



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

re:

MANITOBA HYDRO

2019/20

ELECTRIC RATE APPLICATION

Before Board Panel:

Robert Gabor	- Board Chairperson
Marilyn Kapitany	- Board Vice Chair
Larry Ring, QC	- Board Member
Shawn McCutcheon	- Board Member
Hugh Grant	- Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Avenue  
Winnipeg, Manitoba  
April 24, 2019  
Pages 330 to 519

1 APPEARANCES

2

3 Bob Peters ) Board Counsel

4 Dayna Steinfeld )

5 Roger Cathcart ) Consultant

6 Candace Martyszenko ) Consultant

7 Brady Ryall ) Consultant

8

9 Marla Boyd ) Manitoba Hydro

10 Odette Fernandes )

11

12 Byron Williams ) Consumers Coalition

13 Katrine Dilay )

14

15 Antoine Hacault ) MIPUG

16

17 Jared Wheeler ) MKO

18 Markus Buchart )

19

20 Corey Shefman (by phone) ) Assembly of

21 Senwung Luk (by phone) ) Manitoba Chiefs

22

23

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24	MANITOBA HYDRO PANEL,	Resumed
25		SHAWNA PACHAL, Previously Sworn

1 LIZ CARRIERE, Previously Sworn  
2 SANDY BAUERLEIN, Previously Sworn  
3 GREG EPP, Previously Sworn  
4 SUSAN STEPHEN, Previously Sworn  
5 LOIS MORRISON, Previously Sworn  
6 DAVID CORMIE, Previously Sworn

7  
8 VICE CHAIR KAPITANY: So I wanted to  
9 go back to Mr. Peters's book of documents in his tab  
10 12. And so the question was around page 97, and it  
11 was where we were talking about how the presentation  
12 had changed in terms of capitalized interest.

13 I just wanted to understand better what  
14 you were saying around the difference between  
15 investing activities and operating activities. And I  
16 thought I heard you say that in additions to capital  
17 assets, that's where you put the salaries of the  
18 people who were working, for example, on Keeyask.

19 So that would be treated as an  
20 investment. But the capitalized interest is not  
21 treated as an investment, it's treated as an operating  
22 activity. And that -- that wasn't clear to me because  
23 it seems that both of them are items that would be  
24 used to invest in building Keeyask, as an example?

25 MS. SANDY BAUERLEIN: So I -- I think

1 I'll take that one. So I think the difference in  
2 terms of presentation is that those salaries of those  
3 employees going to Keeyask are going to stop, right.

4 Keeyask is going to be built, and as a  
5 result of that, we will no longer see those costs  
6 being in investing activities, those salaries.

7 Interest payments will continue forever, right. We  
8 have -- not forever, but until the debt matures and  
9 you eventually are able to retire that debt if you can  
10 retire that debt.

11 So what it's trying to indicate -- it  
12 was just trying to make an awareness that we're going  
13 to have to make those interest payments, so you can  
14 classify it. We have -- we have shown it before in  
15 investing activities.

16 But we wanted to have that recognition  
17 that those payments and how much those payments are  
18 because they are going to continue. Once the asset's  
19 in service, they're still going to be there.

20 So I think that was -- you know, that  
21 kind of tries to -- to explain why, you know,  
22 ourselves wanted to get a better understanding of what  
23 that amount would be, whereas, as I said, those -- the  
24 salaries, those material costs associated with  
25 constructing Keeyask stop once Keeyask is in service.

1                   VICE CHAIR KAPITANY:    And I do recall  
2 now that it was you, Ms. Bauerlein, speaking to that  
3 issue, but the other issue is definitely for Ms.  
4 Stephen. And that was when we were speaking yesterday  
5 about the Moody's report and Mr. Peters was reading  
6 some of the quotes from that report.

7                   I think I heard you say that the rating  
8 from Moody's wasn't very important to the interest  
9 rate that you get because your commercial paper  
10 program is so small.

11                   But on page 22 of the deck you  
12 presented, where you were talking about Moody's  
13 December 24th report, it seemed like the Moody's  
14 rating was a big deal. So I just wondered if you  
15 could clarify that for me?

16                   MS. SUSAN STEPHEN:    Absolutely. Thank  
17 you. The -- the rating that we get on our long-term  
18 borrowing program is extremely important to the  
19 Province of Manitoba and to Manitoba Hydro. That is  
20 the bulk of our borrowing.

21                   Our commercial paper program's only 500  
22 million, and it has a separate rating, so it has the  
23 Prime-1 rating. We hardly utilize that commercial  
24 paper program. And the cost of borrowing for short-  
25 term debt is generally smaller anyway.



1                   So, while it would be concerning  
2 because generally the short-term rating is tied into  
3 the long-term rating, we don't see it as -- as much of  
4 an issue. And, in fact, I think we would have -- have  
5 to be downgraded by three (3) or four (4) notches in  
6 order to -- to get a downgrade, an actual downgrade.

7                   VICE CHAIR KAPITANY:    Thank you.

8                   THE CHAIRPERSON:    Sorry, before you  
9 begin, I've got a question.

10                  Ms. Stephen, in -- in your testimony  
11 you talked about recently obtaining forty-nine (49)  
12 year debt at 2.91 percent. Is that correct?

13                  MS. SUSAN STEPHEN:    That's correct.

14                  THE CHAIRPERSON:    And then you said  
15 you just did US five (5) year debt?

16                  MS. SUSAN STEPHEN:    That's correct.

17                  THE CHAIRPERSON:    And how much was the  
18 US five (5) year debt?

19                  MS. SUSAN STEPHEN:    We shared the  
20 issue with the province. It was 1 billion US debt  
21 issue with the province. Manitoba Hydro took 350  
22 million US. So the Canadian equivalent would have  
23 been 466 million Canadian.

24                  THE CHAIRPERSON:    The -- the rate you  
25 received was -- was what?

1 MS. SUSAN STEPHEN: Two point one nine  
2 percent was the yield.

3 THE CHAIRPERSON: Right. Okay. Were  
4 you receiving -- was the rate based on a review of  
5 Manitoba Hydro's position or on the Government of  
6 Manitoba rate?

7 MS. SUSAN STEPHEN: The province of  
8 Manitoba borrows in -- in the province's name and on  
9 lends to Manitoba Hydro.

10 THE CHAIRPERSON: Now, that's -- does  
11 that include the forty-nine (49) year debt or just the  
12 five (5) that you joined with Manitoba?

13 MS. SUSAN STEPHEN: It includes all of  
14 the debt issuance. All of our debt issuance now comes  
15 from the province of Manitoba.

16 THE CHAIRPERSON: Okay. Thank you.  
17 Sorry. Oh, that's a good idea. Mr. Shefman?

18 MR. COREY SHEFMAN (BY PHONE): Yes,  
19 Mr. Chair?

20 THE CHAIRPERSON: Okay. Sorry for  
21 your loss last night, Mr. Shefman.

22 MR. COREY SHEFMAN (BY PHONE): Oh.

23 THE CHAIRPERSON: The Leafs lost last  
24 night.

25 MR. COREY SHEFMAN (BY PHONE): Sorry,

1 it took me a moment. Thank you.

2 THE CHAIRPERSON: Sorry.

3 MR. COREY SHEFMAN (BY PHONE): Thank  
4 you.

5 THE CHAIRPERSON: I -- I heard -- I --  
6 I watched the news, and the TSN announced that it  
7 would be reporting about the Leafs at the beginning of  
8 all of its shows, notwithstanding they got bounced  
9 out, but sorry about that all.

10 Mr. Will -- oh, Mr. Shefman, if you  
11 could mute your phone. Mr. Williams?

12 DR. BYRON WILLIAMS: Good morning, Mr.  
13 Chair, and members of the panel. And I'll just  
14 indicate, consistent with the -- the advice I provided  
15 to parties last week, we anticipate being in the three  
16 (3) to four (4) hour range.

17 We've -- my understanding is that my  
18 friend, Me. Hacault, is also ready to -- to go today  
19 to use the Board's time as efficiently as possible.

20

21 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

22 DR. BYRON WILLIAMS: Ms. Carriere, as  
23 Director of Rates and Regulatory Affairs for Manitoba  
24 Hydro, it's your duty to be familiar with Public  
25 Utility Board orders as they relate to rate setting,

1 agreed?

2 MS. LIZ CARRIERE: Agreed.

3 DR. BYRON WILLIAMS: And in the course  
4 of preparing for this hearing relating to the 2019/20  
5 General Rate Application, it's incumbent upon you to  
6 be aware of what the Public Utility Board said was  
7 within the scope of the proceeding and what was  
8 outside the scope of the proceeding?

9 MS. LIZ CARRIERE: Correct.

10 DR. BYRON WILLIAMS: And can you  
11 confirm Manitoba Hydro's understanding that Manitoba  
12 Hydro's long-term financial forecast and financial  
13 plan are not in -- in scope for the review of the  
14 General Rate Application?

15 MS. LIZ CARRIERE: That's correct,  
16 yes.

17 DR. BYRON WILLIAMS: Ms. Pachal, it's  
18 nice to see you again after the Keeyask environmental  
19 proceedings. Welcome.

20 MS. SHAWNA PACHAL: Thank you very  
21 much. And I actually want to welcome my daughter's  
22 grade 4 class who's watching this morning as part of  
23 their governance program, so welcome to the girls at  
24 Balmoral Hall in grade 4.

25 DR. BYRON WILLIAMS: Oh, dear.

1 MS. SHAWNA PACHAL: And she also said,  
2 Tell Byron to be nice to my mamma.

3 DR. BYRON WILLIAMS: I must concur,  
4 but nice tactics, Ms. Pachal. Well, my son's  
5 watching, too, so I just...

6 Ms. Pachal, with Mr. Peters yesterday  
7 you had the opportunity to -- to discuss the absence  
8 of an integrated financial forecast.

9 Do you recall that conversation?

10 MS. SHAWNA PACHAL: I do.

11 DR. BYRON WILLIAMS: And relying upon  
12 Mr. Cormie's lengthy institutional memory dating back  
13 some forty (40) years, you felt safe and confirming  
14 that Manitoba Hydro had never gone to its regulator  
15 for a final GRA without an IFF prior to this GRA?

16 MS. SHAWNA PACHAL: I believe that was  
17 Mr. Cormie's testimony, yes.

18 DR. BYRON WILLIAMS: Okay. I wonder  
19 if we can turn into PUB 1-36 updated, and page 1.  
20 And, Ms. Stephen, this is probably for you. You'll  
21 see an inquiry from the Public Utilities Board for a  
22 continuity schedule for debt through the test year out  
23 to 2023/24.

24 Do you see that, Ms. Stephen?

25 MS. SUSAN STEPHEN: Yes.

1 DR. BYRON WILLIAMS: And would --  
2 would it be fair to say that the continuity schedule  
3 for the debt was provided up to and out to 2019/20?

4 MS. SUSAN STEPHEN: Correct.

5 DR. BYRON WILLIAMS: And that beyond  
6 the test year, that information in the was not  
7 available, correct?

8 MS. SUSAN STEPHEN: Correct.

9 DR. BYRON WILLIAMS: And the  
10 information was -- was not available, although once  
11 the next integrated financial forecast is completed,  
12 Manitoba Hydro would to -- would be in a position to  
13 provide it. Is that fair?

14 MS. SUSAN STEPHEN: That's fair.

15 DR. BYRON WILLIAMS: Am I correct in  
16 suggesting to that Manitoba Hydro was either unable or  
17 unwilling to provide that information because the  
18 corporate strategic fa -- plan and IFF have not been  
19 finalized under the new Board?

20 MS. SUSAN STEPHEN: I think I'll let  
21 Ms. Pachal address that.

22 MS. SHAWNA PACHAL: That would be  
23 correct.

24 DR. BYRON WILLIAMS: And if we could  
25 turn into PUB 1-38, Page 1 of 6 -- 1 of 16 and down to

1 scroll under 'C'. Ms. Stephen, again, you'll see a  
2 request from the PUB for an update of a table  
3 detailing debt issuance and corresponding interest  
4 rates going out from the 2016 year to the 2023 year.

5 Do you see that?

6 MS. SHAWNA PACHAL: I do.

7 DR. BYRON WILLIAMS: And if we could  
8 go to page 13 of 16. In terms of -- you'll -- you'll  
9 agree with me, Ms. Stephen, that what we see here at  
10 PUB 1-38C, the response, is the corporation responding  
11 to that inquiry up to the 2020 year.

12 Would that be fair?

13 MS. SHAWNA PACHAL: Yes.

14 DR. BYRON WILLIAMS: And just  
15 scrolling down a little bit on this page, again, that  
16 information requested beyond the test year is not  
17 available currently, agreed?

18 MS. SHAWNA PACHAL: Agreed.

19 DR. BYRON WILLIAMS: And, Ms. Pachal,  
20 it's not available because there's no corporate  
21 strategic plan and no IFF, agreed?

22 MS. SHAWNA PACHAL: Correct.

23

24 (BRIEF PAUSE)

25

1 DR. BYRON WILLIAMS: Ms. Stephen,  
2 you'll recall your discussion yesterday with Mr.  
3 Peters about the weighted average term to maturity for  
4 new debt being issued by Manitoba Hydro?

5 MS. SUSAN STEPHEN: Yes.

6 DR. BYRON WILLIAMS: And it -- it  
7 Manitoba Hydro's plans, as you understand them and  
8 intend to implement them, are to continue to mitigate  
9 refinancing risk by ma -- maintaining the weighted  
10 average term to maturity on new debt issued at  
11 approximately twenty (20) years in -- in totality?

12 MS. SUSAN STEPHEN: That's correct.

13 DR. BYRON WILLIAMS: And in part, as  
14 compared to the dialogue that preceded the last  
15 General Rate Application, that's because of the  
16 flattened yield curve, agreed?

17 MS. SUSAN STEPHEN: Well, there are a  
18 few factors contributing to that; definitely the shape  
19 of the yield curve, although the curve has been  
20 steeping slightly over the last little while, but the  
21 shape of the yield curve will impact that.

22 But given the fact that we do not, as I  
23 indicated yesterday, have a long-term plan or a rate  
24 strategy, we have opted to continue to target a twenty  
25 (20) year weighted average term to maturity to not



1 introduce additional refinancing risk in an -- in an  
2 environment where we don't know what our risks are  
3 going to be.

4 DR. BYRON WILLIAMS: And when you  
5 don't know when you -- where your -- what your risks  
6 will -- will be and you don't know what your plan will  
7 be?

8 MS. SUSAN STEPHEN: Correct.

9 DR. BYRON WILLIAMS: And in terms of  
10 the Corporation no longer targeting twelve (12) year  
11 weighted average term to maturity for new debt, that's  
12 due to both the diminished potential savings as well  
13 as the increased risk.

14 Would that be fair, Ms. Stephen?

15 MS. SUSAN STEPHEN: That's fair.

16 DR. BYRON WILLIAMS: Ms. Stephen,  
17 Manitoba Hydro's last debt management strategy, I'll  
18 suggest to you, was approved on or about April 2017  
19 and filed as an appendix in the -- last year's General  
20 Rate Application?

21 MS. SUSAN STEPHEN: That's correct.

22 DR. BYRON WILLIAMS: And you'll agree  
23 that within the debt management strategy there was a  
24 heavy focus on the targeting of a twelve (12) year  
25 term to maturity for new debt, correct?

1 MS. SUSAN STEPHEN: I wouldn't say  
2 heavy focus, but we had made the change. And the  
3 change was also dependent on receiving additional  
4 revenues through rate increases in order to provide  
5 for debt retirements of potentially riskier debt.

6 DR. BYRON WILLIAMS: You're not  
7 denying that the twelve (12) year term to maturity was  
8 an important element?

9 MS. SUSAN STEPHEN: Yes, it was  
10 important.

11 DR. BYRON WILLIAMS: And you'll recall  
12 as well, Ms. Stephen, that by the time last year's  
13 General Ra -- General Rate Application started on or  
14 about December 2017 you were before the Public  
15 Utilities Board testifying that, in light of the  
16 flattened yield curve, the new debt issuance was going  
17 longer, agreed?

18 MS. SUSAN STEPHEN: Agreed.

19 DR. BYRON WILLIAMS: And indeed, and  
20 you can accept this subject to check or not, your  
21 evidence early in that hearing was that the new debt  
22 issued in '17/'18 was for a weighted average term to  
23 maturity in the rage of -- in the range of eighteen  
24 (18) years, agreed?

25 MS. SUSAN STEPHEN: That's my

1 recollection, yes.

2 DR. BYRON WILLIAMS: And I -- I  
3 believe you adverted to this fact earlier, about one  
4 (1) of the reasons there's no updated debt management  
5 strategy is because there's no long-term integrated  
6 financial forecast, agreed?

7 MS. SUSAN STEPHEN: We have not  
8 published a debt management strategy because we do not  
9 have a long-term forecast.

10 DR. BYRON WILLIAMS: And once you have  
11 that direction and that long-term forecast, no doubt  
12 Manitoba Hydro will prepare a new debt management  
13 strategy reflective of the long-term direction of the  
14 Corporation, agreed?

15 MS. SUSAN STEPHEN: Agreed.

16 DR. BYRON WILLIAMS: Now, in your  
17 conversation, Ms. Stephen, with the -- Mr. Peters  
18 yesterday, and then with the Chairperson this morning,  
19 you'll recall talk of -- in the range of the \$1  
20 billion issuance with the province for a five (5) year  
21 term into the US.

22 Do you recall that?

23 MS. SUSAN STEPHEN: Yes, that -- that  
24 issue was a -- yeah, US issue shared with the  
25 Province. Manitoba Hydro to 350 million US of that

1 issue.

2 DR. BYRON WILLIAMS: And then you were  
3 -- we don't need to go back to it, but you were kind  
4 enough to convert that into Canadian dollars, as well.  
5 You recall that?

6 MS. SUSAN STEPHEN: Yes.

7 DR. BYRON WILLIAMS: In terms of that  
8 new debt issuance, can you indicate to -- to my client  
9 at what time period that took place in?

10

11 (BRIEF PAUSE)

12

13 MS. SUSAN STEPHEN: I don't have the  
14 actual date, but it was in the first week of April.

15 DR. BYRON WILLIAMS: So it wouldn't be  
16 reflected in the Corporation's response to PUB 1-38,  
17 the up -- updated version which goes only to March  
18 15th or so. Would that be fair?

19 MS. SUSAN STEPHEN: That's fair.

20 DR. BYRON WILLIAMS: And in terms of  
21 the forty-nine (49) year issue that you spoke of, do  
22 you recall that as well?

23 MS. SUSAN STEPHEN: Yes.

24 DR. BYRON WILLIAMS: And can you  
25 indicate on or about when that would have been issued?

1 MS. SUSAN STEPHEN: On or about the  
2 same time as the five (5) year.

3 DR. BYRON WILLIAMS: Ms. Stephen, and  
4 looking over to your legal counsel as well, I don't  
5 want to make a lot of work for the Corporation, but  
6 would it be possible to update PUB 1-38 to -- to  
7 capture the information that's since March 15th, or  
8 are those the only two new debt issues?

9

10 (BRIEF PAUSE)

11

12 MS. SUSAN STEPHEN: My apologies.  
13 Yes, we can update it.

14 DR. BYRON WILLIAMS: Okay. And I  
15 appreciate your courtesy. Thank you.

16 THE CHAIRPERSON: Sorry, is that  
17 intended as an undertaking?

18 DR. BYRON WILLIAMS: Yeah. Let me --  
19 let me.

20 THE CHAIRPERSON: Put it on the  
21 record.

22 DR. BYRON WILLIAMS: Let me --

23 THE CHAIRPERSON: Yeah.

24 DR. BYRON WILLIAMS: For the court  
25 report, with apologies to the Chair, an undertaking to

1 update Information Request PUB 1-38 in terms of new  
2 debt issued not reflected on that response since March  
3 15, 2019.

4 Is that a satisfactory undertaking, Ms.  
5 Stephen?

6 MS. SUSAN STEPHEN: Yes.

7 DR. BYRON WILLIAMS: Okay.

8

9 --- UNDERTAKING NO. 3: Manitoba Hydro to update  
10 Information Request PUB 1-  
11 38 in terms of new debt  
12 issued not reflected on  
13 that response since March  
14 15, 2019

15

16 CONTINUED BY DR. BYRON WILLIAMS:

17 DR. BYRON WILLIAMS: I wonder if we  
18 could turn to coalition MH-1-25C and down to the  
19 bottom of the first page. Ms. Pachal, this is not  
20 information -- or a question about water. And  
21 recognizing that your daughter's watching, I -- I  
22 thought I might ask this question of you. But if you  
23 feel you want to pass it on and let your daughter  
24 down, that's not a problem.

25

1 (BRIEF PAUSE)

2

3 DR. BYRON WILLIAMS: I'll just let you  
4 look at that -- that paragraph at the end of that page  
5 just for a second, if you would, that being the bottom  
6 of page 1 of 2 of Coalition 1-25C.

7

8 (BRIEF PAUSE)

9

10 DR. BYRON WILLIAMS: Ms. Pa -- Pachal,  
11 the -- you see the statement of the importance of  
12 recognizing that Manitoba Hydro operates in a complex  
13 environment with multiple indepe -- interdependencies  
14 which makes it challenging to deduce rate setting  
15 implications by -- by looking at certain updated  
16 information and isolation of other factors? Do you  
17 see that reference?

18 MS. SHAWNA PACHAL: I do.

19 DR. BYRON WILLIAMS: And -- and  
20 generally speaking, and recognizing that your lengthy  
21 experience with the Corporation rivals that of Mr.  
22 Cormie, you'll -- that's a fair statement?

23 MS. SHAWNA PACHAL: Correct.

24 DR. BYRON WILLIAMS: And again, in  
25 terms of Manitoba Hydro's financial forecast, one (1)

1 of the reasons we conceive of it as being integrated  
2 is because it brings together, I'll suggest to you, a  
3 number of component forecasts that are developed  
4 during the integrated planning cycle in a particular  
5 sequence.

6                               Would that be fair? Just --

7                               MS. SHAWNA PACHAL: I think that would  
8 be fair, yes.

9                               DR. BYRON WILLIAMS: And just for an  
10 example, the load forecast would be an input into the  
11 power resource plan, agreed?

