentary. I'm intending on bringing the

1 evidence of just the treaties.

2 I should say that MKO First Nations,
3 the twenty-six (26) First Nations, are on Treaty 4, 5,
4 6, and 10 land. If you look on a map, it's mostly
5 four (4) and five (5), but six (6) and ten (10),
6 there's small communities that are covered by those
7 treaties which are predominantly in other provinces.

8 So we -- we're going to try to bring
9 the -- the treaties and reconciliation into it as we
10 did in the previous hearing.

11 (g): How many rounds of Information
12 Requests? Well, the proposal was for two (2) rounds,
13 and for our purposes, that's likely adequate.

14 How many questions will we ask? I'm
15 with Mr. Hacault. I have no idea, but I think some of
16 our questions are going to be yes-or-no short
17 snappers, so I'll just throw out a number: a hundred
18 and fifty (150). But I have no idea really, but they
19 won't -- they won't likely be very onerous Information
20 Requests.

21 Sub (h): What topics does MKO propose
22 to consider? So I've already covered trying to get a
23 recommendation of -- of the recreation of the First
24 Nation on-reserve class under Section 38 of the Hydro
25 Act.

1 The other issue that's quite distinct
2 to us is, of the twenty-six (26) First Nations, four
3 (4) of them -- four (4) of the twenty-six (26) -- have
4 their electricity not through the grid generated by
5 Hydro, but they have their electricity generated by
6 diesel. So I -- I refer to them as the diesel 4 as
7 opposed to the grid 22.

8 So the -- the diesel 4, when I -- when
9 I was first here in 2002, Michael -- not for MKO, for
10 a different Intervener, Michael Anderson on behalf of
11 MKO brought up the issue of the higher rates and the -
12 - the problems in the diesel communities, the four
13 (4), the diesel 4.

14 And as a result of that, there were
15 some Board Orders in 2004, and I understand there was
16 a settlement agreement between Hydro and MKO proper
17 and the four (4) diesel communities, and the -- the
18 agreement had to do with arrears and -- and costs to
19 do with Hydro.

20 Now, I understand that the agreement
21 was reached in 2008. It was finally signed in 2010,
22 but I understand from Mr. Anderson who's on staff with
23 MKO that there -- that -- that it hasn't been fully
24 implemented yet, and here we are at 2022.

25 And so we are going to try to seek any

1 orders that this Board could -- could make in order to
2 implement the diesel settlement agreement. So I
3 should say that the -- the agreement expires in 2050,
4 so we've still got time. So that's the second issue.

5 We're going to bring up the question of
6 the treaties just -- just to talk about reconciliation
7 in the broader context of the policy of
8 reconciliation.

9 And finally, the fourth thing we want
10 to bring up is -- is if there's any possibility of
11 relief from -- from bills. If -- if the -- if the
12 Public Utilities Board can't create a new rate class,
13 is there some -- some relief that -- that this Board
14 could offer by order that would not be ultra vires,
15 that would not violate the rule of the Court of
16 Appeal? So those are the four (4) general topic areas
17 that we intend to go to.

18 Finally -- I think I'm on the last one
19 -- (I). Oh, submissions on the hearing schedule.
20 It's fine by us. The proposed schedule that was
21 circulated in November is fine by us.

22 And so, subject to any questions,
23 that's our submission.

24

25

(BRIEF PAUSE)

1 VICE-CHAIR KAPITANY: Thank you, Mr.
2 Buchart. I have a question, and this is relating to
3 the ruling from the Manitoba Court of Appeal.

4 Could you clarify for me which entity
5 your client understands can propose a new class of
6 customers?

7 MR. MARKUS BUCHART: Which entity can
8 propose? Well, the -- under the Hydro Act, when
9 there's a hearing, this Board can make recommendations
10 to the minister in -- in the course of their -- of the
11 orders that come out of the hearing.

12 So -- I don't know if I'm answering
13 your question. So if we -- if we propose that and if
14 the -- if the Panel accepts it, then the -- then the
15 recommendation can be made to the minister, and then
16 the Act says the minister has to have the Lieutenant
17 Governor in Council consider it.

18 VICE-CHAIR KAPITANY: I was speaking
19 to creating a new class and what entity has the
20 jurisdiction to do that?

21 MR. MARKUS BUCHART: Well, if it has
22 to be done by statute, it would be the Legislative
23 Assembly with the Lieutenant Governor's signature. I
24 think there's no -- no way around it.