12                              MS. SHAWNA PACHAL: Agreed.

13                              DR. BYRON WILLIAMS: And would it be  
14 fair generally to say that Manitoba Hydro relies on  
15 the integrated financial forecast to forecast how it  
16 is expected to perform as compared to its key  
17 performance indicators?

18                              MS. SHAWNA PACHAL: In theory, that  
19 would be true if we had performance indicators and we  
20 had an IFF.

21                              DR. BYRON WILLIAMS: Okay.

22                              MS. SHAWNA PACHAL: But currently, we  
23 don't have corporate performance indicators. We're  
24 relying on indicators or targets from two (2) years  
25 ago currently in terms of the performance.



1 DR. BYRON WILLIAMS: And staying at  
2 that level of theory, presumably, as well, Manitoba  
3 Hydro would rely on its IFF, require to -- to give  
4 guidance in terms of the rate increases required to  
5 maintain or attain financial performance indicators.  
6 Would that be fair?

7 MS. SHAWNA PACHAL: That would be  
8 fair.

9 DR. BYRON WILLIAMS: And the IFF as  
10 well, I'll suggest to you, Ms. Pachal, is also used to  
11 help guide the overall bor -- borrowing requirements.  
12 Would that be fair?

13 MS. SHAWNA PACHAL: That I actually  
14 would have to ask Susan to what extent they would  
15 consider that as part of the plan. So I'll just let  
16 Susan respond to that.

17 MS. SUSAN STEPHEN: Yes, that's  
18 correct, Byron.

19 DR. BYRON WILLIAMS: Thank you.

20 MS. SUSAN STEPHEN: Mr. Will --

21 DR. BYRON WILLIAMS: Thank you.

22 MS. SUSAN STEPHEN: Mr. Williams. I  
23 apologize.

24 DR. BYRON WILLIAMS: I've been called  
25 for worse. Ms Carriere, in your role as a corporate -

1 - a witness for the Corporation, you were here before  
2 the Public Utilities Board last year in the  
3 proceedings leading to Order 59/18 and testifying in  
4 support of a 7.9 percent rate increase. Would that be  
5 fair?

6 MS. LIZ CARRIERE: That's correct.

7 DR. BYRON WILLIAMS: Ms. Bauerlein,  
8 you were also a witness during the last General Rate  
9 Application?

10 MS. SANDY BAUERLEIN: That is correct.

11 DR. BYRON WILLIAMS: And, Ms. Stephen,  
12 again, you were a witness during the last General Rate  
13 Application?

14 MS. SUSAN STEPHEN: That's correct.

15

16 (BRIEF PAUSE)

17

18 DR. BYRON WILLIAMS: I'm not sure if  
19 these questions go to Ms. Carriere or to Ms.  
20 Bauerlein. They deal with the general rate  
21 implications of the -- of the applications.

22 So I'm going to start with you, Ms.  
23 Carriere. And then you can move it down the line or  
24 up the line as you choose. As Hydro discussed with  
25 Mr. Peters yesterday, over an annualized twelve (12)

1 month basis, 3.5 percent amounts to roughly \$59  
2 million, agreed?

3 MS. SANDY BAUERLEIN: Yes. On a  
4 fiscal year basis, yes.

5 DR. BYRON WILLIAMS: And I did mean to  
6 bring up Coalition Manitoba Hydro First Round number  
7 5. Thank you. And effective June 1st, 2019, if  
8 granted, and just focusing now on the fiscal year, 3.5  
9 would amount to \$15 million in additional revenues for  
10 the Corporation, agreed?

11 MS. LIZ CARRIERE: Agreed.

12 DR. BYRON WILLIAMS: And ballpark  
13 again on a fiscal-year basis, of that \$50 million,  
14 Manitoba Hydro is proposing that a bit over \$20  
15 million come from residential subscribers, agreed?

16 MS. LIZ CARRIERE: I don't know off  
17 the top of my head, but subject to check, yes.

18 DR. BYRON WILLIAMS: And in the  
19 response to Coalition Manitoba Hydro First Round  
20 number 5 you see a request to Manitoba Hydro to -- to  
21 provide the present value of the annualized rate  
22 increase of 59 million and the annualized rate  
23 increase for residential customers using a nominal  
24 social discount rate of 5 percent.

25 That was the nature of the request,

1 agreed?

2 MS. LIZ CARRIERE: Agreed.

3 DR. BYRON WILLIAMS: And looking at  
4 the global amount, would it be fair to suggest that  
5 for rate peers as a whole, Manitoba Hydro calculated a  
6 rate increase of 3.5 percent being be -- in the range  
7 between 1.3 billion and 1.4 -- 1.457 billion. Would  
8 that fair?

9 MS. LIZ CARRIERE: Yes. Depending on  
10 the growth rate factor that's used, that's the present  
11 value, correct.

12 DR. BYRON WILLIAMS: And just if we  
13 could turn to the bottom of the next page. In terms  
14 of residential subscribers, the estimate was between  
15 561 million and 628 million, agreed?

16 MS. LIZ CARRIERE: Yes, agreed.

17 DR. BYRON WILLIAMS: And, Ms. Bauer --  
18 or, Ms. Carriere, recognizing that there is no  
19 integrated financial forecast, is it also fair to say  
20 that Manitoba Hydro is seeking a \$59 million  
21 annualized rate increase in the absence of any  
22 corporate strategic plan filed in support of the  
23 application?

24 MS. LIZ CARRIERE: Sor -- a 50 --  
25 well, on an annualized basis --

1 DR. BYRON WILLIAMS: Yeah.

2 MS. LIZ CARRIERE: -- 59 million.

3 That's correct.

4 DR. BYRON WILLIAMS: And with no  
5 corporate strategic plan in support?

6 MS. LIZ CARRIERE: No strategic plan  
7 in place to guide future forecasts.

8 DR. BYRON WILLIAMS: And there is no  
9 prospective cost of service study for 2019/'20  
10 incorporating the effects the Bipole III, agreed?

11 MS. LIZ CARRIERE: No. But there was  
12 an indicative response showing the approximation of  
13 the effects of Bipole III.

14 DR. BYRON WILLIAMS: And we'll come to  
15 that, but that would be PUB 1-61, subject to check?

16 MS. LIZ CARRIERE: Correct.

17 DR. BYRON WILLIAMS: And there is no  
18 detailed OM&A budget for 2019/'20 being shared with  
19 the Board or -- or rate interveners, agreed?

20 MS. LIZ CARRIERE: Ms. Bauerlein told  
21 us yesterday that it's under development but that the  
22 detailed budget is working towards the 511 million.

23 DR. BYRON WILLIAMS: Ms. Carriere, you  
24 -- as someone who was present during last year's  
25 General Rate Application, you'll recall the testimony

1 of Mr. Pallino Colaiacovo on behalf of Morrison Park?

2 Generally, you're aware he testified?

3 MS. LIZ CARRIERE: Yes, he was here.

4 DR. BYRON WILLIAMS: And at a high  
5 level, you're aware that he spoke on issues related to  
6 the treatment of risk and of issues of access to the  
7 capital market in the context of large government-  
8 owned utilities? Generally, you recall that?

9 MS. LIZ CARRIERE: Generally. I don't  
10 recall specifics.

11 DR. BYRON WILLIAMS: Fair enough. It  
12 would be accurate to suggest that for the purpose of  
13 this proceeding, Manitoba Hydro has not called an  
14 independent witness, such as Mr. Colaiacovo, to  
15 testify on issues relating to risk for large  
16 electrical utilities. Would that be fair?

17 MS. LIZ CARRIERE: No. I believe the  
18 Corporation's view is that, given this proceeding and  
19 falling on an enormous proceeding for the '17/'18,  
20 '18/'19 GRA, that -- that we wouldn't be calling a  
21 witness for that.

22 DR. BYRON WILLIAMS: And likewise, the  
23 Corporation has chosen not to call witnesses from  
24 credit rating agencies to testify as to the impact of  
25 Hydro's debt on access to capital. Would that be

1 fair?

2

3

(BRIEF PAUSE)

4

5 MS. LIZ CARRIERE: Sorry for that. I  
6 was just confirming with Ms. Fernandes. I don't  
7 believe we've ever called a credit rating agency  
8 representative as a witness before.

9 We've previously filed the reports with  
10 the Board. And in this proceeding, the only reason  
11 why we did so was in response to Mr. Bowman's  
12 statement that negative net income is -- is okay.

13 DR. BYRON WILLIAMS: Okay. Thank you  
14 for that. And again, Hydro has chosen not to call  
15 witnesses from the Provincial Government to testify as  
16 to the impact of Manitoba Hydro's debt on its access  
17 to capital, agreed? There's no witness from the  
18 Provincial Government here on that point, Ms.  
19 Carriere?

20 MS. LIZ CARRIERE: No. Again, we've  
21 never called a witness from the Provincial Government.

22 DR. BYRON WILLIAMS: And, Ms.  
23 Carriere, you'll recall as well during last year's  
24 General Rate Application generally that the witnesses  
25 from Metsco, for the court reporter M-E-T-S-C-O,

1 provided evidence regarding day-to-day capital  
2 planning and -- and optimization. Generally, you  
3 recall that?

4 MS. LIZ CARRIERE: Yes. They  
5 testified as experts at the last hearing.

6 DR. BYRON WILLIAMS: And it would be a  
7 fair statement that Manitoba Hydro has not called any  
8 independent witnesses for the purposes of this hearing  
9 to evaluate its progress in optimizing its day-to-day  
10 capital expenditures?

11

12 (BRIEF PAUSE)

13

14 DR. BYRON WILLIAMS: Ms. Carriere, if  
15 you wish to say it's out of scope, I'm not going to  
16 object to your answer.

17 MS. LIZ CARRIERE: Well, I guess what  
18 were debating is business operations capital for  
19 '19/'20 obviously is in scope, but the asset  
20 management piece and our progress towards that, I  
21 believe, is. Thank you, Mr. Williams.

22 DR. BYRON WILLIAMS: Ms. Carriere, in  
23 terms of the issue specifically of the appropriate  
24 level of rate increases for the 2019/20 General ate --  
25 Rate Application, it would be accurate to suggest that



1 no consultation or engagement sessions were taken with  
2 Manitoba Hydro residential customers prior to the  
3 filing of this application?

4 MS. LIZ CARRIERE: Sorry, just to be  
5 clear, it's for the '19/'20?

6 DR. BYRON WILLIAMS: Yes. Prior to  
7 the filing of the application in November 2018.

8 MS. LIZ CARRIERE: That would be  
9 correct. We didn't. I believe there was a spo -- a  
10 response to an -- an IR that we didn't undertake  
11 specific consultation but that we had -- in the  
12 interim, we had a number of public meetings.

13 And we converse with our customers on  
14 an ongoing basis.

15 DR. BYRON WILLIAMS: And the public  
16 meetings of which is speak took place on or about  
17 March of 2019, and if you need a reference, Coalition  
18 1-3(a)?

19 MS. LIZ CARRIERE: Yes, that's  
20 correct.

21 DR. BYRON WILLIAMS: And it would be  
22 accurate to suggest as well, Ms. Carriere, that  
23 Manitoba Hydro, in support of this application, has  
24 not filed any comparative analysis of residential  
25 customers in other jurisdictions relating to factors

1 such as average household income, rate of poverty, or  
2 energy cost is a proportion of household income.

3 Would that be fair?

4 MS. LIZ CARRIERE: That's fair. We  
5 didn't undertake that sort of analysis. Ms. Morrison,  
6 thank you for kindly rejoining us today for a couple  
7 of questions, and I just have a few for you.

8 I do want to turn your attention to the  
9 2017 residential energy use survey which is captured -  
10 - is -- is attachment AMC Information Request 1 -- 7.

11 And, Ms. Morrison, just to direct you  
12 to page 10 of 228 just for second in terms of  
13 methodology, and scroll down to the -- the bottom half  
14 of the page.

15 This was generally a survey intended to  
16 collect detailed information from residential  
17 customers about a number of factors relating to their  
18 homes, their heating and cooling system, as well as  
19 certain demographic information. Would that be  
20 accurate?

21 MS. LOIS MORRISON: That is correct.

22 DR. BYRON WILLIAMS: And I'm not going  
23 to be addressing issues related to First Nations on  
24 reserve. But leaving that aside, the Corporation  
25 received over thirty-seven hundred (3,700) responses

1 from residential customers not in First Nations on  
2 reserve, agreed?

3 MS. LOIS MORRISON: That is correct.

4 DR. BYRON WILLIAMS: And you've put  
5 your estimate of the survey accuracy on -- on this  
6 page being 10 of 228, correct, overall -- suggesting  
7 overall survey results are accurate within 1.58  
8 percent nineteen (19) times out of (20)?

9 MS. LOIS MORRISON: That is correct,  
10 for the overall sample.

11 DR. BYRON WILLIAMS: Ms. Morrison,  
12 thank you for that. And I just want to direct your  
13 attention to a couple of pages, one (1) being page 155  
14 to 228.

15 And generally, you'll -- you'll see  
16 that the -- the subject area of this Inquiry was  
17 residential customers who, in the last two years,  
18 reduced spending on food to pay for their Manitoba  
19 Hydro bill, agreed?

20 MS. LOIS MORRISON: Agreed.

21 DR. BYRON WILLIAMS: And if we go to  
22 the first line of the response, looking at the overall  
23 estimate and directing your line -- your attention to  
24 kind of three (3) lines over to 1 percentage, does not  
25 suggest that Hydro estimates that about 2 percent did

1 that at least once over the last two (2) years, namely  
2 reducing spending on food to pay for their bill?

3 Is that how you interpret that, Ms.  
4 Morrison?

5 MS. LOIS MORRISON: Yes. Based on the  
6 survey respondents, 2 percent indicated that there was  
7 one (1) time during the last two (2) years where they  
8 had reduced spending on food to pay for the Manitoba  
9 Hydro bill.

10 DR. BYRON WILLIAMS: And moving to the  
11 right on that table, another 2.8 percent suggested it  
12 two (2) times.

13 MS. LOIS MORRISON: That is correct.

14 DR. BYRON WILLIAMS: And again to the  
15 right, another 1.9 percent suggested three (3) times,  
16 agreed?

17 MS. LOIS MORRISON: That is correct.

18 DR. BYRON WILLIAMS: And 5.6 percent,  
19 it's estimated reduce spending on food four (4) or  
20 more times to pay for the hydro bill?

21 MS. LOIS MORRISON: That is correct.

22 DR. BYRON WILLIAMS: And won't go  
23 through it. And I'll specifically not go to First  
24 Nations on reserve. But if we just go down one (1)  
25 line, we'll see results for the city of Winnipeg, Ms.

1 Morrison, correct.

2 MS. LOIS MORRISON: Yes.

3 DR. BYRON WILLIAMS: And directing  
4 your attention all the way over to the four (4) times  
5 in the last two (2) years reducing spending on food,  
6 you'll see the estimate of 4.6 percent, correct?

7 MS. LOIS MORRISON: That is correct.

8 DR. BYRON WILLIAMS: And if we go down  
9 to the, "no gas available, " again and moving you over  
10 to the four (4) plus times, the estimate is 9.7  
11 percent, correct?

12 MS. LOIS MORRISON: That is correct.

13 DR. BYRON WILLIAMS: Thank you,  
14 Ms. Morrison. If we can turn to page 159 of 228.

15 And Ms. Morrison, this Inquiry relates  
16 to the estimated number of residential customers who  
17 in the last two (2) years reduce spending on clothing  
18 to pay for the hydro bill, agreed?

19 MS. LOIS MORRISON: That is correct.

20 DR. BYRON WILLIAMS: And again, we'll  
21 focus on the "for plus times" on the over -- and I'll  
22 suggest to you that for the -- the estimate is that  
23 for the overall group 7.2 percent or in the range of  
24 thirty-four thousand (34,000). That's Hydro's  
25 estimate, agreed?

1 MS. LOIS MORRISON: That is correct.

2 DR. BYRON WILLIAMS: And for the city  
3 of Winnipeg, that would be estimated to be six point  
4 seven (6.7), reducing spending on clothing for plus  
5 times to pay for the hydro bill in the last two (2)  
6 years, correct?

7 MS. LOIS MORRISON: Yes, that is  
8 correct.

9 DR. BYRON WILLIAMS: And for the  
10 "no gas available," the estimate would be  
11 10.9 percent.

12 Would that be fair?

13 MS. LOIS MORRISON: That would be  
14 fair.

15 DR. BYRON WILLIAMS: And Ms. Morrison,  
16 you're always welcome to stay here. It's always a  
17 pleasure. I'll just indicate that I have no further  
18 questions on the residential use survey.

19 MS. LOIS MORRISON: one of the items  
20 we -- we talked a little bit earlier about,  
21 Dr. Williams, was the characterization of the accuracy  
22 of the survey, and I mentioned that the -- the  
23 accuracy of that survey is for the -- that's presented  
24 in -- in the introductions is related to the overall  
25 survey response.

1                   What I'd like to do is put some caveats  
2 around: When you start to slice the data into smaller  
3 groups, your range of accuracy gets wider. And so  
4 that's the only qualifier I'd like to put on the data  
5 that was presented here is that when you get into  
6 smaller and smaller sub-samples, the data error ranges  
7 get wider.

8                   So just with that I'd like to caution  
9 the group.

10                   DR. BYRON WILLIAMS: And I thank you  
11 for that, and -- and, Ms. Morrison, just if I can take  
12 that question, that will suggest that the -- the  
13 actual numbers might be higher, or they might be  
14 lower, fair?

15                   MS. LOIS MORRISON: That the -- yes --  
16 the actual numbers might -- will -- could be higher or  
17 could be lower.

18

19                   (BRIEF PAUSE)

20

21                   DR. BYRON WILLIAMS: Now, I'm --  
22 Ms. Carriere, this may go to you. If not, again  
23 you'll refer it.

24                   But recognizing that there are forecast  
25 limitations, Hydro's current best estimate of the

1 2019/20 net income resulting from a 3.5 percent  
2 proposed rate increase would be \$115 million, subject  
3 to check?

4 MS. LIZ CARRIERE: Yes. That's what  
5 was filed on February 14th.

6 DR. BYRON WILLIAMS: And for 1 -- a  
7 1 percent rate increase would be 78 million, subject  
8 to check and the references coalition, Manitoba  
9 Hydro 1-88, agreed?

10 MS. LIZ CARRIERE: Agreed.

11 DR. BYRON WILLIAMS: And for  
12 2 percent, 93 million, correct?

13 MS. LIZ CARRIERE: Agreed.

14 DR. BYRON WILLIAMS: I wonder if I  
15 could turn the Hydro panel to Public Utilities Board  
16 Order 59/18, page 65, the last paragraph on that page.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: And Ms. Carriere,  
21 if you need a second to refresh your memory, I'm  
22 really focusing on the first five or six lines of  
23 this -- this paragraph.

24 Ms. Carriere, you see here the Public  
25 Utilities Board commenting about its observations in



1 terms of how different risks should be treated within  
2 the rate setting process.

3 Do you see that?

4 MS. LIZ CARRIERE: Yes, I see that.

5 DR. BYRON WILLIAMS: For example, you  
6 see the Board agreeing with the witness from Morrison  
7 Park that interest rate risk and export price risks  
8 over the long term should be addressed with rate  
9 increases as and when those risks materialize.

10 Do you see that?

11 MS. LIZ CARRIERE: Yes, that's what it  
12 says.

13 DR. BYRON WILLIAMS: And suggesting,  
14 as well, the Board's agreement with Morrison Park that  
15 retained earnings should be used to manage drought in  
16 combination with regulatory action by the Board,  
17 agreed?

18 MS. LIZ CARRIERE: Yes, that's what it  
19 says.

20 DR. BYRON WILLIAMS: And as well, you  
21 see the observation going down to about line 6, the  
22 Board indicating its willingness to consider  
23 regulatory action when required to address emerging  
24 risks facing Manitoba Hydro, agreed?

25 MS. LIZ CARRIERE: Agreed.

1 DR. BYRON WILLIAMS: Ms. Pachal, to  
2 you or to others on the panel and recognizing that  
3 Manitoba Hydro is engaged in the strategic planning  
4 exercise as we speak.

5 To date, has Manitoba Hydro engaged  
6 independent external experts to provide advice on the  
7 determinations of the Public Utilities Board on issues  
8 related to drought, interest rate, or export price  
9 risk as it relates to rate setting?

10 MS. SHAWNA PACHAL: Not for the  
11 purposes of this hearing, no.

12 DR. BYRON WILLIAMS: Just so I'm  
13 clear, Ms. Pachal, the question goes beyond this  
14 hearing. There's a rates -- there's a corporate  
15 strategic exercise being undertaken right now, agreed?

16 MS. SHAWNA PACHAL: Correct.

17 DR. BYRON WILLIAMS: For the purposes  
18 of that dialogue --

19 MS. SHAWNA PACHAL: Oh, sorry.  
20 Right.

21 DR. BYRON WILLIAMS: Yes.

22 MS. SHAWNA PACHAL: The -- as I  
23 mentioned, the first kickoff meeting with Deloitte was  
24 last Thursday, and so it was just a discussion of pace  
25 and sort of the high-level process involved. That

1 level of detail was not discussed in terms of what  
2 issues and reviews are -- might potentially come out  
3 of that.

4 DR. BYRON WILLIAMS: So to date, I'm  
5 recognizing that I'm speaking beyond the rate-setting  
6 exercise --

7 MS. SHAWNA PACHAL: Right.

8 DR. BYRON WILLIAMS: -- and the  
9 strategic planning exercise.

10 MS. SHAWNA PACHAL: Yeah.

11 DR. BYRON WILLIAMS: Hydro has not  
12 engaged independent external experts to provide advice  
13 about risk tolerances, what risk should be protected  
14 by reserves, and the circumstances which might guide  
15 the need for more aggressive rate increases.

16 MS. ODETTE FERNANDES: Mr. Williams, I  
17 think the difficulty we're having is that this process  
18 has just started, so we can't speak to what will  
19 evolve out of this corporate strategic planning  
20 process.

21 DR. BYRON WILLIAMS: Fair enough.  
22 Just right as of now, there's no one --

23 MS. SHAWNA PACHAL: No. The answer  
24 would be no.

25 DR. BYRON WILLIAMS: Okay.

1 Ms. Pachal, you'll recall generally your discussion  
2 with Mr. Peters yesterday about a potential technical  
3 conference addressing issues relating to appropriate  
4 financial metrics and rules in the face of potential  
5 risk to the Utility.