25 But nonetheless, we know there's going

1 to be an election on October 3rd, 2023 -- or we think
2 we know that, could be earlier. And so, you know, if
3 -- if this hearing concludes at the end of June and --
4 and orders come out in July, then whichever government
5 is elected will have hopefully a recommendation
6 waiting for them.

7 VICE-CHAIR KAPITANY: And then my
8 other question is, just in terms of specifically what
9 your client believes is the relevance of having the
10 treaty maps and text in the record of this General
11 Rate Application.

12 MR. MARKUS BUCHART: Well, for one
13 thing, Hydro's assets are primarily on the land of --
14 of those people, and it's their contribution
15 essentially to Manitoba that makes the project of
16 Manitoba Hydro possible.

17 And secondly, the Path to
18 Reconciliation Act says that reconciliation should be
19 considered whenever government makes any decisions.
20 So I'd -- is it -- is it immediately relevant to any
21 specific question that the Board will decide? Maybe
22 not. But is it relevant to what we're doing here?
23 Yes, it is.

24 VICE-CHAIR KAPITANY: Thank you.

25 THE CHAIRPERSON: I've got a couple of

1 questions, Mr. Buchart. As I read Bill 36, once it's
2 proclaimed, this Board can't make a recommendation
3 without the minister first approving the
4 recommendation.

5 MR. MARKUS BUCHART: So -- well, I'm -
6 - I'm not aware whether it's been passed yet.

7 THE CHAIRPERSON: Well, it hasn't been
8 proclaimed yet, so that's a question of timing then.
9 But once it's proclaimed, in order for us to make a
10 recommendation under the statute, we need the Minister
11 to agree that we can make the recommendation.

12 MR. MARKUS BUCHART: So, I'm going to
13 say the same thing that we said when there was the
14 whole question -- I forget -- was it Bill 44 that was
15 initially put into the legislature and, then,
16 withdrawn, and, then, put back in again?

17 The legislation is what it is, passed
18 right now. We can't assume that it's going to be
19 proclaimed in force in time. For now, until it's
20 proclaimed in force, it's not proclaimed in force.

21 THE CHAIRPERSON: Okay. Secondly, the
22 diesel settlement agreements, I -- I must say I have a
23 different memory on the -- the timing of 2008 or 2010.
24 I remember being at this hearing, in 2018. The
25 document wasn't signed, although it was supposed to

1 have been signed, and, then, I believe in 2019, we
2 raised a ruckus, and, finally, after the 2019 hearing,
3 it was signed.

4 Your -- your comment in relation to
5 2008 and 2010, I'm just wondering if you can go check
6 on that and see if it was -- if it -- if it was even
7 signed by the parties at that point?

8 MR. MARKUS BUCHART: So -- so, the
9 copy that I looked at the other day is the one -- I
10 don't have the cite now, but it was posted with the
11 Hydro's rate application, and it -- it seems to be
12 signed -- it purports to be signed in 2010.

13 THE CHAIRPERSON: By both parties?

14 MR. MARKUS BUCHART: Well, all -- all
15 six (6) parties --

16 THE CHAIRPERSON: Okay.

17 MR. MARKUS BUCHART: -- but Mr.
18 Anderson's recollection was that it was agreed to in
19 2008, but there seemed to be some delay in the
20 signing. So, I -- I don't -- from -- from the copy
21 that Hydro has posted as an -- as an exhibit, I think
22 it -- it appears to be have been signed in 2010.

23 THE CHAIRPERSON: Well, I guess we'll
24 go through the record, if --if and when the issue
25 arises. Thank you, Mr. Buchart. Mr. Czarnecki...?

1 MR. BRENT CZARNECKI: Thank you, Mr.
2 Chairman. If I could, with your indulgence, have a
3 short break, to just address any concerns that I have,
4 directly with our client?

5 THE CHAIRPERSON: Sure. I -- I mean,
6 I'd like to finish before we finish -- I don't want to
7 break for lunch. So, how -- how long do you need?
8 Are you talking about 10 minutes or?