6 Do you recall that conversation  
7 generally?

8 MS. SHAWNA PACHAL: I do.

9 DR. BYRON WILLIAMS: And if I've  
10 misstated Hydro's position, you'll correct me, but  
11 would it be correct to suggest that Hydro is not  
12 prepared at this point in time to engage with  
13 stakeholders and the PUB on these issues in the form  
14 of a technical conference?

15

16 (BRIEF PAUSE)

17

18 MS. SHAWNA PACHAL: Agreed.

19 DR. BYRON WILLIAMS: I'm getting old,  
20 so Odette's helping me with my memory just to be clear  
21 on -- on what the discussion was yesterday.

22 So I -- I believe we talked about the  
23 fact that because we're just engaged in the beginning  
24 of the corporate strategic planning process, part of  
25 the plan is engage various stakeholders.

1                   We haven't finalized a list of who  
2 those stakeholders are yet, but part of the process is  
3 to engage various stakeholders at the beginning of the  
4 process as part of a swap analysis or environmental  
5 analysis of what the stakeholders concerns are with  
6 respect to Manitoba Hydro.

7                   DR. BYRON WILLIAMS:    So some type of  
8 engagement, but at this point in time, it's too early  
9 to commit to a technical conference.

10                  MS. SHAWNA PACHAL:    Well, I think it  
11 would be putting the cart before the horse -- yes --  
12 before the Corporation itself even has discussions  
13 with its executive and its board around -- and the  
14 strategic planning process to understand where  
15 strategically over the next number of years we want to  
16 go, and from that develop the integrated financial  
17 forecast, then a rate strategy.

18                  DR. BYRON WILLIAMS:    Thank you for  
19 that.  I wonder if we can pull up PUB First  
20 Round 1-14B revised, and Ms. Bauerlein, I suspect  
21 these questions are for you.  Maybe we can go to the  
22 question first.

23

24

(BRIEF PAUSE)

25

1 DR. BYRON WILLIAMS: Just one second.  
2 I appear to be working off of a different document. I  
3 was looking for the revised document, as opposed...

4

5 (BRIEF PAUSE)

6

7 DR. BYRON WILLIAMS: Ms. Bauerlein --  
8 and thank you for that, Ms. Schubert -- you see a  
9 request from the Public Utilities Board at sub (b) for  
10 Manitoba Hydro to provide a detailed breakdown by cost  
11 element and business unit of the OM&A budgets for both  
12 the '18/'19 year, as well as the test year being the  
13 2019/'20 year, agreed?

14 MS. SANDY BAUERLEIN: Agreed.

15 DR. BYRON WILLIAMS: I didn't hear  
16 that. I'm sorry.

17 MS. SANDY BAUERLEIN: Agreed.

18 DR. BYRON WILLIAMS: And we can go to  
19 the second page of this document at the -- under the  
20 table if that would assist you. But the Corporation's  
21 response in part was that the details underlying  
22 the -- each line item, including the 2019/20 budget,  
23 were not then yet available, agreed?

24 MS. SANDY BAUERLEIN: Correct.

25 DR. BYRON WILLIAMS: And if we cast

1 our minds back in time, Ms. Bauerlein, Hydro was not  
2 able to provide a detailed O&A budget for the '17/'18  
3 year, agreed?

4 MS. SANDY BAUERLEIN: Correct, as we  
5 were in the midst of restructuring at the time.

6 DR. BYRON WILLIAMS: And that was  
7 related to the voluntary departure initiative,  
8 correct?

9 MS. SANDY BAUERLEIN: That is correct.

10 DR. BYRON WILLIAMS: And then, we do  
11 have some details of the 2018/19 budget, and we don't  
12 need to go here, but that's before the Board in  
13 PUB 1-14. Well, in this one. We're subject to check.

14 MS. SANDY BAUERLEIN: Correct. If you  
15 scroll down, you would see the detailed breakdown of  
16 the forecast for '18/'19.

17 DR. BYRON WILLIAMS: And as we've  
18 discussed before, we don't have a detailed budget for  
19 '19/'20, correct?

20 MS. SANDY BAUERLEIN: Correct. As  
21 discussed in my testimony yesterday, we're in the  
22 process of finalizing that, but as even indicated by  
23 Ms. Carriere this morning, the total will be  
24 511 million. It's just the breakdown in each of the  
25 components that we're still finalizing.

1 DR. BYRON WILLIAMS: And if we can go  
2 to page 4 of 6 towards -- under the table, you'll see  
3 here the Public Utilities Board asking for a breakdown  
4 of other employee rate-related expenditures, both for  
5 '18/'19 and 20 -- and '19/'20, agreed?

6 MS. SANDY BAUERLEIN: Agreed.

7 DR. BYRON WILLIAMS: And again, the  
8 Corporation is unable to respond for the test year.

9 MS. SANDY BAUERLEIN: Correct. The  
10 details as to what is in that other employee-related  
11 expenditures is still being finalized.

12 DR. BYRON WILLIAMS: And if we went to  
13 PUB 1-16, you see the Public Utilities Board asking  
14 for, again, a comparison between the current year and  
15 the test year by cost, element, and business unit,  
16 correct?

17 MS. SANDY BAUERLEIN: Correct.

18 DR. BYRON WILLIAMS: And for the test  
19 year, Manitoba Hydro is unable to provide those  
20 details?

21 MS. SANDY BAUERLEIN: Correct.

22 DR. BYRON WILLIAMS: And if we go to  
23 PUB 1-18A, you'll see again the Public Utilities Board  
24 looking for details regarding external services and  
25 materials for a number of years, including the 2019/20



1 test year, correct?

2 MS. SANDY BAUERLEIN: Correct.

3 DR. BYRON WILLIAMS: And the  
4 Corporation is unable to respond?

5 MS. SANDY BAUERLEIN: For the 2019/20  
6 test year, as we're still finalizing the details.

7 DR. BYRON WILLIAMS: And finally, if  
8 we turn to PUB 1-19A, in terms of the -- you'll see a  
9 request by the Public Utilities Board for details  
10 regarding the staffing complement by business unit for  
11 a number of years, including the test year, correct?

12 MS. SANDY BAUERLEIN: That is correct.

13 DR. BYRON WILLIAMS: And for the test  
14 year, the -- the Corporation is unable to provide the  
15 details?

16 MS. SANDY BAUERLEIN: Correct, as it's  
17 asking for details by business unit.

18 DR. BYRON WILLIAMS: Now, if I can  
19 direct the Corporation's attention to Coalition 1-15A  
20 to 'C' and, specifically, page 2 towards the bottom of  
21 the response to ABC. Just go scroll -- thank you very  
22 much, Kris -- Kris, Ms. Schubert.

23 Again, Ms. Bauerlein, you see reference  
24 to the 2019/20 budget O&A target still being in the --  
25 details supporting it are still being developed,

1 agreed?

2 MS. SANDY BAUERLEIN: Correct. I see  
3 that statement.

4 DR. BYRON WILLIAMS: And then we see  
5 Manitoba Hydro indicating that it will file details of  
6 the '29/'20 (sic) approved budget, if available,  
7 should the PUB require an oral hearing on this issue?

8 MS. SANDY BAUERLEIN: That is correct.

9 DR. BYRON WILLIAMS: So the PUB has  
10 directed an oral hearing, agreed? Here we are.

11 MS. SANDY BAUERLEIN: We're here.

12 DR. BYRON WILLIAMS: Can you discuss  
13 what, if any, steps Manitoba Hydro took to expedite  
14 the budget development process in recognition of this  
15 public process?

16 MS. SANDY BAUERLEIN: And it's trying  
17 to put together the details. Again, the 511 million  
18 is what's in revenue requirements. So that -- that is  
19 what we're looking at when we're talking about net  
20 income.

21 We are engaged in -- in a number of  
22 activities right now, including this hearing, the gas  
23 hearing, year-end activities. We have worked to try  
24 and get all the details together as quickly as  
25 possible, but a given -- it's -- it's very complex

1 'cause, again, as I discussed yesterday, you're going  
2 down to -- in order to provide you with business unit  
3 information, we feel it down to what we call "cost  
4 centres." Cost centres roll to departments;  
5 departments roll to divisions; divisions then roll to  
6 business units.

7                   So there's a lot of detail required to  
8 prepare the -- the line by line. But at the end of  
9 the day what's in revenue requirement -- that  
10 511 million -- will not change, regardless of what the  
11 details tell you. And that's what you're using to set  
12 rates, but we -- you know, we -- we've made an effort  
13 to try and -- and move this process as quickly as we  
14 can.

15                   DR. BYRON WILLIAMS: Thank you for  
16 that. I'd like to talk for a few moments about the  
17 supply chain efforts and specifically direct the  
18 Corporation's attention to Coalition 1-13, page 2  
19 of 6.

20                   And Ms. Bauerlein, I -- I want to  
21 direct your attention to sub-question 'G' sub 2. And  
22 you see a request from the Coalition for analysis of  
23 the -- the supply chain initiative and -- and whether  
24 or not it was in the years in question was generating  
25 a cost savings in the range of 150 million between

1 '17/'18 and '20/'21, agreed?

2 MS. SANDY BAUERLEIN: Agreed.

3 DR. BYRON WILLIAMS: And if we can  
4 turn to page 5 of 6 of that response sub 2. There we  
5 are.

6 Ms. Bauerlein, if you need a second,  
7 let me know, but otherwise, I'm -- I'm assuming you've  
8 got this memorized. So I'll -- I'll work my way  
9 through it with you.

10 MS. SANDY BAUERLEIN: I don't have all  
11 the IRs memorized.

12 DR. BYRON WILLIAMS: Oh. That's only  
13 Mr. Epp.

14 In terms of the supply chain  
15 initiative, you'll see in that first paragraph a  
16 preliminary expectation that was 30 percent of the  
17 savings relating to operational purchases. The  
18 cumulative O&A savings would equate to roughly  
19 \$45 million, agreed? That's the first paragraph,  
20 Ms. Bauerlein.

21 MS. SANDY BAUERLEIN: Correct. From  
22 the 2017/'18, '18/'19 GRA, yes.

23 DR. BYRON WILLIAMS: And as we go to  
24 the second paragraph, it looks like to the end of  
25 '19/'20, roughly 14 million of O&A savings are

1 anticipated, agreed?

2 MS. SANDY BAUERLEIN: Correct. And  
3 these are approximations because we can't really  
4 attribute how much is capital. We've made some  
5 assumptions as to how much of the savings would be  
6 related to capital purchases and how many would be  
7 related to operational purchases.

8 DR. BYRON WILLIAMS: And you'll see in  
9 terms of an explanation between the difference between  
10 the 45 million assumed for '17/'18 and '18/'19 and the  
11 14 million in the 2019 target, Hydro cites two  
12 potential explanations, correct?

13 MS. SANDY BAUERLEIN: That is correct.

14

15 DR. BYRON WILLIAMS: One is the -- the  
16 first one being that some of this potential savings  
17 couldn't be quantified?

18 MS. SANDY BAUERLEIN: Correct.  
19 They're efficiency savings. So when, for example --  
20 the example that's shown is that they made some of  
21 the -- the initiatives that were undertaken would  
22 improve supply relationship. So as a result of that,  
23 you -- you'd better optimize your time spent on  
24 employee supplier interaction.

25 So there'd be a number of types of

1 savings that you can't literally quantify. It's not  
2 an actual, but you know there's savings associated  
3 with that. It's just an efficiency savings.

4 DR. BYRON WILLIAMS: And this second  
5 proffered explanation for the difference between the  
6 assume savings and the revised expectation relates to  
7 the fact that a consultant originally can retain has  
8 not had their engagement renewed, agreed?

9 MS. SANDY BAUERLEIN: Correct.

10 DR. BYRON WILLIAMS: And the  
11 Corporation is suggesting now that the savings are  
12 expected to be realized over a longer period of time.

13 MS. SANDY BAUERLEIN: Correct. So --  
14 so we have a plan on how to achieve those savings, but  
15 rather than incur the cost of a consultant, we're  
16 looking at doing it over a slightly longer period of  
17 time.

18 DR. BYRON WILLIAMS: How would not  
19 having the consultant explain the lower than expected  
20 benefits?

21 DR. BYRON WILLIAMS: Because you're  
22 not implementing them. Again, we're using some of the  
23 consultant time to -- to actually do the work. So  
24 right we don't have -- we've chosen not to hire the  
25 consultant. Therefore, now it's staff at Manitoba

1 Hydro that would be doing the work.

2 DR. BYRON WILLIAMS: And just so I'm  
3 clear, when you say you have chosen not to hire the  
4 consult --

5 MS. SANDY BAUERLEIN: Not to renew the  
6 engagement with the consultant.

7 DR. BYRON WILLIAMS: And you don't  
8 have plans to hire another consultant.

9 MS. SANDY BAUERLEIN: Correct. We  
10 plan to use Manitoba Hydro staff to implement the  
11 initiatives, so it will just take a longer period of  
12 time, given especially the fact that our workforce has  
13 been reduced. But we just believe that it is in the  
14 best interest to actually have Manitoba Hydro staff  
15 perform the -- this -- this work to try and gain these  
16 efficiencies.

17 DR. BYRON WILLIAMS: And over what  
18 longer period of time is the revised business plan  
19 expect these savings to be achieved?

20 MS. SANDY BAUERLEIN: I'm not -- off  
21 the top of my head, I -- I don't recall the answer to  
22 that. I'd have to -- to verify that with the folks  
23 that are actually involved in this initiative.

24 DR. BYRON WILLIAMS: We'll come back  
25 to that in just a second.

1

2

(BRIEF PAUSE)

3

4

DR. BYRON WILLIAMS: Let me ask that a  
5 different way. Is there a -- a business plan for the  
6 supply chain initiative? And Ms. Bauerlein, if my  
7 questions was imprecise --

8

MS. SANDY BAUERLEIN: No. I'm just  
9 not sure that they would -- I am personally not part  
10 of this initiative specifically, and so I'm not sure  
11 if they would characterize it as a business plan or  
12 not.

13

So I -- we'd have to take that as an  
14 undertaking in terms of -- of what -- how they would  
15 characterize the work that they have still in front of  
16 them.

17

DR. BYRON WILLIAMS: Okay. And, of  
18 course, you realize that this initiative is something  
19 that's talked about in Manitoba Hydro's annual report.  
20 It was talked about to the Public Utilities Board in  
21 the last general rate application, as well.

22

MS. SANDY BAUERLEIN: Correct.

23

DR. BYRON WILLIAMS: So by way of  
24 undertaking, we're asking for the original business  
25 plan, if any, upon which the initial estimates were



1 developed, as well as the revisions to the business  
2 plan.

3                   And some specific elements that our  
4 client is looking for obviously is the expected  
5 savings in the revised plan, and the time period upon  
6 which they expect to be realized, and how they will be  
7 tracked and reported.

8                   It's a bit of a cumbersome undertaking,  
9 but given that we don't know if there's a plan, I'm  
10 trying to give you some -- some idea in the event that  
11 there's not an actual plan, you can still attempt to  
12 be responsive to the spirit of the inquiry.

13                   Is that satisfactory, Ms. Bauerlein?

14                   MS. SANDY BAUERLEIN:    Yes. And we --  
15 and we'll see what's available. I -- I know they have  
16 certain pieces of that information. I just don't know  
17 exactly what it all looks like.

18                   DR. BYRON WILLIAMS:    And I'm not sure  
19 who this would go to but surely one would expect that  
20 when the Corporation is talking about an initiative  
21 with a potential savings over a relatively short  
22 period of time in the range of \$150 million, would --  
23 would you not expect that sign-off for that initiative  
24 would include a business plan?

25                   MS. SHAWNA PACHAL:    You know what? I

1 -- we'll -- none of us here are directly involved in  
2 that initiative, Mr. Williams. So we will undertake  
3 to go and talk with the Vice President of Corporate  
4 Services -- HR and Corporate Services, who's -- who's  
5 responsible for that initiative and his staff, and get  
6 you as much information as we can to answer your  
7 questions.

8 DR. BYRON WILLIAMS: And I thank you  
9 for that. And you, as well, Ms. Bauerlein.

10 If we could go to the response of the  
11 Corporation to Coalition 1-30C, page 2 of 3. And  
12 again, I'm not sure who this goes to but Ms. Carriere,  
13 let's -- you're my default person.

14 MS. SANDY BAUERLEIN: It'll actually  
15 be me.

16 DR. BYRON WILLIAMS: Oh,  
17 Ms. Bauerlein. Sorry, my apologies. I still value  
18 you as -- as well, just so you know.

19 What this response presents is a  
20 five-year survey from the years 2013/14 through to  
21 '17/'18 in terms of the budgeted business operation  
22 capital expenditures versus actuals, agreed?

23 MS. SANDY BAUERLEIN: Correct. I  
24 wouldn't characterize it as surveyed. Simply the  
25 results.

1 DR. BYRON WILLIAMS: And I apologize  
2 for the imprecision. And just if we look at the  
3 2013/14 year in the bottom right of the results,  
4 you'll see for that particular year the budget in  
5 CEF13 was 526 million with actuals expenditures being  
6 about \$56 million less.

7 Would that be fair?

8 MS. SANDY BAUERLEIN: That is correct.

9 DR. BYRON WILLIAMS: And as we move to  
10 the left on the bottom line of the results, you'll see  
11 for CEF-14, the budget was 571 million, with results  
12 being in terms of actual expenditures around  
13 47 million less, correct?

14 MS. SANDY BAUERLEIN: That is correct.

15 DR. BYRON WILLIAMS: And likewise, if  
16 we -- we run through the '15/'16, '16/'17, and '17/'18  
17 years, it would be fair to say that the budget for  
18 business operation capital as compared to the actuals  
19 was consistently higher.

20 Would that be accurate?

21 MS. SANDY BAUERLEIN: They were  
22 lower -- the actual expenditures were lower than the  
23 budget.

24 DR. BYRON WILLIAMS: Yes. Thank you  
25 for that correction. With the range for those three

1 years in terms of variance of the actual being lower  
2 than the budget from a -- a low of 44 million to a --  
3 a high of 65 million in '17/'18, correct?

4 MS. SANDY BAUERLEIN: Correct. They  
5 were below budget by 65 million in '17/'18.

6 DR. BYRON WILLIAMS: I have just a  
7 couple questions about demand-side management and the  
8 budget for 2019/'20. I'm not sure if that's  
9 Ms. Morrison or Ms. Carriere or who? I'll start with  
10 you, Ms. Carriere. You --

11 MS. LIZ CARRIERE: You give me a lot  
12 of credit. I think it's Ms. Morrison.

13 DR. BYRON WILLIAMS: I thought you  
14 were answering some questions about that yesterday,  
15 so.

16 Ms. Morrison, I want to chat a little  
17 bit about the 2019/20 budget, and I want to leave  
18 aside conservation rates, as well as the fuel choice  
19 programs with my understanding that those programs are  
20 not intended to proceed for '19/'20.

21 Is that correct?

22 MS. LOIS MORRISON: That is correct.  
23 They are also not included in the budget for '19/'20.

24 DR. BYRON WILLIAMS: And the reason  
25 for that is consistent with instructions from the

1 province as part of the transition from Manitoba Hydro  
2 to Efficiency Manitoba, agreed?

3 MS. LOIS MORRISON: That is correct.

4 DR. BYRON WILLIAMS: And so you'll  
5 know this better than I, Ms. Morrison, but in terms of  
6 the -- Manitoba Hydro's understanding of its  
7 instructions from the province as it relates to the  
8 budget for 2019/20, its understanding is that it was  
9 directed to maintain a status quo approach with the  
10 continuation of current programming, leaving aside  
11 fuel choice and conservation rates while  
12 responsibility for DSM transitions to Efficiency  
13 Manitoba, agreed?

14 MS. LOIS MORRISON: Agreed. What we  
15 propose in our '19/'20 interim budget that -- I'm  
16 sorry -- the budget that's sitting in as preliminary  
17 with the '19/'20 interim budget is our projections for  
18 what will be seen in terms of updates for  
19 participation and spending, based on that  
20 participation of our existing program offerings.

21 DR. BYRON WILLIAMS: And I can give  
22 you references if you need it, but Manitoba Hydro  
23 indicates that it's -- it has been directed by the  
24 province to maintain a status quo approach, agreed?

25 MS. LOIS MORRISON: Yes. The status

1 quo approach, being no new programs being brought to  
2 the market. And so what we did, based on that  
3 direction is we updated our projections for those  
4 programs that are in market right now and available to  
5 customers-- the customers can enter into -- and we  
6 updated it, based on what we see to be the anticipated  
7 participation in those programs.

8                   And therefore, there will be some puts  
9 and takes within programs based on what we are  
10 anticipating as projects that might be in the pipe and  
11 coming to be paid out in the '19/'20 year, what were  
12 seen to be planned for '19/'20 year as a result of  
13 that.

14                   DR. BYRON WILLIAMS:    And in terms  
15 of -- to the extent that you're able to comment, what  
16 is the status of the transition to Efficiency  
17 Manitoba?

18                   MS. LOIS MORRISON:    So the Efficiency  
19 Manitoba has -- the Crown Corporation has been  
20 established, a Board has been appointed, and the Board  
21 has selected a CEO for the organization.

22                   We are working with that new CEO to  
23 help them move forward. That CEO has been tasked with  
24 essentially setting up the company and setting up the  
25 stakeholder engagement group that's been identified

1 under the legislation.

2           There are a few other pieces that still  
3 have to be put together in terms of regulation has to  
4 be written and put into -- for public review to  
5 support how that corporation is going to be moving  
6 forward.

7           For the interim, Manitoba Hydro still  
8 continues to deliver all of the legacy programs  
9 associated with the past offerings for its energy  
10 programs. We continue to support and work with the  
11 people that are at Efficiency Manitoba right now, and  
12 we are providing any support they require in terms of  
13 their development for preparing for consultations.

14           So essentially the staff that are  
15 working in the energy efficiency area are still  
16 working to help move that initiative forward.

17           DR. BYRON WILLIAMS: And, again, to  
18 the extent that you can comment, do we have any sense  
19 of when lift-off will be achieved in terms of the  
20 responsibilities being transferred from Manitoba  
21 Hydro, to the extent that you can comment?