9 MR. MARKUS BUCHART: Fifteen or 20
10 minutes? I think will be sufficient --

11 THE CHAIRPERSON: How about fifteen
12 (15) minutes? Okay? We'll come back in fifteen (15)
13 minutes. Thank you.

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Sorry, Ms. Kapitany
18 raised it. I apologize. Mr. Finkle is down on the
19 list. I don't believe he's on line, is he? He
20 doesn't have a computer he said. I just want to put
21 on the record that Mr. Finkle was notified by -- about
22 this hearing by Dr. Christle, by courier. So, he had
23 notice of the hearing. He is not here. We have his
24 intervention and we will -- the Panel will deal with
25 his intervention. Thank you, Ms. Kapitany. So,

1 sorry. Thank you, Mr. Czarnecki.

2

3

4 --- Upon recessing at 12:03 p.m.

5 --- Upon resuming at 12:20 p.m.

6

7 THE CHAIRPERSON: Thank you. Mr.

8 Czarnecki...?

9

10 REPLY BY MANITOBA HYDRO:

11 MR. BRENT CZARNECKI: Thank you very
12 much, Mr. Chairman, for the time. I'll start by
13 saying thanks to the Interveners and the Panel again
14 for their very candid remarks this morning. I think
15 they're very helpful and they have provided some --
16 some very good information and insight to Hydro, as
17 the applicant, as to what areas they're intending to
18 focus upon, including the use of their experts.

19 I'd also like to express some
20 appreciation to Board counsel and same counsel for
21 working behind the scenes collectively to try and
22 establish a fair and reasonable Hearing timetable
23 which will be aggressive but, you know, when there's
24 consensus on anything in this room, it's always the
25 goal.

1 I have -- by way of formal reply, I
2 have probably four (4) of five (5) subject areas that
3 I'd like to address. And for one, I'll also, with
4 your indulgence, let Mr. Tess chime in with some of
5 his financial expertise to hope -- hopefully provide
6 some more clarification.

7 So, I'll start with the Coalitions'
8 intended use of Mr. Colaiacovo. And I hope I'm saying
9 his name close to correct. I heard my friend, Dr.
10 Williams, say that his role would be assessing
11 Manitoba Hydro's affordable access to the financial
12 markets.

13 And we puzzled a little bit about what
14 that really meant and, more importantly, how that
15 would be significant or of value to Hydro and this
16 Panel and all parties as part of this proceeding. And
17 he did recognize, in fairness to Dr. Williams, that we
18 now have legislative targets, so I think the review
19 would be tempered by that.

20 So, we were trying to figure out
21 exactly how this would fit in. And perhaps I'll just
22 refer it over to Mr. Tess for comment from his
23 financial perspective. And I think he'll comment on
24 materials that we've filed as appendix 4.5 as to the
25 nature of Hydro's access to credit.

1 MR. AUREL TESS: Thanks, Mr.
2 Czarnecki. So, appendix 4.5, tab 4, refers to how
3 Manitoba Hydro arranges financing. And, essentially,
4 we receive advances from the province of Manitoba.
5 So, our strategies are -- are typically in alignment
6 with the entire debt management of province of
7 Manitoba forming approximately 43 percent of the
8 overall debt of the province. So we're very much
9 aligned in that regard.

10 It also speaks to that tab in terms of
11 the credit rating is also a flowthrough from the
12 province of Manitoba.

13 So, I listened intently, as Mr.
14 Czarnecki indicated, and I'm really struggling to
15 understand the value of -- of how Mr. Colaiacovo would
16 -- would assess this given that the province, well,
17 really isn't here. It really would be an assessment
18 of the debt management strategies that are employed by
19 the province of Manitoba.

20 MR. BRENT CZARNECKI: Thank you, Mr.
21 Tess. And I guess to summarize on that, if this Board
22 has a different perspective, obviously, as the master
23 of its own process and it sees the value in what has
24 been proposed by Dr. Williams, we'll leave it in your
25 hands, but those are our concerns that we're -- are a

1 struggle anyhow.

2 And I would just maybe note, as well,
3 that we were happy to hear that Mr. Rainkie's role
4 would be limited to examining operating expenses. And
5 then, at the end of Mr. -- Dr. Williams's submission,
6 he expanded the scope to include that, in the normal
7 course, as he would do, he would be looking at other
8 financial targets in the overall General Rate
9 Application.