22           MS. LOIS MORRISON: I -- really this  
23 is being driven by Efficiency Manitoba. We will make  
24 sure that we do everything we can to help them move  
25 forward with their objectives, but I can't comment on

1 the date that they would essentially be going live.

2 We are assisting them in some of their  
3 transition related to bringing their brand to market.  
4 Hopefully you've noticed some of the -- the branding  
5 that's in -- been going on and the recent retailer  
6 campaign that has been under the Efficiency Manitoba  
7 banner.

8 So those are things that we're  
9 helping -- we're doing to help Efficiency Manitoba  
10 enter the marketplace and to create the least amount  
11 of disruption for our customers.

12 DR. BYRON WILLIAMS: Ms. Morrison, in  
13 terms of the DSM program -- and leaving aside again  
14 conservation rates and fuel choice -- for the purposes  
15 of the 2019/20 year and recognizing changes in -- in  
16 marginal costs, what, if any, examination did Manitoba  
17 Hydro undertake in terms of examining its ongoing  
18 programming for cost effectiveness?

19 MS. LOIS MORRISON: We did not  
20 undertake an analysis of our one-year plan from a  
21 cost-effective perspective. I should probably  
22 characterize that in the past, when Manitoba Hydro has  
23 come before this Board and presented DSM plans and  
24 those plans included a cost-effective analysis, that  
25 cost-effective analysis was based on a fifteen (15)



1 year plan.

2                   And so when you're looking at entering  
3 into the market and building uptake of an efficient  
4 technology or measure in the marketplace, you're not  
5 in it for a year. You're looking at building that  
6 over time.

7                   And so to try and characterize a  
8 one-year plan and whether or not it's cost effective  
9 really isn't the best approach to take, and it isn't  
10 one that I would recommend. You'd be wanting to look  
11 at: What is the long-term projection of cost  
12 effectiveness for engaging in this marketplace?

13                   And so we did not -- given that  
14 Manitoba Hydro is not the one that's preparing the  
15 long-term plan for demand-side management, we are  
16 simply, as I've stated, maintaining the programs that  
17 are in place and continuing those offerings in the  
18 marketplace while we transition to Efficiency  
19 Manitoba, and then Efficiency Manitoba will come  
20 before this Board, as per the legislation, presenting  
21 a three-year plan, outlining how they anticipate to  
22 meet the targets that are outlined in the legislation.

23                   So that's where that cost-effective  
24 analysis will be done. I'm very confident that, you  
25 know, we presented upon before the programs that we're

1 running right now were all deemed to be cost  
2 effectiveness -- cost effective previously. So I'm  
3 quite comfortable with what we have in place.

4 But to look at the future forward in  
5 terms of the review, that will be brought before this  
6 Board by Efficiency Manitoba.

7 DR. BYRON WILLIAMS: Thank you. And  
8 just so I understand the -- in terms of Manitoba Hydro  
9 and reviewing the cost effectiveness, either of the  
10 one (1) year plan or the fifteen (15) year plan, that  
11 was not undertaken in light of the strange limbo that  
12 -- that you're in.

13 MS. LOIS MORRISON: That is correct.  
14 It wouldn't be appropriate, as I mentioned, to do -- I  
15 believe, to do a cost-effectiveness assessment on a  
16 one-year snapshot.

17 And in terms of the future forward  
18 outlook, the Efficiency Manitoba will come to this  
19 Board with their plan for the years going into the  
20 future, and so really that's when it's most  
21 appropriate to review cost effectiveness.

22 DR. BYRON WILLIAMS: Okay. And thank  
23 you for those answers. And Mr. Chair and members of  
24 the panel, if this is an appropriate time to break?

25 THE CHAIRPERSON: Thank you. We'll

1 break until 10:45.

2

3 --- Upon recessing at 10:27 a.m.

4 --- Upon resuming at 10:47 a.m.

5

6 THE CHAIRPERSON: Mr. Williams, if we  
7 could resume.

8

9 CONTINUED BY DR. BYRON WILLIAMS:

10 DR. BYRON WILLIAMS: Okay. Mr.  
11 Cormie, is there anything you wish to share with us  
12 about your Boston Marathon performance?

13 MR. DAVID CORMIE: How was that? That  
14 was like my run.

15

16 (BRIEF PAUSE)

17

18 DR. BYRON WILLIAMS: Mr. Cormie, in  
19 terms of the Bipole III at a -- a pretty high level,  
20 the fourth and final synchronous condenser at Riel was  
21 com -- completed and turned over in November sometime.

22 Would that be fair, sir, subject to  
23 check?

24 MR. DAVID CORMIE: Subject to check,  
25 yes.

1 DR. BYRON WILLIAMS: And obviously  
2 there's been a recommendation to reduce the Bipole III  
3 control budget by over \$270 million, correct?

4 MR. DAVID CORMIE: Yes, that's  
5 correct.

6 DR. BYRON WILLIAMS: Moving the  
7 control budget from in the range of 5.04 billion to  
8 approximately 4.77 billion, subject to check, sir?

9 MR. DAVID CORMIE: Yes, subject to  
10 check.

11 DR. BYRON WILLIAMS: And we'll see  
12 those numbers show up in -- both in the capital  
13 expenditure forecast for 2019 as well as in the IFF-  
14 19, assuming it the materializes, agreed?

15 MS. SANDY BAUERLEIN: We'll see the  
16 revised cash flows for Bipole III are reflected in  
17 '19/'20, and then once we have a longer-term capital  
18 forecast approved, then that's when you'll see the  
19 changes to the overall control budget, but there is a  
20 change in the actual cash flow for '19/'20 as a result  
21 of the earlier in-service.

22 DR. BYRON WILLIAMS: Ms. Bauerlein,  
23 thank you for that.

24 I did want to ask -- direct your  
25 attention to the Corporation's response to Coalition

1 1-6J. First of all at page 2 of 11. You can just see  
2 in terms of (j), the Corporation is being asked to do  
3 -- undertake certain calculations, assuming different  
4 levels of rate increase raising -- ranging from zero  
5 percent up to 3.5 percent. You see that?

6 MS. SANDY BAUERLEIN: I see that.

7 DR. BYRON WILLIAMS: And if I could, I  
8 can take you through all of it, but if I could I'll  
9 suggest to you that the Corporation's response can be  
10 found in the Attachment 2 to this informational  
11 response, page 1 of 16. We looked --

12 Ms. Bauerlein, do you see that,  
13 beginning at page 1 of 16?

14 MS. SANDY BAUERLEIN: I do, correct.

15 DR. BYRON WILLIAMS: Ms. Bauerlein, if  
16 I wanted to calculate for the 2020 fiscal year the  
17 Corporation's net debt, assuming a zero percent rate  
18 increase, in essence, I would take its long-term debt  
19 and subtract from it its short-term investments, its  
20 short-term debt, and its sinking fund investment.

21 Would that be fair?

22 MR. GREGG EPP: We can see the  
23 calculation and the numerator in the final column, 'E'  
24 minus 'F' plus 'G' minus 'H'. If that aligns with  
25 your string of questioning, then correct.

1 DR. BYRON WILLIAMS: And if I were to  
2 do that calculation, in essence subtracting the long-  
3 term debt of twenty-two point eight thirty-two  
4 (22.832), recognizing these figures are in millions,  
5 and subtracting 84 million from the sinking fund and  
6 687 million in terms of short-term investments, you  
7 would agree that the net debt would be, recognizing  
8 again these figures are in millions, twenty-two zero  
9 six one (22,061)? Agreed?

10 MR. GREGG EPP: Yeah, subject to  
11 check, but yeah, I'll take your math.

12 DR. BYRON WILLIAMS: Thank you. Mr.  
13 Cormie.

14 And Mr. Chair, things are moving pretty  
15 quickly from my perspective, so I was estimating in  
16 the range of three (3), I'll be done sooner than that,  
17 so -- and I should have thanked Board counsel. I had  
18 a hundred and fifty (150) pages of notes yesterday and  
19 forty (40) today, so I thank him for that.

20

21 CONTINUED BY DR. BYRON WILLIAMS:

22 DR. BYRON WILLIAMS: Mr. Cormie, I'd  
23 like to direct your attention to PUB Order 59/18 page  
24 78.

25 Mr. Cormie, I'll suggest to you that

1 the figure at the -- the top of page 78 provides  
2 estimates in terms of the costs and in-service date  
3 for Keeyask at certain points in time.

4 Would you accept that, sir?

5 MR. DAVID CORMIE: Yes, that's what  
6 the table shows.

7 DR. BYRON WILLIAMS: And if we go to  
8 the left of the table, preconstruction, you'll see a  
9 reference to P50 contingency and an estimated total  
10 in-service cost in the range of 6.5 billion, sir.

11 Agreed?

12 MR. DAVID CORMIE: Yes, I see that.

13 DR. BYRON WILLIAMS: And that's akin  
14 to the estimate of the cost for Keeyask that was  
15 shared at the time of the NFAT, sir, in that range?

16 MR. DAVID CORMIE: I believe that's  
17 correct.

18 DR. BYRON WILLIAMS: And again with  
19 the Unit 1 in-service date on or about November 2019,  
20 correct?

21 MR. DAVID CORMIE: That's correct,  
22 yes.

23 DR. BYRON WILLIAMS: And moving to the  
24 right, we see at a P-50 contingency an estimate under  
25 the revised estimate of a total in-service cost of 8.7

1 billion, with the first unit in-service date being  
2 August 2021. Agreed?

3 MR. DAVID CORMIE: Yes, that's  
4 correct.

5 DR. BYRON WILLIAMS: And then again  
6 under the revised estimate, moving to the right again,  
7 we see the P-90 contingency, an estimated total in-  
8 service cost of 9.6 billion and the Unit 1 in-service  
9 date of April 2022, sir?

10 MR. DAVID CORMIE: Yes, that's what  
11 the table shows.

12 DR. BYRON WILLIAMS: And would it be  
13 correct to suggest that Unit 1 for Keeyask is now  
14 projected to be in service starting October 2020 and  
15 tracking towards that 8.7 billion budget?

16 MR. DAVID CORMIE: Yes, that's  
17 correct.

18 DR. BYRON WILLIAMS: So about a year  
19 less -- a year later than what we were told at the  
20 time of the NFAT, sir. Would that be about right?

21 MR. DAVID CORMIE: Yeah. It's eleven  
22 (11) months, Mr. Williams.

23 DR. BYRON WILLIAMS: Thank you for  
24 that precision.

25 And in terms of actual expenditures for



1 Keeyask as of December 31st, 2018, and being subject  
2 to check, would you accept the figure of 5.53 billion,  
3 sir?

4 MR. DAVID CORMIE: Yes, that's  
5 correct.

6 And Mr. Williams, as of the end of  
7 March we're at 5.8 billion, which is 67 percent of the  
8 budget.

9 DR. BYRON WILLIAMS: Mr. Cormie, just  
10 to follow that thought through, by the end of the  
11 construction season is there an estimate of where  
12 you'll be in terms of budget? If not, that's fine.

13 MR. DAVID CORMIE: Yeah, I think we're  
14 on target for 8.7 billion, Mr. Williams.

15 DR. BYRON WILLIAMS: If I could turn  
16 to PUB 1-61, page 3 of 4.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: Page 3 of 4, is  
21 there a table at the bottom of that page? Okay,  
22 that's lovely, thank you.

23 Ms. Carriere, I think this was you and  
24 I -- I -- you recall a discussion with Mr. Peters  
25 yesterday relating to cost of service, including the

1 implications of Bipole III?

2 MS. LIZ CARRIERE: Yes.

3 DR. BYRON WILLIAMS: And to cut to the  
4 chase, while there's been no cost of service study  
5 prepared for the purposes of the 2019/20 rate  
6 application, Bipole III coming into service in '18/'19  
7 represents a significant change in circumstances from  
8 PCOSS-18, cost of service study 2018.

9 Would that be fair?

10 MS. LIZ CARRIERE: That's fair, yes.

11 DR. BYRON WILLIAMS: And an expected  
12 key impact of the in-service of Bipole III from a cost  
13 of service perspective is that it will move both the  
14 Residential and General Service Large revenue-to-cost  
15 ratios into the zone of reasonableness. Agreed?

16 MS. LIZ CARRIERE: That's correct.

17 DR. BYRON WILLIAMS: Just if I can  
18 direct your attention to the last page of this report,  
19 and under the Figure 3. And by this report I actually  
20 met the Response to Information Request 1-61.

21 Under Figure 3, please, if you can  
22 scroll down a bit more on the page. Thank you. Yes,  
23 show the full paragraph, if you don't mind.

24 In -- in terms of trying to summarize  
25 this last paragraph of this Information Response,

1 would it be suggesting that the -- the high level  
2 estimate in terms of cost profiles for the new --  
3 First Nation On-Reserve Class is likely -- likely  
4 somewhat overstates the revenue cost coverage ratio  
5 for that class? Would that be one (1) element of the  
6 answer here?

7 MS. LIZ CARRIERE: I believe that's  
8 the case, our understanding based on the fact that we  
9 haven't looked at -- at consumption patterns and --  
10 and usage.

11 DR. BYRON WILLIAMS: And that would be  
12 because this population has a significant  
13 representation in terms of electric heating customers?

14 MS. LIZ CARRIERE: Correct.

15 DR. BYRON WILLIAMS: And the converse  
16 of that is that the high level analysis somewhat  
17 understates the revenue cost coverage ratio for the  
18 revised Residential Class. Agreed?

19 MS. LIZ CARRIERE: Yes, I think that's  
20 the math.

21 DR. BYRON WILLIAMS: In essence  
22 because it will contain relatively fewer electric  
23 heating customers, correct?

24 MS. LIZ CARRIERE: Correct.

25 DR. BYRON WILLIAMS: Ms. Stephen,

1 recall a conversation you had with Mr. Peters  
2 yesterday regarding the Moody's Report that you  
3 received in 2018?

4 MS. SUSAN STEPHEN: The Moody's Report  
5 was dated December 24th, 2018.

6 DR. BYRON WILLIAMS: And I believe my  
7 friend, Mr. Hacault, may have a few questions for you  
8 on that. But you also referenced reports received by  
9 DBRS, being the, well, the firm DBRS. Is that  
10 correct.

11 MS. SUSAN STEPHEN: I don't recall  
12 referencing them but I am aware of them.

13 DR. BYRON WILLIAMS: Okay. And as  
14 part of your job, Ms. Stephen, when the DBRS does  
15 report in terms of the Province of Manitoba, one of  
16 your responsibilities would be to review that report.  
17 Agreed?

18 MS. SUSAN STEPHEN: Agreed.

19 DR. BYRON WILLIAMS: And you're aware  
20 that on or about June 12th, 2018, DBRS provided a  
21 report in terms of the rating report for the Province  
22 of Manitoba?

23 MS. SUSAN STEPHEN: Yes, I am aware.

24 DR. BYRON WILLIAMS: And that report  
25 would have been sometime after PUB Order 59/18?

1 MS. SUSAN STEPHEN: That's correct.

2 DR. BYRON WILLIAMS: And if you need a  
3 reference, it's on page 2, but I doubt you do. It  
4 would be your understanding that D -- DBRS would have  
5 been aware that at that point in time the Public  
6 Utilities Board had rejected Hydro's proposal for a  
7 7.9 percent rate increase?

8 MS. SUSAN STEPHEN: Yes.

9 DR. BYRON WILLIAMS: And without  
10 dragging you through this burdensome -- in burdensome  
11 detail this report, would it be accurate to suggest  
12 that D -- the DBRS conclusion in this report in terms  
13 of the Hydro-related debt was that it was self-  
14 supporting?

15 MS. SUSAN STEPHEN: They do indicate  
16 in their report that they at that point in time  
17 consider Manitoba Hydro's debt to be self-supporting,  
18 however, they also produced a commentary on Manitoba  
19 Hydro on the same date that they produced this DBRS  
20 Report on the Province of Manitoba, and in that report  
21 they indicate that should -- should Manitoba Hydro's  
22 finances continue to deteriorate, and the province has  
23 to assume responsibility for operating cost of debt  
24 servicing, that they could consider reclassifying a  
25 portion or all of Manitoba Hydro's debt to tax-

1 supported debt.

2 DR. BYRON WILLIAMS: And there's no  
3 other report you received from DBRS since June 12th,  
4 2018?

5 MS. SUSAN STEPHEN: Correct.

6 DR. BYRON WILLIAMS: Okay. Thank you.

7 Mr. Chair, members of the panel, I  
8 thank you for the opportunity on behalf of our  
9 clients. There are a few undertakings that we'll be  
10 alive to. Thank you.

11 THE CHAIRPERSON: Certainly. Dr.  
12 Grant has a few questions first.

13 DR. HUGH GRANT: Thanks. I've been  
14 saving these, but -- I could go back.

15 PUB 14, page 6, and it just -- some of  
16 the questions and that Mr. Williams is asking sort of  
17 prompted me to think about this. When you run the  
18 different rate scenarios -- I think, Mr. Epp, probably  
19 put this to you. I realize this is an old table, but  
20 when you provide different rate scenarios, is this  
21 feeding back into the load forecast, because last GRA  
22 we had kind of a fulsome discussion about how the load  
23 forecast may be updated and try to introduce some  
24 price variables. Is that -- do you have a --

25 MR. GREG EPP: We do a quick rate

1 scenario on -- on an example like this, what we're  
2 looking at right now, we would not feed it back  
3 through. There would not be a feedback loop where we  
4 go and change the -- there's an inherent increase in  
5 the cost of domestic electricity that -- that it  
6 impacts consumption in that load forecast, but we  
7 don't put that back through. The forecast remain  
8 static.

9 DR. HUGH GRANT: And do you know where  
10 the -- I think there was some effort to try to improve  
11 the load forecast by putting some price variables. Do  
12 you know where that might be at this stage?

13 MR. GREG EPP: I'm not aware. It  
14 would be with Ms. Morrison to comment on that.

15 DR. HUGH GRANT: I think my concern is  
16 it -- I mean, if you look at this table where you see  
17 by 2027 you've got a 41 percent cumulative increase in  
18 the price relative to whatever benchmark, I'm not  
19 sure, but -- but no price effect whatsoever on the  
20 load forecast?

21 MR. GREG EPP: No. Just to be clear,  
22 in this -- in that top line there is an assumed  
23 increase in the Manitoba cost of electricity in the  
24 forecast.

25 DR. HUGH GRANT: And that's built into

1 the load forecast?

2 MR. GREG EPP: It's built in, but what  
3 -- what my first response was, when we go change those  
4 additional rate increases, we don't go back and change  
5 the assumption that's in there.

6 DR. HUGH GRANT: Okay, thank you.

7 MR. GREG EPP: Okay. So there --  
8 there is always something built in there, sure.

9 DR. HUGH GRANT: I just have one other  
10 question which had to do with -- mainly about  
11 accountants, I guess. I grow increasingly wary of  
12 them.

13 So I don't know how you've done this to  
14 me, but you you've turned the earlier in-service date  
15 of Keeyask into a terrible event because of the, you  
16 know, the fact that the depreciation and the interest  
17 rate charges come on the books earlier.

18 I'm wondering is there any other  
19 aspects of a good news story towards -- I mean, how --  
20 how does that enter into the costs, both real and  
21 accounting costs, in terms of -- you're probably going  
22 to give me another asymmetry, I think?

23 MS. SANDY BAUERLEIN: Well, I'll try  
24 and Ms. Pachal feel free to jump in, but coming --  
25 from an accounting perspective, yeah, you do, you



1 recognize those costs earlier, but the good news  
2 perspective of coming in earlier is that you avoid any  
3 of those construction risks.

4                   The longer you're under construction,  
5 you know, the more likely you may have weather  
6 impacts, you may have work stoppage impacts, which all  
7 could add to the cost, so you don't see them because  
8 accountants only reflect actual costs incurred, not  
9 costs avoided, and to me, by having a -- by the  
10 positive of coming in service earlier is you're  
11 avoiding all those risks.

12                   DR. HUGH GRANT:   And just so -- though  
13 would finishing early save any construction costs or  
14 capital costs on Keeyask or -- that's the asymmetry  
15 I'm worrying about, you get punished if you're late  
16 but you don't receive much benefit if you're early.  
17 Is that --

18                   MS. SHAWNA PACHAL:   That's probably an  
19 accurate statement. I was checking when you said that  
20 being wary of -- of accountants, because when we --  
21 having worked many years of my career on Keeyask, I  
22 was so -- so excited when you achieve these  
23 improvements in production, and the team has done an  
24 amazing job improving performance with the general  
25 civil contractor and bringing this in early and

1 adjusting time frames and time work flows.

2 And so it's pretty exciting from that  
3 perspective. That also provides David and his team  
4 an earlier opportunity to sell that power.

5 So there's lots of things to celebrate  
6 about the excellent work that Manitoba Hydro  
7 construction folks have done in terms of working magic  
8 to bring that -- that plant in earlier, absolutely.

9 MR. DAVID CORMIE: And, Dr. Grant, it  
10 -- it's costing us about \$1 million a day to run that  
11 camp and keep those people on staff. Had we stayed  
12 with the '20/'21 in-service date, we would not have  
13 been able to achieve 8.7 billion budget. We would  
14 have been significantly above that because all that  
15 infrastructure costs money to keep going, and so there  
16 are significant cost savings by having an early in-  
17 service date. The earliest possible in-service date  
18 will result in the least cost for the project.

19 DR. HUGH GRANT: Thank you.

20 THE CHAIRPERSON: I guess I won't make  
21 any comment about economists, as a recovering lawyer.

22 Mr. Hacault, I want to put something to  
23 you. We were going to have to take a longer break at  
24 lunchtime because a number of us have a few other  
25 meetings completely unrelated to Manitoba Hydro where

1 we have to address some issues. If you wanted to  
2 start, you could do so. I -- I don't like breaking  
3 cross-examinations or direct examinations if we can  
4 avoid that.

5                   Otherwise, we could break now for lunch  
6 until one o'clock and then you could -- you could  
7 start at that point, but I leave it up to you.

8

9                   (BRIEF PAUSE)

10

11                   THE CHAIRPERSON: Okay. I think we'll  
12 break till -- till one o'clock and address that. So  
13 we'll break until one o'clock. Thank you.

14

15 --- Upon recessing at 11:11 a.m.

16 --- Upon resuming at 1:01 p.m.

17

18                   THE CHAIRPERSON: Good afternoon. Mr.  
19 Shefman, are you on?

20                   Well, Mr. Hacaault, did you want to  
21 start.

22

23 CROSS-EXAMINATION BY MR. ANTOINE HACAULT:

24                   MR. ANTOINE HACAULT: Thank you, Mr.  
25 Chairman. Good afternoon, all members of the panel at

1 Manitoba Hydro, all the new persons. As I usually  
2 indicate if you don't understand what I'm asking ask  
3 me to rephrase. I want to make sure we understand  
4 each other and I don't think I'll be venturing into  
5 commercially sensitive information, but it's not my  
6 intention to so let me know if I am.

7                   And I apologize in advance for kind of  
8 zoning in on very kind of narrow issues because I,  
9 like Mr. Williams, had a number of questions but some  
10 of them have been dealt with fairly thoroughly by  
11 Board counsel and then some of them were further dealt  
12 with by Mr. Williams. So, I'm trying to avoid  
13 duplicating anything.

14                   We had talked about what we're going to  
15 do to a certain extent too. We had circulated last  
16 night for comment by Manitoba Hydro, a one (1) page  
17 table which I understand, Ms. Carriere, you had a  
18 chance to review and there had -- there was a small  
19 math issue, but I think we've corrected that now.

20                   Is that correct.

21                   MS. LIZ CARRIERE: Yes, that's  
22 correct.

23                   MR. ANTOINE HACAULT: For the Board  
24 what this -- and I propose to mark it as Exhibit 6.  
25 It amplifies on PUB Manitoba Hydro round 1 and

1 interrogatory number 11, by adding the percentage of  
2 increases approved by this Board with the  
3 corresponding Board Orders in the extreme right.

4                   And it also identifies between what was  
5 approved and the actual Board Order the amount that  
6 this Board designated as going to the Bipole III  
7 deferral account.

8

9 --- EXHIBIT NO. MIPUG-6:           One page table.

10

11                   MR. ANTOINE HACAULT: I thought that  
12 might be useful at -- to have a summary of that in  
13 front of everybody. I don't intend to ask particular  
14 questions on that. It's just is a compilation of  
15 information.

16                   I'm going to jump to Order 59/'18, at  
17 page 181 and at that part of the Board Order there is  
18 a discussion about the extra cost of going to the  
19 western route for Bipole III and the decision of this  
20 Board making a recommendation on reimbursement through  
21 suspension of such -- the payments with respect to the  
22 guarantee fee and the capital tax until it was all  
23 reimbursed.

24                   And what I'd like to ask because we  
25 have now seen that Bipole III has gone down from 5

1 billion to the new cost estimate is 4.77 I believe,  
2 somewhere in that range; that will have an impact I  
3 think on the capital tax and the guarantee fee which  
4 are a bit -- going to be a bit lower.

5                   Could I get an undertaking from  
6 Manitoba Hydro to recalculate the number of years if  
7 there is a different timeframe than thirteen (13)  
8 years to pay this amount? If that recommendation were  
9 accepted. So the undertaking I'm looking for is to do  
10 a recalculation of the number of years it would take  
11 to reimburse the 900 million burden by waving the  
12 guarantee fee and capital taxes related to Bipole III.

13

14                   (BRIEF PAUSE)

15

16                   MS. SANDY BAUERLEIN: I think we're  
17 just struggling a little bit with the question. The  
18 context as I'm reading this says that the additional  
19 cost of moving to Western route was 900 million.

20                   So though we have 300 million in  
21 overall savings of Bipole, I'm not sure how much of  
22 those savings is attributable to the -- the change in  
23 the west -- like how much of the 300 million is  
24 attributable as a result of the western route change,  
25 that's what I'm -- I'm struggling with a little bit.

1 MR. ANTOINE HACAULT: What I'm asking  
2 you to assume in this undertaking is that the \$900,000  
3 remains static -- 900 million.

4 MS. SANDY BAUERLEIN: Nine hundred  
5 million.

6 MR. ANTOINE HACAULT: Nine hundred  
7 million remains static and to provide the calculation  
8 because we had had a calculation in the previous  
9 hearing indicating that if we waived the debt  
10 guarantee fee and the capital taxes with respect to  
11 Bipole III, it would take us about thirteen (13) years  
12 of waiver of those charges by the provincial  
13 government to reimburse a specific number of 900  
14 million.

15 And I'm just asking for the calculation  
16 as to whether it's still approximately thirteen (13)  
17 years or that's changed now that the cost is less for  
18 Bipole III because you will have less capital tax and  
19 less guarantee fees.

20 MS. SANDY BAUERLEIN: Do you happen to  
21 know where the reference is for the thirteen (13)  
22 years?

23 MR. ANTOINE HACAULT: The reference is  
24 actually on screen and there was an exhibit. I didn't  
25 think we're going to get into a long discussion. I --

1 there is a previous exhibit that gave us that number  
2 which the Board then quoted in its decision.

3 And what I'm trying to do is get an  
4 update of that calculation, which was provided to the  
5 Board and which the Board quotes in its decision as  
6 requiring a suspension of such payments being the debt  
7 guarantee fee and capital taxes related to Bipole III  
8 for approximately thirteen (13) years.

9 MS. MARLA BOYD: Mr. Chair, as we sit  
10 here I'm not sure whether that's a Manitoba Hydro  
11 exhibit or not. I also am really struggling with how  
12 this is relevant to the hearing that we have before  
13 you today for '19/'20 rates.

14 THE CHAIRPERSON: Mr. Hacault...?

15 MR. ANTOINE HACAULT: This was  
16 supposed to start with the '18/'19 year and if we're  
17 having a waiver of those, it has an impact on the test  
18 here.

19 MS. MARLA BOYD: There is no evidence  
20 on this record that there's any waiver of capital tax  
21 or water rental fees. So I'm really -- I can't see  
22 the relevance of this to what we're doing.

23 THE CHAIRPERSON: I guess the -- the  
24 only thing -- I don't know, Mr. Hacault, I'm trying to  
25 anticipate what -- what you're planning to do with



1 this. If part of your submission is that you want us  
2 to make a recommendation to the government, but  
3 otherwise I just -- I'm -- I'm also at a loss  
4 understanding where we're going with this

5 MR. ANTOINE HACAULT: Yes, Mr. Chair,  
6 it would be to ask this Board to make a further  
7 recommendation in its new Order and having -- knowing  
8 whether it's twelve (12) years or thirteen (13) years  
9 or whatever the number is will allow it -- or allow us  
10 to say in our final submissions, we would request that  
11 the Board recommend suspension of those payments for  
12 blank years.

13 THE CHAIRPERSON: Well, you know,  
14 before we would ask Manitoba Hydro to provide an  
15 undertaking, I think maybe what we should do at a  
16 break is see if we can find the actual exhibit where  
17 the number came from and see if it's a Manitoba Hydro  
18 number or if came from someplace else.

19 If it's a Manitoba Hydro exhibit then I  
20 think that it's -- is fair to ask Manitoba Hydro to  
21 look at its previous exhibit; if it's not, I'm sure  
22 that Manitoba Hydro should be looking at another  
23 party's exhibit.

24 MR. ANTOINE HACAULT: I'll move on.

25 THE CHAIRPERSON: Okay, thank you.

1 CONTINUED BY MR. ANTOINE HACAULT:

2 MR. ANTOINE HACAULT: The next issue  
3 that I'll deal with is the bond rate -- credit rating  
4 issue and, specifically, the December 24, 2018 Moody's  
5 report that was referenced in this hearing.

6 I'd just like to confirm a couple of  
7 things. I guess if you pay some money you get a copy  
8 of it. Did you have that document, Ms. Stephen?

9 MS. SUSAN STEPHEN: I do.

10 MR. ANTOINE HACAULT: And could you go  
11 on the disclaimer page of this three (3) page report.

12 MS. SUSAN STEPHEN: Okay.

13 MR. ANTOINE HACAULT: Third -- third  
14 paragraph into that disclaimer part I'm reading it  
15 hopefully correctly:

16 "Credit ratings and Moody's  
17 publications are not intended for  
18 use by any person as a benchmark, as  
19 that term is defined, for regulatory  
20 purposes and must not be used in any  
21 way that could result in them being  
22 considered a benchmark."

23 Have I correctly read that into the  
24 record?

25 MS. SUSAN STEPHEN: You have.

1 MR. ANTOINE HACAULT: And about  
2 another three (3) paragraphs down in capital letters,  
3 I'll read again for the record:

4 "No warranty expressed or implied as  
5 to the accuracy, timeliness,  
6 completeness or compatibility or  
7 fitness for any particular purpose  
8 of any such rating or other opinion  
9 or information is given or made by  
10 Moody's in any form or manner  
11 whatsoever."

12 Again, did I read that into the record  
13 correctly?

14 MS. SUSAN STEPHEN: You have.

15 MR. ANTOINE HACAULT: Now, if we go  
16 into this three (3) page report on the third page  
17 under the heading and I'm quoting "financial targets  
18 to be challenged by high Capex."

19 Have you found that place?

20 MS. SUSAN STEPHEN: Yes.

21 MR. ANTOINE HACAULT: Page 3.

22 MS. SUSAN STEPHEN: Yes.

23 MR. ANTOINE HACAULT: That heading.

24 And, Ms. Schubert, could you please bring up slide 24.

25 Sorry, maybe we'll start with the previous page, and

1 the one (1) before that I think. I'll get my copy  
2 out.

3 So slide 22, we're talking about the  
4 same report right now, correct?

5 MS. SUSAN STEPHEN: Correct.

6 MR. ANTOINE HACAULT: And what Hydro  
7 did is it quoted from some of the parts of the  
8 paragraph with the heading that I identified  
9 "financial targets to be challenged by high Capex."  
10 Correct?

11 MS. SUSAN STEPHEN: Correct.

12 MR. ANTOINE HACAULT: Now, if we move  
13 back to slide 24, there's a statement at the bottom of  
14 that slide that indicates:

15 "Manitoba Hydro will have a cash  
16 shortfall of nearly 300 million."

17 And that's referring to the EBIT, E-B-  
18 I--T, coverage metric, correct?

19 MS. SUSAN STEPHEN: Yes, it's  
20 referring to the earnings before interest and taxes to  
21 gross interest metric.

22 MR. ANTOINE HACAULT: Okay. Now just  
23 get one (1) thing, that metric does not have  
24 depreciation?

25 MS. SUSAN STEPHEN: Correct.

1 MR. ANTOINE HACAULT: And depreciation  
2 is a non-cash item, correct?

3 MS. SUSAN STEPHEN: Correct.

4 MR. ANTOINE HACAULT: And can you find  
5 anywhere in the paragraph that I have I -- identified  
6 in this report from which you've made this quote on  
7 EBIT point 0 -- point 7. Do I find the word "cash"  
8 anywhere?

9 MS. SUSAN STEPHEN: The word "cash" in  
10 the -- in the metric itself?

11 MR. ANTOINE HACAULT: No, in that  
12 paragraph where it says,

13 "Financial targets to be challenged  
14 by high Capex.

15 There's two (2) paragraphs under that.  
16 Is the word "cash" found anywhere in there?

17 MS. SUSAN STEPHEN: No, not in the  
18 paragraph.

19 MR. ANTOINE HACAULT: So Manitoba  
20 Hydro -- I -- I didn't have this report when -- when I  
21 saw this slide, isn't quoting Moody's and Moody's is  
22 not suggesting that the .7 number tells us anything  
23 about a cash shortfall, correct?

24 MS. SUSAN STEPHEN: Well, it's --  
25 we're not quoting Moody's, that's why this slide is

1 not in quotes. We have been provided the actual  
2 calculation by Moody's and we -- we projected the  
3 fiscal '19/'20 outlook in using the Moody's metric.

4 So essentially, what they do is they do  
5 use the income statement when they come to their  
6 earnings' figure. There's -- it's a detailed  
7 calculation but it's slightly different than Manitoba  
8 Hydro's metric.

9 The way we calculated the deficiency or  
10 surplus is when we looked at the amount of earnings  
11 that they -- that we calculate using our outlook of  
12 six hundred and twelve (612) and the amount of gross  
13 interest which they cal -- which we calculated using  
14 Moody's metric of 886 million.

15 So using Moody's metric we came to the  
16 conclusion that for fiscal '19/'20, we would have,  
17 according to their metric, \$612 million of earnings  
18 and gross interest of 886 million which excludes the  
19 provincial guarantee fee and we would have a  
20 deficiency from our earnings of \$274 million.

21 MR. ANTOINE HACAULT: But the problem  
22 with that is a bit -- doesn't -- isn't it EBITA,  
23 right, it is not earnings before interest tax --

24 MS. SUSAN STEPHEN: Moody's subtracts  
25 depreciation in their calculation.

1 MR. ANTOINE HACAULT: Okay. But you  
2 would have had a choice to actually use the EBITA  
3 calculation, correct, we saw that in the previous  
4 slide --

5 MS. SUSAN STEPHEN: You can calculate  
6 it -- you can calculate earnings before interest and  
7 tax, interest coverage or earnings before interest,  
8 tax, depreciation, amortization, interest coverage.  
9 Either one is acceptable.

10 We chose to use the earnings before  
11 interest and tax because it is easier to understand  
12 that if you don't have at least a one (1) coverage  
13 ratio, you don't have enough in earnings to make your  
14 interest payments.

15 MR. ANTOINE HACAULT: We'll go through  
16 the actuals, but depreciation is not -- firstly, that  
17 calculation is not in the report, correct? The  
18 calculation you put on this slide is not in the  
19 report.

20 MS. SUSAN STEPHEN: Detailed  
21 calculation is not in the report just the outcome of  
22 .7 times is.

23 MR. ANTOINE HACAULT: That's right.  
24 Now next Tuesday, there's supposed to be meeting with  
25 Moody's; is that with the sov -- subsovereign group or

1 with the Utility representative?

2 MS. SUSAN STEPHEN: The province of  
3 Manitoba Treasury Board, Manitoba Hydro, will be  
4 meeting with the subsovereign group of -- of Moody's  
5 and the Utility analyst will be calling in. That is  
6 my understanding.

7 MR. ANTOINE HACAULT: Okay. If we  
8 could go to PUB Book of Documents, page 50. Now, if  
9 I'm to do EBIT calculation based on the approved  
10 budget numbers in the first column, which columns do I  
11 need to take into account?

12 Do I start -- can I start, for example,  
13 with net income of \$111 million as one (1) number?

14 MS. SUSAN STEPHEN: I'd just like to  
15 note that the calculation with the earnings and the  
16 interest that we provided in the exhibit were done  
17 based on consolidated figures. So the earnings figure  
18 will not match exactly as we are currently looking at  
19 electric only.

20 MR. ANTOINE HACAULT: So that's  
21 something else we have to be aware of when -- in that  
22 slide? It's not a Manitoba Hydro slide, it's -- it  
23 includes gas?

24 MS. SUSAN STEPHEN: That's correct and  
25 that's Moody's will evaluate us based on consolidated



1 operations. They don't do an evaluation purely on  
2 electric.

3 MR. ANTOINE HACAULT: But it would be  
4 mostly Hydro, correct?

5 MS. SUSAN STEPHEN: Yes, it would be  
6 mostly Hydro.

7 MR. ANTOINE HACAULT: Getting back to  
8 the slide that I've asked -- or the page I've asked  
9 you to look at, which is page 50 of PUB Book of  
10 Documents, to do EBIT, so E-B-I-T, is it fair to say I  
11 look at -- I would -- I would look at net income as  
12 one (1) number and then I would add other numbers,  
13 like my finance?

14 MS. SUSAN STEPHEN: Actually would you  
15 prefer if I ran you through how they calculated it?

16 MR. ANTOINE HACAULT: I'm not asking  
17 you how, I'm asking which numbers on this table do I  
18 use to do earnings before interest and tax.

19 And I'm going to suggest to you that I  
20 would use net income of 111 million as one (1) number,  
21 correct?

22 MS. SUSAN STEPHEN: That's one -- one  
23 (1) way of doing it, yes.

24 MR. ANTOINE HACAULT: And then there's  
25 another line of capital and other taxes. So that's

1 the tax part --

2 MS. SUSAN STEPHEN: Correct.

3 MR. ANTOINE HACAULT: -- correct? So  
4 I would have the hundred and eleven. I would have  
5 then a hundred and forty-eight (148). You following  
6 me?

7 MS. SUSAN STEPHEN: Yes.

8 MR. ANTOINE HACAULT: And then I have  
9 net finance expense of 741 million?

10 MS. SUSAN STEPHEN: Yes.

11 MR. ANTOINE HACAULT: And the  
12 cumulative of all of those gives me my total earnings  
13 before interest and taxes, correct?

14 MR. GREG EPP: Mr. Hacault, if I can  
15 step in here. That's definitely one (1) way to do it,  
16 to work from the bottom up, but the credit rating  
17 agencies do a top-down approach to calculate their  
18 EBIT. So they'll start with revenues and they'll  
19 subtract all expenses other than gross finance  
20 expense. The number on there is net, net of  
21 capitalized interest.

22 And the other thing they do is they  
23 remove provincial guarantee fee from finance expense  
24 and subtract it from revenues. So, when you go from a  
25 bottom-up approach, you don't get the same effect as a

1 top-down, but that is the way they calculate it. This  
2 is their calculation.

3 MR. ANTOINE HACAULT: And I guess  
4 that's why they put the disclaimers that we shouldn't  
5 be using all this stuff for rate regulation. Fair  
6 enough? Sir, fair enough?

7 MR. GREG EPP: I -- I don't think I  
8 agree with that.

9 MR. ANTOINE HACAULT: I'll move on  
10 This question, I think, is addressed to Mr. Cormie and  
11 to put some context into it, if we could go to the  
12 Board Book of Documents at page 6.

13 And if we go into the extra-provincial  
14 revenue line. S if we go on the left-hand side we'll  
15 see that there's domestic revenue, Bipole III reserve  
16 account and then extra-provincial under revenue.

17 And if we go right up to the area where  
18 it says '20/'25, we see that the extra-provincial  
19 revenue is \$805 million. Do you see that so far, Mr.  
20 Cormie?

21 MR. DAVID CORMIE: Yes, I do which  
22 document is this?

23 MR. ANTOINE HACAULT: This is PUB Book  
24 of Documents and I'm not going to dwell on the numbers  
25 a lot, but we've seen this at the previous hearing.

1 There's a big drop in export revenues between 2025 and  
2 2026.

3 MR. DAVID CORMIE: Yes, go ahead.

4 MR. ANTOINE HACAULT: And then when  
5 you were answering questions of Mr. Peters you had  
6 explained that basically 100 percent of the average  
7 energy from Keeyask was sold until I think 2025, as I  
8 recall your answer.

9 And you had provided an answer about  
10 how much of it was taken after that. And I think it  
11 was 85 percent of the average energy and I wondered if  
12 you could give us an update with respect to -- I may  
13 be referring it to -- incorrectly, be NSP 375 or the  
14 Excel contract that was expiring and I think was  
15 causing this pretty radical shift in export revenue.

16 MR. DAVID CORMIE: In the spring of  
17 2025, Mr. Hacault, the three (3) agreements we have  
18 with Xcel Energy expire. The one (1) is a 350  
19 megawatt diversity agreement. One (1) is 125 megawatt  
20 sale that started in -- starts in 2021 and goes for  
21 four (4) years and the ten (10) year sale, the 325/375  
22 agreement that's currently in effect expires on -- in  
23 -- in that year as well.

24 And so the decline in export revenue  
25 that you see between '25 and '26 is mainly a function

1 of the expiration of these three (3) agreements.

2 MR. ANTOINE HACAULT: Yes, sir, and I  
3 was asking for an update on what the status of that --  
4 of those agreements was. Do you have enough room to  
5 meet obligations if they decide to renew those  
6 agreements, sir, and if so, what's the status of those  
7 discussions, to the extent that it's not CSI.

8 MR. DAVID CORMIE: Oh, we're assuming  
9 right now that they are -- they are not being extended  
10 but Manitoba Hydro is in conversations with them and  
11 other companies on -- on what we'll do with that  
12 capacity After 2025.

13 MR. ANTOINE HACAULT: Is that the 15  
14 percent of average energy that is yet unsold? I'm  
15 just trying to put it into the context of how you  
16 answered Mr. Peters the other day.

17 MR. DAVID CORMIE: We talked in terms  
18 of capacity with regard to these sales. Mr. Hacault,  
19 we didn't -- were -- in the numbers that the 85  
20 percent was energy, all the energy that Keeyask will  
21 produce the revenue from that energy is in the IFF.

22 What's not in the IFF post 2025 is the  
23 capacity revenue associated with the reduction in  
24 capacity sales in that year of -- and some of that --  
25 that 85 percent is 85 percent of the average energy

1 that has been sold under long-term firm contracts.  
2 That other 15 percent still gets sold, it just gets  
3 sold as opportunity of energy.

4 MR. ANTOINE HACAULT: And could you  
5 help clarify then with respect to capacity, is that  
6 100 percent not sold, is that the assumption right  
7 now?

8 MR. DAVID CORMIE: With the  
9 termination of the sales with to Xcel in 2025, 100  
10 percent of the capacity from Keeyask is not sold. I'm  
11 not sure what the percentage is but it's not sold, no.

12 But -- but most of the -- most of the  
13 energy is sold and energy makes up the vast majority  
14 of our export revenues not capacity. The capacity  
15 rents generally are about 15 percent of our total  
16 export so it's, you know, it's -- it's -- the energy  
17 is sold, it just has a different -- most of it is sold  
18 at long-term fixed prices. A small portion of Keeyask  
19 energy is -- is going to the opportunity market in --  
20 in this forecast.

21 MR. ANTOINE HACAULT: I'm still not  
22 sure then with respect to the 85 percent of energy  
23 that is committed or sold. Am -- am I to take your  
24 answer that none of that relates to any of the three  
25 (3) NSP contracts that you referenced?

1 MR. DAVID CORMIE: The 125 megawatt  
2 sale that starts in 2021 is tied to Keeyask; that  
3 contract last four (4) years. When it terminates that  
4 -- that portion of Keeyask, energy and capacity, is no  
5 longer sold to Xcel and it -- it is available for sale  
6 to others.