10 So, again, we're raising this for
11 potential duplication and -- and, frankly, that if --
12 if Mr. Rainkie is weighing in on some of those basket
13 of other financial metrics that the Utility looks at
14 and which we've included in our application, we are
15 struggling to understand Colaiacovo's -- Mr.
16 Colaiacovo's role.

17 The -- the second topic I'll address
18 and maybe start broadly is with confidential
19 information. Now, I don't want to repeat myself from
20 what is contained in the cover letter to our General
21 Rate Application and/or in -- more recently, in our
22 letter of November 29th.

23 I will add to say that, as one (1) of
24 my favourite sayings would go, that this feels like
25 deja vu all over again where we have Mr. Hacault and

1 others potentially suggesting that they can't
2 intervene in this process because we're providing very
3 limited confidential information and that it's for the
4 Board's eyes only.

5 We present intentionally this
6 information in an aggregated form such that the
7 questions can be asked by all Interveners and the
8 public.

9 And most recently, as I've included in
10 my correspondence to this Board, the Board has ruled
11 definitively on this in Order 117 -- or pardon me, in
12 I think it was 112/'17.

13 So, it seems we're rehashing the exact
14 same arguments for just a different purpose. And to
15 do what he's suggesting would be, in -- in my
16 submission, a marked departure from past precedent of
17 this Board that has enabled everyone to contribute to
18 these processes efficiently.

19 And to further that point, if you bear
20 with me, I -- I noticed in Mr. Hacault's submission
21 that on page 7, in particular, Ms. Schubert.

22

23 (BRIEF PAUSE)

24

25 MR. BRENT CZARNECKI: The MIPUG -- the

1 bullet just below if you keep scrolling. There it is.
2 That's -- that's fine.

3 So, MIPUG is asserting, and they --
4 they recognize that:

5 "Hydro's filing indicates a
6 fundamental and material shift in
7 the balance of the power resource --
8 resource, lower export prices, lower
9 importer purchase prices, higher
10 domestic loads, lower system losses,
11 increased Canadian exports, less
12 value on firm export products, less
13 use of firm export contracts, and
14 greater reliance on short-term
15 exports."

16 He then goes on to say that there's two
17 (2) critical issues that he needs to assess, whether
18 they're true and reasonable. Fair game. We filed
19 that information. It is a component of our forecast -
20 - of our scenario, pardon me, as part of this
21 application. He can ask Information Requests on that.
22 He can cross-examine on that. He can do all of that
23 without accessing the limited -- very limited nature
24 of confidential information that we filed, as he has
25 done in the past.

1 So, again, I'm urging the Board not to
2 -- to go into this debate about whether it's
3 confidential or it would impact Hydro's competitive
4 position. We accept that as a fact.

5 Now, maybe perhaps to shift gears from
6 this point to a question that Member Bellringer asked
7 me earlier which, unfortunately, I didn't articulate
8 the response to my satisfaction.

9 The issue with IRP relates to these
10 issues. Like, we are seeing this. They are being
11 studied. They are being examined. And as part of the
12 IRP development engagement process, they will be
13 looked at at greater detail. And we're anticipating
14 that there'll be additional scenarios that we will be
15 considering as part of that.

16 It goes to the exact nature of why
17 we're requesting the process itself and the -- all of
18 those additional things that are future based to be
19 removed from the scope of this proceeding.

20 What we don't want to have happen, and
21 I heard Mr. Hacault reference it this morning, that
22 this is like NFAT. We can ask a variety of additional
23 scenarios and Hydro will go away and respond to them.

24 What we need the Board to do and what
25 we're respectfully submitting is that the moment we

1 cross over into that area this will become a very
2 inefficient process compared to the track that the IRP
3 engagement process is on. That's what that process is
4 attempting to do.

5 Now, I acknowledge that there will be
6 components that overlap. Nothing is as clean of a
7 break as that as possible. But what we don't want
8 happening is, in June, someone to say, well, your
9 engagement -- IRP engagement process has been updated,
10 so let's revisit all these scenarios now as part of
11 the GRA process. We've made our application with a
12 long-term financial scenario. As Mr. Tess said
13 earlier, it's based on the best information and
14 evolving landscape as we know it.

15 Let's focus in on that and not be
16 distracted with the IRP work which I've been told that
17 not only will it inform our next GRA in 2025, but the
18 government at its pleasure may direct this Board to
19 look at the results of the IRP process.

20 So everyone will have its chance at a
21 later date, but also as part of the continuing
22 engagement that IRP entails which Hydro is being very
23 intentional on to involve as many parties as possible
24 to receive input in that way in an open and
25 transparent process.

1 And maybe one (1) last observation of
2 the irony that when the question was asked to Mr.
3 Hacault about demand from his clients -- or, pardon
4 me, his industrial customers that are members of
5 MIPUG, he said, well, we just aggregate that
6 information and we present it because it's -- of
7 course, it's commercially sensitive.

8 So I -- I struggled with the irony to
9 say, you know, is this like a having your cake and
10 eating it, too, moment where, you know, why should the
11 rules be any different for Hydro that -- when we
12 acknowledge that this information is truly competitive
13 and it would harm all of us and all of our customers.
14 So that's the importance of this.

15 Now, the other points I'll transition
16 to is with respect to the role of Mr. Friesen. I hope
17 that my comments in my letter were -- I think Mr.
18 Hacault's words were 'critical of Mr. Friesen'.

19 They were not intended to be critical
20 of Mr. Friesen. They were intended to highlight for
21 the Board the potential issue of conflict that we are
22 seeing with his ongoing role as either a
23 representative or an advocate or an independent
24 expert.

25 In my submission, you can't be all of

1 those things. What we're observing with Mr. Friesen
2 at Hydro is that he's performing great work for
3 industrial customers, and he's engaged actively in
4 discussing industrial customer issues with our -- with
5 our internal staff.

6 We're not aware of what the engagement
7 of Mr. Friesen is, either with the organization of
8 MIPUG -- and it says in Mr. Hacault's submission he's
9 not performing work directly for MIPUG. But we
10 assumed that he wasn't working for free for industrial
11 customers, that he was being paid for -- to understand
12 or to promote or engage with Manitoba Hydro on their
13 behalf.

14 Now, in my submission, the moment that
15 happens, you can't then take that hat off and put on
16 another hat called independent objective expert to
17 represent those same parties before this Panel.
18 Therein lies the conflict.

19 So it wasn't meant to be critical of
20 Mr. Friesen's expertise or qualifications. You know,
21 if he were to be qualified, we may take issue with
22 that down the road. It's more to the fundamental
23 issue of: What role is he pay -- playing in this?

24 And interestingly, because I was
25 present at the Centra Cost of Service Study, Mr.

1 Hacault raised the issue of, well, you know, expert
2 opinions differ, and we're all better for having a
3 variety of different opinions.

4 And he cited the fact that IGU, or the
5 Industrial Gas Users Association in that proceeding,
6 retained its own expert, and then Koch Chem -- or Koch
7 Industries had retained its own expert, so what's the
8 big deal?

9 The important distinction there, Mr.
10 Chairman and Panel members, is that Koch Industries
11 paid for its own independent expert consultant in that
12 -- in that fashion.

13 So if any part to this proceeding would
14 want to bring expert evidence that is relevant,
15 significant, and in scope to the proceeding, and they
16 wanted to pay for that on their own volition, I would
17 have a very difficult time objecting to it, like in
18 the Centra Cost of Service Study.

19 The issues becomes again balancing the
20 -- how much do we pay for a variety of consultants and
21 interventions versus duplicating efforts versus the
22 costs that are eventually awarded by this Board?

23 And I noted and I maybe just went back
24 to your rules, the PUB Rules of Practice and
25 Procedure, on this, and it was Section 43. Sub (c)

1 makes a very important -- extremely important
2 distinction, and I think it's relevant and common
3 across almost all regulatory bodies that I've
4 participated before, that it's a condition that the
5 party to be awarded costs has insufficient financial
6 resources to present the case adequately without an
7 award of costs.

8 THE CHAIRPERSON: I just want to stop
9 you there. We have a real problem with this, okay?
10 And I've -- I've raised this before. That's not the
11 rule.

12 The problem is there's an interim
13 policy that supersedes this. Fortunately, we --
14 because of the pandemic, we were going to go out to
15 all the parties and indicate, Here's the rule we've
16 been operating. It was used at the Hydro hearing, it
17 was used at the Centra Gas hearing.