7 And so not -- I'm not sure what else I  
8 can tell you.

9 MR. ANTOINE HACAULT: So is that the  
10 15 percent that's not sold?

11 MR. DAVID CORMIE: No, the 125 is a  
12 capacity number. Keeyask, at the border, is worth  
13 around 567 megawatts and 125 of 567 is like 20  
14 percent.

15 MR. ANTOINE HACAULT: Okay, now -- I'm  
16 still not -- maybe it's because I don't know how to  
17 ask the question correctly but I'm not too sure what's  
18 taking up the 85 percent.

19 Is it all other contracts then that are  
20 taking the 85 percent of average energy after 2025 --

21 MR. DAVID CORMIE: Well, sure, there's  
22 -- there is the Minnesota Power 250 megawatt sale.  
23 There is the Wisconsin Public Service a hundred  
24 megawatt sale. There's the 315 megawatts that we sold  
25 to SaskPower and we have term sheets.

1                   So those -- those contracts still  
2 remain and they -- they continue and the next contract  
3 that exp -- will expire is the Wisconsin Public  
4 Service contract. It expires in 2027. After that --  
5 and those contracts continue until 2030 -- 2040 --  
6 yeah, 2040 for the hundred (100) megawatts to  
7 Saskatchewan and to 2052 for the other 215 megawatts.

8                   MR. ANTOINE HACAULT: Well, thank you  
9 very much for providing us with those updates, sir.

10                   I have a couple of questions with  
11 respect to costs of service. If we could go to the  
12 Board Book of Documents, firstly, at page 86. There's  
13 a table figure 2 and I think Mr. Williams referred  
14 this panel to that table and, in particular, can it be  
15 confirmed that this table reflects a discrete addition  
16 to the exclusion of any other changes, that is, Bipole  
17 III is added as a changing variable but everything  
18 else is assumed to remain the same.

19                   MS. LIZ CARRIERE: Yes, that's  
20 correct.

21                   MR. ANTOINE HACAULT: Okay. Now, if  
22 we would go to appendix 6 of the filing and that's the  
23 capital CEF-18 and there's a table there perhaps we  
24 can expand it please, Ms. Schubert.

25                   First, for the benefit of this Board,



1 am I right in understanding that this capital  
2 expenditure forecast, for example, if we go under  
3 business operations capital that is distinct from  
4 major new generation and transmission, such as Bipole.

5 Am I correct so far?

6 MS. SANDY BAUERLEIN: That is correct.  
7 We show them in different buckets, categories.

8 MR. ANTOINE HACAULT: And am I also  
9 correct that for general service large, if we look at  
10 under 2.1 there is a section that says 2.1.3  
11 distribution system. In a cost of service study none  
12 of that distribution system will be allocated to  
13 general service large because they don't tap into that  
14 at all, correct?

15 MS. LIZ CARRIERE: That's my  
16 understanding.

17 MR. ANTOINE HACAULT: And what the  
18 table that we just looked at doesn't do is it doesn't  
19 take into account this part of the capital expenditure  
20 forecast under business operations capital, correct?

21 MS. LIZ CARRIERE: As I said, I  
22 believe that table only takes into account the impacts  
23 of Bipole III.

24 MR. ANTOINE HACAULT: And you've, I  
25 would suggest, properly qualified that the table that

1 was shown to us before just illustrates the effect of  
2 one (1) variable without the other variables which  
3 would, in fact, need to be taken into account in a  
4 cost of service study; correct?

5

6 (BRIEF PAUSE)

7

8 MS. LIZ CARRIERE: I don't think that  
9 by adding business operations and capital changes the  
10 overall balance of how costs are allocated. It's  
11 Bipole III that has a significant impact on -- on the  
12 allocations to the various classes.

13 MR. ANTOINE HACAULT: Okay, that's  
14 going to require me to ask another question. Do you  
15 have any idea of what the distribution capital is  
16 right now, invested capital that gets allocated  
17 totally to the residential --

18 MS. LIZ CARRIERE: I don't off the top  
19 of my head.

20 MR. ANTOINE HACAULT: So if I  
21 suggested it was around \$2 billion, would that sound  
22 reasonable?

23 MS. LIZ CARRIERE: I don't know off  
24 the top of my head. I'd have to...

25 MR. ANTOINE HACAULT: So say, for

1 example, if it was about 2.7 billion and the five (5)  
2 year total of what you're proposing to invest is  
3 another 1.1 billion under this table under  
4 distribution. It means you're going to be increasing,  
5 if my numbers are right and you can go to PCOSS-18 for  
6 the \$2.7 billion, you're going to be increasing  
7 distribution by 50 percent.

8                   And you can confidently say that inc --  
9 increasing distribution by 50 percent won't have an  
10 impact? Are you able to say that with confidence  
11 today?

12                   MS. LIZ CARRIERE: I can't say  
13 anything at the moment because I don't have it in  
14 front of me.

15                   MR. ANTOINE HACAULT: Thank you.  
16 Jumping around a bit. Keeyask has been brought up  
17 as --

18                   MS. SHAWNA PACHAL: Excuse me for a  
19 moment. We have someone here who could probably  
20 answer your questions. Now he just arrived.

21                   MR. ANTOINE HACAULT: Okay.

22

23                   (BRIEF PAUSE)

24

25                   MS. LIZ CARRIERE: Just to clarify

1 Mr. Hacault's point is he's looking at two and a half  
2 billion over five years and distribution for the  
3 two years for '19 and '20 is more like 400 million.  
4 So when we -- when we will -- if we were to do an  
5 update to the PCCOS study, you'd add 400 million of  
6 costs. It's still not going to move -- move the dial  
7 on -- you know, it might have -- mitigate it somewhat,  
8 but it's not going to move -- move the needle on -- on  
9 those costs.

10 MR. ANTOINE HACAULT: I'll transition  
11 to the -- not having an IFF issue, and one of the  
12 questions that Board Member Grant asked about the  
13 in-service date being early for Keeyask, am I correct  
14 in understanding the previous in-service date, and the  
15 last analysis was August 2021?

16 MS. SANDY BAUERLEIN: That is correct.

17 MR. ANTOINE HACAULT: And as of last  
18 year, as evidenced by the interim Moody report in  
19 December, I'm going to estimate it to be completed in  
20 October of 2020 now, correct?

21 MS. SANDY BAUERLEIN: There is a  
22 greater likelihood that it will be earlier, and  
23 they're currently projecting October 2020. But as we  
24 discussed yesterday, there's still a lot of -- of  
25 risks and uncertainty. But there is a greater

1 likelihood.

2 MR. ANTOINE HACAULT: And Manitoba  
3 Hydro was confident enough in that likelihood as of  
4 December to communicate that to Moody's, correct?

5

6 (BRIEF PAUSE)

7

8

9 MS. SUSAN STEPHEN: I don't recall  
10 actually communicating that to Moody's.

11 MR. ANTOINE HACAULT: But it is in  
12 that interim report, correct?

13 MS. SUSAN STEPHEN: Can you please  
14 point me to the reference?

15 MR. ANTOINE HACAULT: Page 3, second  
16 paragraph under the heading "New Capacity Plan to Meet  
17 Demand and Boost Exports," the second sentence:

18 "And has an expected in-service date  
19 of October 2020."

20 Have you seen that now?

21 MS. SUSAN STEPHEN: Yes, I do. I  
22 don't -- don't recall communicating that. The report  
23 would have been vetted through Mr. Cormie, so I'm sure  
24 that at that point, it must have been public  
25 information for us to provide that.

1 MR. ANTOINE HACAULT: But for anybody  
2 who pays what it needs to pay to get the report,  
3 correct?

4 MR. DAVID CORMIE: Mr. Hacault, you  
5 said "completed". What we've said is that first power  
6 will be in October 2020. The project will not be  
7 completed in October 2020.

8 MR. ANTOINE HACAULT: Sorry if I've  
9 used "completed". I should've used an "expected  
10 in-service date of October," and that's the first  
11 unit. I apologize.

12 Now what an integrated financial  
13 forecast for twenty (20) years would show is the  
14 effect of having that earlier revenue from the Keeyask  
15 generating station, starting in October of 2020,  
16 correct?

17 MS. SANDY BAUERLEIN: You'll have the  
18 revenue, but you'll also have the expenses.

19 MR. ANTOINE HACAULT: And let's talk  
20 about expenses. If this project took till August of  
21 2021 to complete, you'd have more capitalized interest  
22 as an expense, wouldn't you?

23 MS. SANDY BAUERLEIN: The capitalized  
24 interest would be less if you were in an earlier  
25 in-service, but as Mr. Cormie discussed, they're still

1 targeting an \$8.7 billion overall cost.

2 MR. ANTOINE HACAULT: But the IFF  
3 would show the effect of having less capitalized  
4 interest, correct?

5 MS. SANDY BAUERLEIN: It would be  
6 potentially less capitalized interest, yes. There  
7 would be less capitalized interest, but still an  
8 overall cost.

9 MR. ANTOINE HACAULT: I like --

10 MS. SANDY BAUERLEIN: We could still  
11 borrow \$8.7 billion. You're still borrowing  
12 \$8.7 billion. So at the end of the day, you're making  
13 those interest payments, whether you're capitalizing  
14 them or expensing them. If the total project costs  
15 comes in at 8.7 billion, you're still making that  
16 interest payment.

17 The capitalization and expenses, the  
18 accounting -- it's not the actual cost of the company.  
19 So the cash out the door means Manitoba Hydro is still  
20 borrowing \$8.7 billion.

21 MR. ANTOINE HACAULT: I -- I think  
22 maybe my question wasn't clear enough. A little bit  
23 like Mr. Cormie's example of a camp continuing from  
24 October 2020 at a cost of so much per day until  
25 August of 2021. You eliminate that cost by an early

1 in-service date, correct?

2 MS. SANDY BAUERLEIN: You don't  
3 capitalize the interest, but you're stiMR. LUKE  
4 JOHNSTON: incurring the debt. That's the point I'm  
5 trying to make. So the debt is still there. It's  
6 whether or not it's capitalized or expensed.

7 MR. ANTOINE HACAULT: And if the  
8 project had continued and you were paying interest in  
9 the month of October and you were paying interest of  
10 2020, and again paying interest in the month of  
11 November of 2020 -- like the wages in the camp -- and  
12 again paying interest in December, you would have an  
13 overall higher amount of capitalized interest because  
14 the project takes longer to complete.

15 Isn't that correct?

16 MS. SANDY BAUERLEIN: Yes. With  
17 higher capitalized interest, not total interest.

18 MR. ANTOINE HACAULT: And another  
19 thing in IFF we deal with is a point made by this  
20 panel is that once Keeyask is done, there would be a  
21 whole bunch of Keeyask positions which are no longer  
22 needed because the project will be completed. And now  
23 that it has been moved up by nearly a year, we don't  
24 have any information on integrated financial forecast  
25 for 20 years as to how that's all going to shake out,



1 do we?

2 MS. SANDY BAUERLEIN: Could you ask  
3 the question again? We're just trying to get our  
4 heads around.

5 MR. ANTOINE HACAULT: Well, first,  
6 I'll take in small bites. Did I understand correctly  
7 that there's several positions which no -- will no  
8 longer be needed once Keeyask is completely in  
9 service?

10 MS. SANDY BAUERLEIN: Correct.

11 MR. DAVID CORMIE: Correct.

12 MR. ANTOINE HACAULT: And if the  
13 in-service date is moved from August 2021, which was  
14 previously how the forecast was done, to October 2020,  
15 there would be movement in when those positions are no  
16 longer needed, correct, because the facility will be  
17 finished earlier?

18 MS. SHAWNA PACHAL: Recognizing that  
19 the majority of the people working on the Keeyask  
20 project were working for the contractors. They're not  
21 Manitoba Hydro employees. They're part of the capital  
22 costs in the 8.7 billion of those -- so a significant  
23 number of the employees. The majority of them working  
24 on the project are contract employees with the  
25 contractors.

1 MR. ANTOINE HACAULT: Okay. How  
2 many --

3 MS. SHAWNA PACHAL: They're not  
4 Manitoba Hydro employees.

5 MR. ANTOINE HACAULT: How many EFTs  
6 are being capitalized to the project this year?

7 MS. SHAWNA PACHAL: About two (2) --  
8 about two (200).

9 MR. ANTOINE HACAULT: So is it about  
10 two hundred (200) positions that no longer need -- are  
11 needed from Manitoba Hydro employees -- I'm not  
12 talking contract employees -- when the project is  
13 finished?

14 MS. SHAWNA PACHAL: No. Because  
15 recognize some of the -- then you need to operate the  
16 generating station, so you'll need EFTs associated  
17 with the employees that need to be in the generating  
18 station to run the generating station. So additional  
19 employees there.

20 Some of the employees have commitments  
21 back at -- back at Manitoba Hydro for going from  
22 project work back to regular work, and other employees  
23 won't be employed.

24 MR. ANTOINE HACAULT: And all --

25 MS. SHAWNA PACHAL: They don't have

1 long-term commitments.

2 MR. ANTOINE HACAULT: And my question  
3 was, that's all going to move in time because we've  
4 moved the in-service date to a different date,  
5 correct? All of that happening in those positions;  
6 how they'll mutate; if they're mutating, how they'll  
7 be no longer required; if they're no longer required.  
8 That is a moving thing, based on when the project gets  
9 completed, correct?

10 MS. SHAWNA PACHAL: Absolutely  
11 correct. And the executive and the vice-president  
12 responsible for that project is working on -- with  
13 the -- with the management staff at Keeyask to create  
14 plans for the transition of those employees,  
15 recognizing that we -- it's critical to the success of  
16 the project to keep them on to the end of the project.

17 MR. ANTOINE HACAULT: Now, I will move  
18 to a different area. And -- and sorry if I'm asking  
19 this. I -- I just seem to -- every time I hear  
20 something about a project, I say, well, isn't there  
21 something good happening? Isn't there something good  
22 about interests? Is there something good about, you  
23 know -- we're going to have to carry this Keeyask  
24 project less?

25 Anyways, Bipole III came in at a lower

1 cost. Isn't that good news?

2 MS. SHAWNA PACHAL: It's excellent  
3 news.

4 MR. ANTOINE HACAULT: And that came in  
5 service earlier.

6 MS. SHAWNA PACHAL: Correct.

7 MR. ANTOINE HACAULT: When was the  
8 expected in-service date? In 2018?

9 MS. SHAWNA PACHAL: Correct.

10 MR. ANTOINE HACAULT: No. When was it  
11 initially?

12 MS. SHAWNA PACHAL: Oh, when was it?

13 MS. SANDY BAUERLEIN: It came in one  
14 month earlier.

15 MR. ANTOINE HACAULT: And what's  
16 month -- one month earlier? Was that --

17 MS. SANDY BAUERLEIN: In July at  
18 approximately one month. It came in-service, I  
19 believe, July the 4th of 2018, and it was scheduled to  
20 be in-service July 31st.

21 MR. ANTOINE HACAULT: And if I -- if  
22 I'm correct, about two months later -- so it just  
23 in-service in July 4 of 2018 -- by August 28th, 2018,  
24 there's enough confidence in this -- that the  
25 Corporation has to revise the capital cost estimate

1 down to -- from 5.04 billion to 4.77 million, correct?

2 MS. SHAWNA PACHAL: That is -- that  
3 is correct.

4 MR. ANTOINE HACAULT: So that's some  
5 \$270 million less about.

6 MS. SANDY BAUERLEIN: That -- that is  
7 correct.

8 MR. ANTOINE HACAULT: And in PUB/MH  
9 First Round 54, the update -- I must have the number  
10 wrong -- could you go to 54 and -- the update?

11 The reason I was going there is there  
12 were actuals. It may be that I -- and the actuals I  
13 had to December 31. And the update up to December 31,  
14 2018, the actuals were at 4.467 billion. I apologize  
15 for my reference being incorrect.

16 MS. SANDY BAUERLEIN: Can you provide  
17 me the reference?

18 MR. ANTOINE HACAULT: Yeah. I  
19 obviously got my reference wrong in my notes here.  
20 It's maybe seven (7) --

21 MS. DAYNA STEINFELD: If I may, Mr.  
22 Hacault, I think the -- you might want the attachment  
23 to the IR?

24 MR. ANTOINE HACAULT: Okay. See  
25 attachment. Okay. Yeah. That's right.

1                   And it -- it gave an update of actual  
2 costs to December 31, 2018 of \$4.467 billion. Does  
3 that make sense, subject to check? It's on the screen  
4 now.

5                   MS. SANDY BAUERLEIN:    I have an IR  
6 that references 4.451 billion, but it's just really a  
7 minor difference. I'm not sure what the difference  
8 might be as a result of, but it's -- it's the  
9 \$4.5 roughly billion to the end of December is -- is  
10 correct.

11                  MR. ANTOINE HACAULT:    Yeah, where we -  
12 - you see that in the bullet just before the table?  
13 Expenditures --

14                  MS. SANDY BAUERLEIN:    Oh, yes. Okay.

15                  MR. ANTOINE HACAULT:    -- are  
16 4.467 billion to the end of December 31, 2018.

17                  MS. SANDY BAUERLEIN:    Correct. That's  
18 my figure that I was looking at was in amount placed  
19 in-service, not the amount actually expended. But  
20 this is -- yes, I'm good with this.

21                  MR. ANTOINE HACAULT:    And could you  
22 explain for this Board whether there might still be  
23 some good news in that \$300 million buffer? Because  
24 we had just looked at an estimate provided in August  
25 of 2018 at four point seven seven (4.77), and we know

1 six (6) months after the in-service, we've got actuals  
2 of some 310 million less than what we thought we were  
3 going to be spending.

4 So I assume there's still going to be  
5 some expenses, but is there a possibility of still  
6 some more good news out of that \$300 million buffer?

7

8 (BRIEF PAUSE)

9

10 MS. SANDY BAUERLEIN: We still note  
11 that we still have some planned expenditures for  
12 Bipole, and as well, there's still some outstanding  
13 claims. So while we're hopeful we're, you know,  
14 showing at four point seven seven (4.77), that number  
15 has not yet been completely confirmed.

16 However, if it does materialize,  
17 that -- the positive side of it is that's \$300 million  
18 of less borrowings than we would have otherwise made.

19 MR. ANTOINE HACAULT: And I wasn't  
20 trying to hold you to there being \$300 million of good  
21 news now, but maybe in a year from now, there might be  
22 some portion of that 300 million which we didn't even  
23 have to -- have to borrow, correct?

24 MS. SANDY BAUERLEIN: Correct.

25 MR. ANTOINE HACAULT: And some of that

1 300 million that's presently showing up in  
2 depreciation, which we don't need to depreciate,  
3 correct?

4 MS. SANDY BAUERLEIN: Three hundred  
5 million, you didn't -- correct. And there would be a  
6 depreciation impact, as well, correct.

7 MR. ANTOINE HACAULT: So those all be  
8 good news things, correct?

9 MS. SANDY BAUERLEIN: Yeah. Good news  
10 things, yes.

11 MR. ANTOINE HACAULT: If we go to  
12 PUB/MH-1-57, those are our two (2) tables. The top  
13 table is based on the 4.77 billion. Do you see that?

14 MS. SANDY BAUERLEIN: Yes.

15 MR. ANTOINE HACAULT: This is  
16 Bipole III. And the bottom table is based on the  
17 previous \$5.04 billion number, correct?

18 MS. SANDY BAUERLEIN: That is correct.

19 MR. ANTOINE HACAULT: And if we look  
20 just at the expense side -- and that's what this IR  
21 was designed to ask about -- for the tests year, the  
22 revision from 5.04 billion down to 4.77 billion is the  
23 \$30 million good news story, correct?

24 MS. SANDY BAUERLEIN: That is correct.

25 MR. ANTOINE HACAULT: So to get to that



1 30 million, we take the bottom number and the 504 --

2 MS. SANDY BAUERLEIN: I believe if you  
3 scroll down on this slide you'll see the differences.

4 MR. ANTOINE HACAULT: Yes. Now, this  
5 table gives us a little snapshot of what the 270  
6 million revision from 5.04 billion to 4.77 billion  
7 gives us. What we don't know yet is whether there's  
8 another good news story that will have a similar  
9 impact; that was the \$300 million bucket that we were  
10 talking about, even assuming it wasn't 300 million.

11 MS. SANDY BAUERLEIN: Well, this is  
12 your \$300 million impact on each of the years of the  
13 difference between the 5 billion and the 4.77 billion.

14 So this is showing you that you would  
15 have savings in finance expense, as well as  
16 depreciation and capital tax, assuming a 4.77. This  
17 is the impact of that 300 million.

18 MR. ANTOINE HACAULT: I had  
19 distinguished that for clarity of my question that the  
20 difference between 5.04 billion and 4.77 billion was  
21 it about a \$170 million impact versus the other item  
22 that we identified specifically, just awhile ago in  
23 slides, between the 4.77 billion and the expenses to  
24 December 31, 2018 of 4.467; that was a \$300 billion  
25 number. Just for clarity.

1                   So when I was saying that we don't know  
2 yet whether we'll have a similar benefit to this  
3 table, I was talking about the difference between the  
4 December actual expenses, six (6) months after the  
5 project's in service versus the current estimate of  
6 4.77 billion. There's still another potential for  
7 another \$300 million impact on revenue requirement  
8 showing up on -- no where on the table so far,  
9 correct?

10                   MR. GREG EPP:    Mr. Hacault, your -- we  
11 -- we are still planning to spend that extra \$300  
12 million to get up to the 4.77; that's reflected in how  
13 the revenue requirement drops from 30 million down to  
14 17 million by '22 and '23; that is the expectation  
15 that that additional \$300 million will be spent.

16                   We've revised the forecast from 5  
17 billion down to 4.77. We haven't gone further to say,  
18 this will come back down and we won't spend another  
19 dime on the project. They are anticipating that these  
20 costs will have to be spent.

21                   If they aren't, then that will be a  
22 good news story but you are implying that the \$17  
23 million of savings will double. What we should also  
24 point out to the Board that that amortization of that  
25 Bipole III reserve account, that \$78 million

1 disappears in 2024 and goes to zero. So the absolute  
2 number jumps up \$78 million.

3 MR. ANTOINE HACAULT: Well, let's just  
4 bring the table up again so we understand what Mr. Epp  
5 was saying about the \$78 million; that's in both  
6 tables, correct? Keep it on the same exhibit 5 --  
7 PUB-MH-157. Yes, just have both tables showing up.