18 It's always -- you know, it's usually
19 provided -- the rule -- the insufficient financial
20 resources was replaced by representing an interest
21 beyond itself. And, you know -- you know, this is
22 something we're going to have to address and fix it
23 because now we've got actually a policy that has
24 superseded the rule.

25 It's just that, because of the

1 pandemic, we had no ability to go out and actually
2 meet with stakeholders and go through the whole thing.
3 But the -- that's not the -- I just want to point out
4 that is not the rule that is in place for this
5 hearing.

6 MR. BRENT CZARNECKI: Okay. And thank
7 you, Mr. Chairman. I -- I will move on.

8 THE CHAIRPERSON: It's certainly --
9 Mr. Czarnecki, it's certainly not you. We've had it
10 with others, and we have to address it.

11 MR. BRENT CZARNECKI: And thank you,
12 Mr. Chairman. You have my point.

13 I'll -- I'll switch gears quickly to
14 diesel matters. As we indicated at tab 9 of our
15 Application, Manitoba Hydro is not seeking an increase
16 to the diesel rates.

17 What we are -- and those are the ones
18 from August 1st of 2017, so I'll -- I'll maybe leave
19 it as that, that we -- we weren't intending on doing a
20 deep dive at this proceeding, and our intention is to
21 have that proceed with either a separate application
22 to the Board when we continue our dialogue with the
23 federal government and the impacted four (4)
24 communities.

25

1 (BRIEF PAUSE)

2

3 MR. BRENT CZARNECKI: One (1) last
4 small point. Mr. Hacault referenced earlier that
5 there was some depreciation schedules that were
6 missing from our application, one of the MFRs. I'm
7 advised they have now been uploaded to the website.
8 It was just a mistake on our part to -- to not have
9 filed them initially with the initial filing, so they
10 there -- there's over a thousand (1,000) pages there
11 now to be viewed, I'm told.

12 And with that, Mr. Chair, that
13 concludes --

14 THE CHAIRPERSON: On that -- on that
15 happy note --

16 MR. ANTOINE HACAULT: You're just
17 saying, Hacault, enjoy it. Now you're really going to
18 put everybody to sleep.

19 THE CHAIRPERSON: Thank you, Mr.
20 Czarnecki.

21 We'll take -- we'll take all the
22 information from this morning's hearing, and the --
23 the Panel will meet right after and start working on
24 an Order. Oh, sorry. Ms. Kapitany...?

25 VICE-CHAIR KAPITANY: Mr. Czarnecki,

1 you touched on it, but could you just maybe say a bit
2 more about the proposal that was made that the Public
3 Utilities Board engage an independent expert to look
4 at the issue of the export markets and the changes in
5 same?

6 MR. BRENT CZARNECKI: So first, I
7 would say that we're filing the information
8 confidentially with the Public Utilities Board, and
9 the Public Utilities Board has its own advisors, and
10 we're working through non-disclosure agreements that
11 would allow your advisors to view that. So that would
12 be the starting point.

13 If there's a need beyond not only
14 viewing the confidential information, but at the
15 bigger issue of this Board feeling that it needs to
16 retain an independent expert for those purposes,
17 that's in your hands.

18 My caution with doing that at this
19 stage is we may be getting ahead of ourselves, or you
20 may be getting ahead of yourselves, for what may come
21 after this hearing in terms of, you know, provincial
22 energy policy, IRP process, the next General Rate
23 Application.

24 You might be better off waiting for
25 that opportunity because those pieces will be coming

1 together in a more fulsome fashion.

2 Having said that, if it's -- if it's
3 within -- if you believe again that that issue is of
4 such relevance and significance for this particular
5 application beyond the -- the general descriptions
6 that we're providing, that would be up to -- to your
7 discretion certainly.

8

9 (BRIEF PAUSE)

10

11 THE CHAIRPERSON: Thank you. So the
12 Board will meet after we now conclude and -- and reach
13 our decision and issue an Order.

14 I just want to -- before we go, I want
15 to thank all the parties to the hearing. I just have
16 a matter I want to raise in camera, and I'm just
17 wondering if we could -- can you shut off the link?
18 Okay.

19

20 --- Upon concluding at 12:41 p.m.

21

22 Certified Correct,

23

24 _____

25 Wendy Woodworth, Ms.