8 So, Mr. Epp, when you were saying that  
9 what's going to happen is on both tables, the  
10 amortization of Bipole III reserve is going to end up  
11 disappearing once that reserve is depleted, correct?

12 MR. GREG EPP: That's correct. In  
13 2024 that amortization will be \$20 million and the  
14 following year it will be zero.

15 MR. ANTOINE HACAULT: But it still  
16 does not change the absolute difference between the  
17 two (2) tables which is shown on the next slide --  
18 further down, even though we take out that 78, the  
19 absolute difference because the very bottom impact on  
20 revenue requirement we see the amortization has no  
21 impact in giving us that \$30 million savings, correct?

22 MR. GREG EPP: \$30 million that  
23 becomes 17, once the additional 300 million is spent,  
24 so, that's correct.

25 MR. ANTOINE HACAULT: And if you come

1 back in another year with a good news story of another  
2 \$300 million in savings that -- what you're saying is  
3 that may double but we have -- we're planning on  
4 spending that right now.

5 MR. GREG EPP: That's the best-case  
6 scenario, yes.

7 MS. SANDY BAUERLEIN: If you actually  
8 -- I might want to just draw -- see if the Board's a  
9 little confused to MIPUG-MH-1-3. So what that one  
10 does is it walks through what the anticipating  
11 spending is in each fiscal year to get you to the  
12 4.77.

13 So, it's showing you that the  
14 cumulative spend right to date. We still have further  
15 spend. You need to add the 221 plus the 33, plus the  
16 4275, will get you to 4. -- 4.5, 4 1/2 billion and  
17 then we still plan on spending a further 104 million  
18 in '19/'20 and another 137 million in '20/'21.

19 So these are the planned expenditures  
20 to get you to your four point seventy-seven (4.77),  
21 whereas you can see that in the previous CEF there was  
22 no really further expenditures past the '18/'19 fiscal  
23 year.

24 MR. ANTOINE HACAULT: And my first  
25 question was what is that \$300 million comprised at -

1 of. And I didn't get an answer.

2 MS. SANDY BAUERLEIN: So it's right at  
3 the bottom of this IR. If we scroll down to the  
4 paragraph underneath, so it really reflects the  
5 scheduling of final cleanup costs, decommissioning of  
6 temporary construction infrastructure, and  
7 construction of permanent staff accommodations and a  
8 water treatment plant.

9 MR. ANTOINE HACAULT: Okay. Thank  
10 you.

11 I'm going to move to another issue now  
12 it's -- just give the Board an idea. I think I've got  
13 about another twenty (20) minutes, about.

14 There is quite a bit of discussion  
15 between Board Counsel and the panel on how to reflect  
16 various items, including interest on the financials.  
17 And I'd like to go to Board book of documents, page  
18 56, to start with. And what I'd like to identify with  
19 this panel is a specific item a bit further down, Ms.  
20 Schubert, yes. It's in investing activities.

21 And it -- about five (5) lines down we  
22 see the heading "Cash Paid to the City". Have you  
23 found that?

24 MS. SANDY BAUERLEIN: Yes, I have.

25 MR. ANTOINE HACAULT: And at page -- I

1 -- hopefully I've got this right, pages 60 -- 66 and  
2 67 of the Board decision, Order 59/'18, we actually  
3 have some direction from this Board dealing with cash  
4 flow from operations.

5 Does the panel recall that being an  
6 issue in the previous hearing?

7 MS. SANDY BAUERLEIN: Yes, we do.

8 MR. ANTOINE HACAULT: And the Board  
9 had comments on how to present the cash flow, and in  
10 particular on the screen we see on page 67, midway  
11 through the paragraph that starts Manitoba's new cash  
12 flow, and then mid way we see the sentence:

13 "However, the Board accepts that  
14 Manitoba Hydro's payments to the  
15 City of Winnipeg and mitigation  
16 payments should be included in cash  
17 flow analysis of the utilities  
18 operations for ratesetting  
19 purposes."

20 Have I read that correctly, firstly?

21 MS. SANDY BAUERLEIN: Yes.

22 MR. ANTOINE HACAULT: And if Manitoba  
23 Hydro had been inclined to follow Board direction  
24 under this order, it would not have put the payments  
25 into investing activities, it would have put it where

1 the Board preferred to have it, in the operation side,  
2 correct?

3 MR. GREG EPP: Mr. Hacault, I think  
4 the key word here is Manitoba Hydro's new cash flow  
5 analysis, not cash flow statement.

6 This is referring to that cash flow to  
7 CapEx analysis that the company brought forward last  
8 time. This does not refer to cash flow statement.

9 MR. ANTOINE HACAULT: Well, let's just  
10 back up a little bit, sir. I believe you weren't at  
11 the previous hearing, correct?

12 MR. GREG EPP: I was in the back row,  
13 sir.

14 MR. ANTOINE HACAULT: Okay. If we go  
15 to page 66, under the heading, "Cash Flow From  
16 Operations" -- I may be understanding the Board's  
17 analysis incorrectly -- but it is assessing whether  
18 Manitoba Hydro is meeting ongoing financial  
19 obligations so that we -- that's what we were talking  
20 about, how we were going to show that from a cash  
21 perspective. Focus should be on an accrual accounting  
22 methodology used in the utilities audited financial  
23 statements and in the financial forecasts used for  
24 rate setting.

25 Isn't the table that we just looked at

1 all about that? You're saying well, it's about rate  
2 setting, we've got to transfer in trust to this area,  
3 so it's transparent. But the Board has already told  
4 us, hadn't it, that the City of Winnipeg payments  
5 shouldn't be in investing activities. Why didn't the  
6 Corporation follow that direction?

7 MS. SANDY BAUERLEIN: For financial  
8 reporting purposes we've left it in investing  
9 activities, but should note that in MIPUG/MH-8C, if we  
10 call that up, we have provided a view, a presentation  
11 view, which shows the payments to the City of  
12 Winnipeg, as well as the payments from mitigation as  
13 part of cash provided by operating activities.

14 So it is a presentation view that we  
15 can provide under whichever way the Board would like  
16 to look at those two (2) items, whether what they  
17 would like to see them as operating activities or as  
18 investing activities.

19 MR. ANTOINE HACAULT: And -- and what  
20 you're saying is that if MIPUG hadn't asked for that,  
21 and what you're showing now, Manitoba Hydro would've  
22 chosen not to follow Board correction, correct?

23 MS. SANDY BAUERLEIN: We were not  
24 choosing not to follow Board direction. We were  
25 simply providing our financial statements the way we



1 produce them for internal financial reporting  
2 purposes.

3 MR. ANTOINE HACAULT: But just to  
4 clear up this particular entry. It's not a new  
5 investment that you're reflecting here, it's a  
6 purchase that you've made of City of Winnipeg Hydro  
7 and that's why we had that discussion that it  
8 shouldn't be putting investing activities, isn't that  
9 correct?

10 MS. SANDY BAUERLEIN: We note the  
11 comments made by MIPUG and we would have to have this  
12 discussion though with our internal -- our external  
13 auditors as to whether or not we would be  
14 reclassifying that to operating activities for  
15 financial statement purposes.

16 MR. ANTOINE HACAULT: I'll move on.  
17 Couple questions with respect to  
18 demand-side management, again keeping with the Board  
19 decision in 59/'18, at page 115.

20 The bottom of that page indicates that  
21 the programs in the 2016/'17 plan were measured  
22 against the 2015/'16 levelized electrical -- electric  
23 margin value of seven point eight (7.8) cents per  
24 kilowatt hour. And the opportunities range from one  
25 point one (1.1) to thirteen point six (13.6) cents per

1 kilowatt hour.

2 Is that correct so far?

3 MS. SANDY BAUERLEIN: That is correct.

4 MR. ANTOINE HACAULT: And if we moved  
5 to the top of page 116 of the Board Order, the Board  
6 notes that the -- during the proceedings, so that's in  
7 the second paragraph at the top, the marginal value  
8 had decreased to five point seven (5.75) cents per  
9 kilowatt hour for generation when serving residential  
10 customers.

11 Is that correct?

12 MS. LOIS MORRISON: Mr. Hacault, are  
13 you asking us if you're reading the order correctly?

14 MR. ANTOINE HACAULT: No. I'm just  
15 asking if that fact is correct.

16 If I -- it's a Board Order, it's  
17 leading to a question, I have to set the stage for the  
18 question.

19 Now, at pages 118 to 119, the Board  
20 made recommendations for Hydro to reevaluate which  
21 programs should be continued, given that lower  
22 marginalized cost.

23 Am I correct in understanding that  
24 Manitoba Hydro has not done that and has not cut the  
25 non-economic DSM?

1 MS. LOIS MORRISON: So in terms of our  
2 current offerings, as I mentioned earlier today, if  
3 you look at the programs that are currently available  
4 to customers that they can enroll in today, I would --  
5 and you compare their levelized cost that was  
6 presented under the 2016 long-range plan to that five  
7 point seven (5.7) cents levelized marginal value, to  
8 give you a kind of a broad in -- indication as to  
9 whether those current programs would still remain  
10 cost-effective under the total resource cost test  
11 which is the test that we've used historically to  
12 determine cost effectiveness of our programs, you  
13 would see that the vast majority of those programs,  
14 using that indicative value, do remain cost-effective.

15 But have we undertaken a new analysis  
16 using the new marginal values? No, we have not, and  
17 the reason we haven't is because as I mentioned  
18 earlier today, we are in a transition period.

19 Our direction is to maintain the  
20 existing programs, which we do as I mentioned believe  
21 to be cost-effective, and to help as part of the  
22 transition towards Efficiency Manitoba coming forward  
23 with their long-term plan. And so when Efficiency  
24 Manitoba comes forward with their long-term plan, they  
25 will undertake a cost-effectiveness analysis and

1 they'll be coming to this board doing so.

2 MR. ANTOINE HACAULT: So I'm correct  
3 in understanding that you have the capabilities of  
4 determining which programs are no longer cost-  
5 effective, but you're choosing not to give the benefit  
6 of that insight to the new efficiency organization.

7 MS. LOIS MORRISON: No. What I'm  
8 saying is that if I look at -- so the programs that  
9 are running right now, that are still running, they  
10 were assessed looking at the cost effectiveness of  
11 those programs on a long-term basis.

12 The idea being that the objectives of  
13 those programs were to pursue energy efficiency  
14 opportunities and create market transformation. And  
15 so as I mentioned, you don't look at it as a one-year  
16 snapshot, you look at the overall objective of the  
17 program which you're intending to engage the  
18 marketplace for a long period of time in order to  
19 create that long-term sustainable change.

20 So you don't look at it as a one-year  
21 snapshot. When we introduced those programs  
22 initially, we did the analysis and if you were to look  
23 at them -- if you were to look at them, and we can  
24 pull up the Manitoba Hydro's rebuttal evidence at page  
25 -- I think it's 15 of the rebuttal.

1                   Oh, there we go, thank you. If you  
2 were to look at the majority of the programs that are  
3 running today, you can see that there are levelized  
4 costs, they're all primarily on the left side of that  
5 chart.

6                   You can see that they -- that they were  
7 quite a bit lower than what was the marginal value of  
8 the average levelized marginal value of seven point  
9 eight (7.8) cents when we did this analysis in '16.

10                  But I'll note that a -- that a large  
11 majority of these programs had already been approved  
12 and running prior to us undertaking the '16/'17 plan.  
13 A lot of these programs were already in the  
14 marketplace.

15                  So these are long running programs that  
16 they've been tested before and -- and determined to be  
17 cost-effective. It's only when you look at the right-  
18 hand side of that chart that you see the programs that  
19 have much higher costs to deliver energy savings, but  
20 as I also note in the rebuttal evidence, the majority  
21 of those programs have either -- are no longer taking  
22 applications, have ended.

23                  They are programs that we never did  
24 launch because they were put in place as future-  
25 oriented programs with the thoughts of moving towards

1 or what could we do to move towards that, the original  
2 target of the 1.5 percent that was being talked about  
3 at that time. And then some of them are just simply  
4 placeholders, saying well we know that we could maybe  
5 pursue something in the residential, commercial, or  
6 industrial sector at some point in the future.

7           So they're really not indicative of  
8 what's in the marketplace today in terms of a cost  
9 associated with the programs. The programs that are  
10 in the market today, that you can sign up for or go  
11 down to the Home Depot and sign up for or talk to your  
12 lighting distributor to sign up for, those ones are  
13 over on the left side of this page.

14           So then if you look at the yellow,  
15 orange, yellow line, we've layered in the average  
16 levelized marginal value that was spoken to at the  
17 last hearing at five point seven five (5.75) cents a  
18 kilowatt hour, and really this is just to give some  
19 comfort to the Board that what's in the market right  
20 now is economic. We believe to be economic.

21           However, we hadn't sat down and rerun  
22 the numbers. To do that would mean we would have to  
23 sit down and we would want to re-project what's going  
24 to happen in the future in terms of what's coming.  
25 But that's not our role anymore. That role is going

1 to be Efficiency Manitoba's role.

2                   So for Manitoba Hydro to put forward  
3 what will be coming forward or how these programs may  
4 change or how they might be in the future, isn't  
5 appropriate.

6                   So I think we can take comfort that the  
7 programs that are in the market right now are cost-  
8 effective under the total resource cost test, and that  
9 the Board will have the opportunity to review what  
10 level of DSM should be engaged in and what type of  
11 programming will be delivered to the marketplace when  
12 Efficiency Manitoba comes.

13                   MR. ANTOINE HACAULT:    The -- just for  
14 clarification, then I'll move on.  Thank you for that  
15 lengthy answer.

16                   On the extreme left, which is still  
17 part of how you're doing the portfolio costs, I see  
18 two programs.  My eyesight is not very good.  
19 Conservation rates.

20                   Didn't I understand that that has been  
21 scrapped?  Why are you using that low number to affect  
22 your portfolio -- full go levelized cost?

23                   MS. LOIS MORRISON:    Okay.  So I wasn't  
24 speaking about the portfolio levelized cost.  I was  
25 talking but the individual programs.  And I do

1 recognize that some of the programs on the left side  
2 of that chart are also ones, as I mentioned, that were  
3 not running. They're -- the conservation rates and  
4 the fuel choice programs are -- were never launched  
5 and are not on our plan to launch.

6                   What I'm referring to is that when you  
7 look at the individual programs that are listed, of  
8 the ones that are -- that the -- that the ones that we  
9 have in the marketplace today, the vast majority are  
10 on that left side or left half of the chart, which is  
11 substantially below that five point seven five (5.75)  
12 cents a kilowatt hour.

13                   When you look at the programs that are  
14 to the right of that -- right side of that chart, that  
15 are at -- that are above the five point seven five  
16 (5.75) cents a kilowatt hour level, they're the ones  
17 that we've either discontinued, that we've never  
18 launched, or that were simply placeholders.

19                   So, if you were to take -- if we were  
20 to go along and take a marker and mark off all the  
21 programs that are no longer offered or were never  
22 launched, or were simply placeholders, you would see  
23 that the -- that the majority of those programs, the  
24 vast majority of those programs fall below the five  
25 point seven five (5.75) cents a kilowatt hour level.



1                   The ones that are closer to borderline  
2 that you see here would be ones that, as I mentioned  
3 in the rebuttal evidence, are targeted to our lower  
4 income customers, but also focus on winter heat  
5 savings and -- which have a higher value if you get  
6 into the very specifics of the values of our marginal  
7 -- our marginal values.

8                   And the other one is our community  
9 geothermal, which is again targeted to our First  
10 Nation communities and is also looking at energy  
11 savings in the wintertime.

12                   So from -- that's why I can say from my  
13 perspective, I'm quite confident that of the programs  
14 running today, if you look at them on an individual  
15 basis, that their cost -- they are cost-effective, but  
16 I really don't believe it's appropriate for Manitoba  
17 Hydro to read -- to be looking at and reassessing the  
18 cost-effectiveness of our existing programs from a  
19 longer-term perspective because you wouldn't look at  
20 it as a one-year snapshot, you'd want to look at what  
21 you're going to be doing over the future years to gain  
22 energy savings.

23                   The other thing is that -- and we  
24 haven't talked about this yet -- is our definition of  
25 cost-effectiveness that we've used to date is the

1 total resource cost test.

2 I don't know what Efficiency Manitoba's  
3 guidelines will be around cost-effectiveness. How  
4 will that be defined for Efficiency Manitoba when they  
5 move forward with their plan. And I understand that  
6 those are the types of things that will be addressed  
7 in the regulations that the provincial government will  
8 be putting forward to provide guidance to the Public  
9 Utilities Board and to Efficiency Manitoba in terms of  
10 how to assess the programming as they go forward.

11 MR. ANTOINE HACAULT: Is there  
12 anything else you wish to add?

13 MS. LOIS MORRISON: No, I think I'm  
14 good.

15 MR. ANTOINE HACAULT: I think from  
16 your answer, though it wasn't the question I had  
17 asked, that I get two things.

18 Firstly, that the table that we're  
19 looking at is not reflective of what is really  
20 happening at Manitoba Hydro today. Is that fair?

21 There's a lot of items in there that  
22 you said had been discontinued and some pretty  
23 important ones, like conservation rates, isn't that  
24 correct?

25 MS. LOIS MORRISON: Some were not

1 launched, as per the direction from the provincial  
2 government in our discussions under the Energy Savings  
3 Act while we transitioned to Efficiency Manitoba they  
4 -- they asked us simply to maintain our current  
5 available programs.

6                   And so we haven't launched the  
7 conservation rates, we haven't launched fuel choice,  
8 we haven't launched the solar thermal water heating  
9 program. Like, there's a number of things that didn't  
10 go into the market because we also didn't introduce a  
11 number of enhancements to existing programs because we  
12 are asked to maintain our current offering, not to go  
13 and -- and introduce new initiatives, or even to make  
14 substantive changes to the offerings we have in the  
15 market right now, in terms of enhancing them.

16                   As I mentioned, this program was put  
17 together, the plan was put together in 2016, and some  
18 of the programs had substantial enhancements planned  
19 to be brought into future years. And those have not  
20 been introduced because, again, we're -- we're simply  
21 in our efforts to help move the -- move the transition  
22 forward. We are maintaining what we have in the  
23 marketplace.

24                   MR. ANTOINE HACAULT:    Thank you again.  
25 My question was pretty simple. This table is not

1 reflective of what's happening and you've explained  
2 over the last minute or two why that's so.

3                   So I'll move on. And I think you've  
4 also explained that there's been no reassessment of  
5 programs by Manitoba Hydro because Manitoba Efficiency  
6 is supposed to do that, correct?

7                   MS. LOIS MORRISON: That is correct.

8                   MR. ANTOINE HACAULT: I had two (2)  
9 more sheets. I didn't think this one was going to last  
10 that long, quite frankly.

11                   I don't know what the Board's wish is.  
12 We've been going for about an hour and a half. I have  
13 two (2) issues, the issue of impact of the water flows  
14 and some historical -- this historical table that's in  
15 the book of documents of the Board at page 17.

16                   THE CHAIRPERSON: Well, how long do  
17 you think you'll be, Mr. Hacaault?

18                   MR. ANTOINE HACAULT: Sorry, I don't  
19 say this in a mean way. If I get shorter answers, I  
20 think it shouldn't take more than about five (5) to  
21 ten (10) minutes.

22                   THE CHAIRPERSON: You know what?  
23 We'll take a break now for fifteen (15) minutes.

24

25 --- Upon recessing at 2:31 p.m.

1 --- Upon resuming at 2:51 p.m.

2

3 THE CHAIRPERSON: Mr. Hacault...?

4

5 CONTINUED BY MR. ANTOINE HACAULT:

6 MR. ANTOINE HACAULT: Thank you, Mr.

7 Chairman.

8 If Ms. Schubert could bring on the  
9 screen page 50 of the book of documents of the Board,  
10 please? And I don't know -- it's probably Mr. Epp who  
11 will be able to answer this, but I'd like to identify  
12 between the approved budget and the interim budget the  
13 line items or differences which relate to the change  
14 in water flow estimates from interim budget to the  
15 approved budget. That's the purpose of the exercise.

16 And I'll suggest line items, and if  
17 I've missed any, you'll help me understand, Mr. Epp.  
18 Is that okay?

19 MR. GREG EPP: Certainly.

20 MR. ANTOINE HACAULT: Okay. The first  
21 item I had is on revenues. I thought increased water  
22 flows would have an impact on extraprovincial  
23 revenues, at least part of the extraprovincial  
24 revenues. Is that one (1) of the components that  
25 leads to an increase of \$7 million?

1 MR. GREG EPP: That would be one (1)  
2 of them, yes.

3 MR. ANTOINE HACAULT: Okay. And I  
4 think you explained that there were other -- two (2)  
5 other aspects to that the \$7 million item, firstly,  
6 the price, and the foreign exchange would have  
7 contributed to that \$7 million change in addition to  
8 the volumes?

9 MR. GREG EPP: Yeah, I think we look  
10 at the variants when we take in all three (3)  
11 components, the extraprovincial revenue, net of water  
12 rentals, and fuel and power. It's the -- the net that  
13 they bring to the net income that we tend to explain.

14 MR. ANTOINE HACAULT: Okay. Yeah.  
15 And that -- you kinda jumped ahead on me, here. So  
16 the first line I looked at was extraprovincial. We  
17 got that one. The next one, which you just  
18 identified, was water rentals and assessments. That's  
19 under the expense side. If we go down, we see water  
20 rentals and assessments.

21 Have you found that, sir?

22 MR. GREG EPP: Yes. Yes.

23 MR. ANTOINE HACAULT: And that's a \$6  
24 billion expense. Because we've got more water flow,  
25 we have to pay more to the Provincial Government.

1 Is that fair?

2 MR. GREG EPP: That would be correct.

3 If you have more hydraulic generation, there is more  
4 water flow and more water rental charge, correct.

5 MR. ANTOINE HACAULT: And the next  
6 line item I think you also explained was mostly  
7 related to the water flow, and it's the fuel and power  
8 purchased, which I see in the expense side as a  
9 savings here of \$33 million?

10 MR. GREG EPP: Yeah, that would be --  
11 remember, these numbers are an average of the hundred  
12 and five (105) flow cases. So there's different  
13 production costs that happen at the different water  
14 flows when it comes to imports, thermal burn, and  
15 there's also a -- a minor savings on transmission  
16 costs as well that is included in that line item.

17 MR. ANTOINE HACAULT: But I'm -- am my  
18 right so far in having identified those items on this  
19 page as being the water flow items being firstly,  
20 extraprovincial revenue, secondly, water rentals, and  
21 thirdly, fuel and power purchased? Those are the  
22 three (3) items that it get -- get affected, correct?

23 MR. GREG EPP: That is correct.

24 MR. ANTOINE HACAULT: So  
25 mathematically, if we want to know the impact of this

1 change in views of the water flows, we look at the  
2 positive \$7 million in extraprovincial revenue, and  
3 then we've got six thousand (6,000) -- or \$6 million  
4 more expenses, and then we've got \$33 million of  
5 savings, the total water impact is 34 million, if we  
6 do that addition?

7 MR. GREG EPP: That's correct.

8 MR. ANTOINE HACAULT: Okay. And if we  
9 see immediately at -- at kind of the bottom, there's  
10 the net income, and on the extreme right-hand side,  
11 right below that red arrow, there's \$77 million, and  
12 that was the total change between the interim budget  
13 and the approved budget, correct?

14 MR. GREG EPP: That's correct.

15 MR. ANTOINE HACAULT: So I don't want  
16 to quibble about whether or not 34 million on 37  
17 million is the majority of the impact of 77 million.  
18 But we know, doing this calculation, that the water is  
19 less than half of the impact between the change in the  
20 interim budget and the approved budget?

21 MR. GREG EPP: Yes, that's correct.  
22 There's also a finance inspect -- a finance expense  
23 impact as well.

24 MR. ANTOINE HACAULT: Yeah, and we  
25 haven't chatted much about that. And in the long-term



1 effects, we really don't have all that good news in  
2 the twenty (20) year IFF of the good work Ms. Stephen  
3 is doing in lowering our interest rates long term. We  
4 don't have that. The best little snapshot we have for  
5 the test here is 24 million?

6 MR. GREG EPP: That's correct, Mr.  
7 Hacaault. That's not just interest rates. That's  
8 volume, a dead volume change too. Our capital  
9 expenditure forecast changed between the interim  
10 budget and the approved budget. That carries quite a  
11 bit of weight as well.

12 MR. ANTOINE HACAULT: I guess my point  
13 is, we haven't heard much talk except in cross-  
14 examination of good news, but there are some good news  
15 stories that we haven't chatted too much about,  
16 correct?

17 MR. GREG EPP: Yes. That's a good  
18 news story.

19 MR. ANTOINE HACAULT: The last item  
20 that I'd like to take this panel through, and I  
21 appreciate not everybody was there at the NFAT is --  
22 book of documents of the Board at page 17. And it's a  
23 table that sets out various financial plans, starting  
24 with one (1) illustration amongst many that we had  
25 seen in NFAT, for those who were there, correct? I

1 don't know who can answer that. Maybe Ms. Pachal, or  
2 Mr. Cormie, or maybe Ms. Bauerlein, or Ms. Carriere.

3 That first line is one (1) of the  
4 scenarios that was discussed at NFAT, correct?

5 MS. SHAWNA PACHAL: That's correct.

6 MR. ANTOINE HACAULT: And it was  
7 chosen, I would suggest, on this table because we  
8 ended up rejecting going down the path of having  
9 Conawapa. At least, the Board didn't recommend that,  
10 correct?

11 MS. SHAWNA PACHAL: That's correct.

12 MR. ANTOINE HACAULT: And one (1) of  
13 the plans had Keeyask costs being high, so this plan 5  
14 only had Keeyask in it, and it was at a high cost, and  
15 we were spending quite a bit on DSM, which was level 2  
16 DSM, correct?

17 MS. SHAWNA PACHAL: Yes, that's  
18 correct.

19 MR. ANTOINE HACAULT: And again,  
20 there's some good news story. I think when we look at  
21 where we at -- where -- where we are right now, we  
22 were expecting when NFAT was being approved, we were  
23 embarking on this big project, that our equity was  
24 going -- going to go down to 8 percent for a couple  
25 years, correct?

1 MS. SHAWNA PACHAL: That's what the  
2 chart's showing in that particular scenario, yes.

3 MR. ANTOINE HACAULT: And we were also  
4 expecting in that particular scenario high Keeyask  
5 costs, that we might see eight (8) years of negative  
6 net income for a total of \$638 million?

7 MS. SHAWNA PACHAL: That's correct in  
8 that particular scenario run.

9 MR. ANTOINE HACAULT: Yeah. And --  
10 and I appreciate there was a lot of scenario runs, but  
11 they were all considered, including this one, in going  
12 wide open eyes, and going ahead with this project, and  
13 in selling to Manitobans amongst a whole bunch of  
14 different scenarios that it would be good for Manitoba  
15 even though we went down to 8 percent equity, and even  
16 though we might have eight (8) years, because that  
17 might be a possibility? Isn't that correct?

18 MS. SHAWNA PACHAL: I don't know what  
19 the thinking was in terms of all the people involved  
20 in NFAT in terms of this particular scenario, so I'm  
21 not comfortable saying -- saying that.

22 It's certainly one (1) of the scenarios  
23 Manitoba Hydro put forward to demonstrate what some of  
24 the impacts would be in different scenarios.

25 MR. ANTOINE HACAULT: Thank you. And

1 then after our NFAT hearing, the next IFF that's shown  
2 is MH-14, correct?

3 MS. SHAWNA PACHAL: That's correct.

4 MR. ANTOINE HACAULT: And all the  
5 bonding agencies saw that IFF? Everybody knew what  
6 would -- Hydro was saying was going to happen when it  
7 was seeking rates back then in 2015, relying on that  
8 IFF, correct?

9 MS. LIZ CARRIERE: Yes --

10 MS. SHAWNA PACHAL: We would have --

11 MS. LIZ CARRIERE: -- they would have  
12 seen that in -- in the past. However, I think one (1)  
13 thing you have to take note of in here is that under  
14 both of those scenarios, you're talking about it. You  
15 can see that the 25 percent equity ratio is -- is  
16 achieved much earlier than the MIPUG scenario at the  
17 bottom is -- is being completed. Your maximum levels  
18 of debt and -- your maximum levels of debt have gone  
19 up.

20 And in terms of long-term rate  
21 increases, the annual rate increases that were in --  
22 included there and in -- indicative in those are not  
23 what were implemented. So there's some -- if --  
24 there's some deterioration, and those are the kinds of  
25 things that credit rating -- credit rating agencies

1 would note, and they monitor from year to year.

2 MR. ANTOINE HACAULT: And -- and in  
3 fairness, that's what this Board and everybody in this  
4 hearing room has been doing its best to do, is to  
5 every couple years, monitor to see whether we're kind  
6 of on that path.

7 And in getting back to IFF 14, things  
8 change, but we're still not that rosy. We have only  
9 10 percent minimum equity in 2022, 2023, up to 2026,  
10 2027, correct?

11 MS. SHAWNA PACHAL: That's correct.

12 MR. ANTOINE HACAULT: Yeah. And the  
13 fact we're also thinking that we're going to have  
14 nearly a billion dollars of losses over eight (8)  
15 years, and I --

16 MS. LIZ CARRIERE: That's -- if I  
17 recall, it was -- we were -- in -- in the 2015 GRA,  
18 MH-14 was projecting about 900 million in losses.  
19 That's correct.

20 MR. ANTOINE HACAULT: Yeah. And  
21 everybody had that information, including the Board  
22 and all the parties, and one (1) of the things that  
23 I've started by putting on the record was the types of  
24 increases that were given, even knowing that we were  
25 looking at this kind of repeated net -- net negative

1 income. Everybody knew that it was a really big gulp  
2 to take on an \$8.7 billion asset, plus a Bipole.  
3 Isn't that fair?

4 MS. SHAWNA PACHAL: That was the --  
5 the decision of the PUB to proceed with Keeyask, yes.

6 MR. ANTOINE HACAULT: Yeah. And in  
7 fairness, not just the decision of the PUB, it wasn't  
8 --

9 MS. SHAWNA PACHAL: To recommend our -  
10 - to recommend --

11 THE CHAIRPERSON: Sorry, I was just  
12 going to say, it was a recommendation.

13 MS. SHAWNA PACHAL: Yes.

14 THE CHAIRPERSON: The government made  
15 the decision, yeah.

16 MS. SHAWNA PACHAL: Yes, correct.  
17 Sorry.

18

19 CONTINUED BY MR. ANTOINE HACAULT:

20 MR. ANTOINE HACAULT: And -- and part  
21 of that recommendation, in fairness, the PUB didn't  
22 even have the discretion of deciding whether or not it  
23 could take Bipole out of commission, or in commission.  
24 It was told in the terms of reference that it was  
25 locked into building Bipole III. It couldn't make any

1 recommendations with respect to Bipole III, correct?

2 MS. SHAWNA PACHAL: That's my  
3 understanding.

4 MR. ANTOINE HACAULT: And I would  
5 suggest to you it's not all a bad news story. Bipole  
6 III was a big gulp. It was nearly a \$5 billion gulp,  
7 and we did that, took that on, correct?

8 MS. SHAWNA PACHAL: Correct.

9 MS. SANDY BAUERLEIN: We -- we took it  
10 on, but we also had rate increases that we're trying  
11 to address those. As we talked about earlier, there  
12 was rate -- rate increases put directly into a  
13 deferral account to try and minimize the impact upon  
14 in-service.

15 MR. ANTOINE HACAULT: But the big  
16 difference between Bipole III that everybody discussed  
17 was that it was a non-revenue-generating asset as  
18 compared to Keeyask, correct?

19 MS. SANDY BAUERLEIN: Correct, but the  
20 revenues in the early years are not sufficient to  
21 recover the costs. So even Keeyask is a revenue-  
22 generating, the revenues are not sufficient.

23 MR. ANTOINE HACAULT: And everybody  
24 was willing to be patient, because it's a hundred year  
25 asset, and it's going to keep on generating revenue

1 for a very, very long time. So even though it's not  
2 generating everything right away, and we're facing  
3 losses as shown on this screen -- I'm not going to go  
4 through every IFF and projection -- people were  
5 saying, Let's not get worried about that, because it's  
6 a hundred year asset, and it'll pull through. Maybe  
7 we'll have a couple years of losses. The water flows  
8 will just average out. Nobody should get excited. We  
9 can take this gulp on.

10 I would suggest that's a fair  
11 assessment.

12

13 (BRIEF PAUSE)

14

15 MR. GREG EPP: Mr. Hacault, the range  
16 of losses in that third last column range from three  
17 (3) years to eight (8) years, almost a decade. I  
18 mean, that's going to be a very, very hard pill to  
19 swallow.

20 MR. ANTOINE HACAULT: And you weren't  
21 there, Mr. Epp, but I remember asking Mr. Rainkie,  
22 when he was trying to make us swallow that pill, Are  
23 you sure your answers are to be the same thing when  
24 you're asking for rate increases as they are in the  
25 NFAT? Because some of the scenarios that we were



1 looking at, concerned about, were showing repeated  
2 losses.

3 And everybody said, Don't worry. We  
4 can swallow that pill.

5 MS. SANDY BAUERLEIN: I think the key  
6 point here, though, is in each one of these scenarios,  
7 their was rate increases in most situations up --  
8 where they were all above 3 percent, but there was  
9 even a annual rate increases every single year above 3  
10 percent. So the 3.5 percent that we're asking for  
11 '19/'20 is contemplated in each one (1) of these.

12 MR. ANTOINE HACAULT: But the big  
13 difference that Mr. Williams and Mr. Peters went  
14 through, and you'll agree, is that we had that  
15 measuring sys -- of a twenty (20) year IFF, which has  
16 changed quite a bit over the years, quite frankly,  
17 hopefully to our benefit, have I -- as I've seen,  
18 because of the unexpected repeated low interest rates,  
19 and we don't have that long term picture which was  
20 used in every decision-making process that's shown on  
21 this table, correct?

22 MS. LIZ CARRIERE: So the trouble I'm  
23 having is that in -- when we were at NFAT, it -- that  
24 was in 2013, and we were projecting the in-service of  
25 Keeyask around 2019. Today, we're looking at -- we're

1 looking at an in-service of eighteen (18) months away,  
2 and we just -- I mean, we can't hope for interest  
3 rates to be -- con -- continue to be low. We can't  
4 hope for export prices to rise, or we can't hope for  
5 Mr. -- Mr. Corm -- Cormie to make additional sales,  
6 because none of that is going to change the fact that  
7 we have Keeyask coming online, and we are running out  
8 of time and -- to be able to address that.

9 I mean, we're talking about 6 or \$700  
10 million in costs, and 3 -- 250 to 350 million in  
11 offsetting revenue. And as Mr. Epp said this morning,  
12 that for Bipole III, the 11.6 million currently  
13 generates around \$200 million of -- of the -- for  
14 Bipole III, and that's going to have to cover -- 11.6  
15 percent generates around -- that's the -- the rates  
16 that have been set aside to -- for the Bipole III  
17 deferral account.

18 And that 200 million does not cover the  
19 cost of 307 million once the Bipole III deferral  
20 account is fully amortized. So we're seeing  
21 significant costs coming in, and we are running out of  
22 time to address those issues. So whether or not I'm -  
23 - I agree, we have been so fortunate that the interest  
24 rates and have kept -- have continued to be low.

25 Ms. Stephen and her team have done an

1 amazing job, but we cannot hope for that to continue.

2 MR. ANTOINE HACAULT: But my question  
3 was, that's never -- none of these increases were done  
4 without an IFF, correct? The previous ones --

5 THE CHAIRPERSON: Can I interrupt for  
6 a sec? Mr. Hacault, I just have to say we probably  
7 had fifteen (15) or twenty (20) questions today about  
8 there not being an IFF. The Board -- the Board knows  
9 there isn't an IFF. You -- we -- we've heard it over  
10 and over again. We understand the imp -- impact of  
11 there -- of it not being there. Raising it as sort of  
12 the default of the questions that there isn't an IFF,  
13 we're -- we're fully aware of it.

14 And I -- I mean -- I -- I must say that  
15 the questioning and the answers for the last fifteen  
16 (15) minutes have been more like final submission than  
17 questions -- cross-examination. So if we could have  
18 cross-examination and responses, you know, that  
19 actually responded to the questions, it -- it just  
20 sound -- sort of sounds like we're on next Tuesday,  
21 so.

22 MR. ANTOINE HACAULT: Thank you for  
23 your comments, Mr. Chair.

24

25 CONTINUED BY MR. ANTOINE HACAULT:

1 MR. ANTOINE HACAULT: I would suggest  
2 to you that in each of these IFFs which was presented,  
3 there was the shortfall that you just talked about  
4 between the revenue generated by Keeyask and the  
5 expenses, and everybody knew that was going to be  
6 something that was going to have to be absorbed over  
7 time.

8 Do you agree or disagree?

9 MS. LIZ CARRIERE: I would say that  
10 those -- we recognize that the forecasts are  
11 uncertain, that anything could happen. But those  
12 forecasts had in excess of -- I'm looking at it here -  
13 - three point nine-nine (3.99), three point nine-five  
14 (3.95), four point one-four (4.14), four point three-  
15 four (4.34), and then three point five-seven (3.57).  
16 Those all had in excess of 3 1/2 percent in there, and  
17 that was intended to address, despite the uncertainty  
18 going forward, that those rate increase -- those rate  
19 increases are needed to address the costs going into  
20 service.

21 MR. ANTOINE HACAULT: I have no  
22 further questions.

23 THE CHAIRPERSON: Thank you, Mr.  
24 Hacaault. Does the panel have any questions?

25 We'll get to Mr. Wheeler. I actually

1 have a question for Ms. Stephen.

2 Kristen, could you bring up slide 24 of  
3 -- sorry, of Manitoba Hydro's presentation? Yeah.

4 Ms. Stephen, during your testimony, you  
5 said -- you used the word "using Moody's metric."

6 MS. SUSAN STEPHEN: Yes.

7 THE CHAIRPERSON: Do all the bond-  
8 rating agencies have the same metric?

9 MS. SUSAN STEPHEN: No, they do not.

10 THE CHAIRPERSON: So I notice here  
11 they have consolidated EBIT. That's Moody's metric?

12 MS. SUSAN STEPHEN: The calculation of  
13 that consolidated EBIT is Moody's metric, yes.

14 THE CHAIRPERSON: But -- but the use  
15 of EBIT here versus EBITDA, so -- and for the record,  
16 E-B-I-T-D-A, that's part of Moody's metric?

17 MS. SUSAN STEPHEN: The Earnings  
18 Before Interest and Tax?

19 THE CHAIRPERSON: Yeah.

20 MS. SUSAN STEPHEN: That's -- Moody's  
21 utilizes it, S&P utilizes it, DBRS utilizes it. It's  
22 -- it's a common metric.

23 THE CHAIRPERSON: Okay. Do they -- do  
24 these rating agencies change their metrics?

25 MS. SUSAN STEPHEN: They can change

1 their metrics. So we have tracked the calculation of  
2 each individual rating agency's metrics over the  
3 years, and we have noted that there have been changes  
4 in some of the calculations.

5 THE CHAIRPERSON: And has Moody's  
6 changed its metric within the last two (2) years, the  
7 metrics they use?

8 MS. SUSAN STEPHEN: No, they have not.

9 THE CHAIRPERSON: Okay. Have -- have  
10 S&P changed their metrics in the last two (2) or three  
11 (3) years?

12 MS. SUSAN STEPHEN: Unfortunately, we  
13 no longer track S&P's metrics.

14 THE CHAIRPERSON: Okay.

15 MS. SUSAN STEPHEN: We do track DBRS  
16 and Moody's.

17 THE CHAIRPERSON: Okay. Thank you.

18 Mr. Hac -- you were going through, I  
19 believe, with Mr. Hacault some numbers. And Mr.  
20 Hacault started from the bottom, and worked up, and  
21 you said, Well, no, let's start from the top and work  
22 down.

23 But then I believe you said, You get a  
24 different result?

25 MR. GREG EPP: Yes, you can, because

1 of so much capitalized interest in -- in the -- in the  
2 interest expense line, so when you start with net  
3 income, you only are -- your only including in there  
4 is 741 million. And this is a gross interest coverage  
5 ratio, okay, before interest cap, so they always start  
6 at the top, and they work with revenues down, and they  
7 take away all the other expenses, and they put that  
8 over gross interest.

9                   The one (1) adjustment they do make is  
10 they -- they move the PGF out of the gross interest,  
11 and they deduct it from net revenue after all the  
12 operating expenses. But there is that \$300 million of  
13 interest cap that you're -- you're grossing up your  
14 EBIT or EBITDA when you come from the bottom up.

15                   THE CHAIRPERSON: Are you saying that  
16 starting from the bottom up is improper?

17                   MR. GREG EPP: It's -- it's just --  
18 it's a -- it's a different method, and you should get  
19 to the same answer if you -- but with the amount of  
20 spend that we have, and the amount of interest that's  
21 being capitalized, because these are gross interest  
22 coverage ratio calculations.

23                   THE CHAIRPERSON: Okay.

24                   MR. GREG EPP: And you're only  
25 subtracting 741 million to arrive at your net income,

1 okay, because of that capitalized interest, but when  
2 you work from the top down, it's -- it's a different  
3 metric.

4                   There's not as much earnings as you  
5 think there are to pay that gross which is cash  
6 interest. They are using an income statement method  
7 to get at the cash, okay? Credit rating agencies are  
8 always chasing cash. They are -- they are weeding  
9 through all of the IFRS, and all the regulatory  
10 accounting to get after cash. That is their MO.

11                   THE CHAIRPERSON: All right. Thank  
12 you. Mr. Wheeler...?

13

14 CROSS-EXAMINATION BY MR. JARED WHEELER:

15                   MR. JARED WHEELER: Thank you, Mr.  
16 Chair.

17                   Once again, by way of brief  
18 introduction, my name is Jared Wheeler. To my right  
19 is Mr. Markus Bucharth. We are legal counsel to MKO in  
20 this hearing.

21                   On behalf of our client, before we  
22 begin, we would like to acknowledge that we are on  
23 Treaty 1 territory in the homeland of the Metis  
24 nation. We say good day to everyone in the room with  
25 us this morning, as well as to everyone listening



1 online and watching online, I understand, and we would  
2 also like to thank the Board for granting our client  
3 this opportunity today to test the evidence of  
4 Manitoba Hydro through cross-examination.

5 I will preface our questions by saying  
6 that we're not a hundred percent sure which members of  
7 the panel will be answering our questions. Please  
8 forgive us if I direct the question to an incorrect  
9 person. We're going to do our best. For this reason,  
10 some of our questions are posed to the entire panel.  
11 We're hoping the most appropriate person will be able  
12 to answer.

13 With that, we're going to dive right  
14 into what we're referring to as the big question.  
15 We've already heard that Manitoba Hydro's financial  
16 forecast has significantly improved between the  
17 November 30th, 2018 filing and the February 14th, 2019  
18 filing. Given this improvement in the financial  
19 picture, the big question: Is Manitoba Hydro still  
20 requesting a rate increase to be applied to the First  
21 Nations on reserve residential and diesel residential  
22 customer classes?

23 MS. LIZ CARRIERE: In our opening  
24 slide, I think we indicated that we are requesting it  
25 to be applied to all components of rates across the

1 board, with the exception of gen -- diesel general  
2 service. So that would include the -- the diesel  
3 residential.

4 MR. JARED WHEELER: Well, our client  
5 thought it was worth a shot to ask, anyway. We'd like  
6 to turn to some questions on the broad topic of  
7 payments for Manitoba Hydro to various governments.  
8 First, in very broad terms, Manitoba Hydro would agree  
9 that water rental payments are made to the Province of  
10 Manitoba for Manitoba Hydro's use of water resources  
11 for its hydroelectric generation, correct?

12 MS. SANDY BAUERLEIN: That is correct.

13 MR. JARED WHEELER: And in the updated  
14 response to PUB-IR-32, Manitoba Hydro indicated that  
15 the water rental fee to the Province in the test year  
16 is forecast to be \$107 million, correct?

17

18 (BRIEF PAUSE)

19

20 MS. SANDY BAUERLEIN: I'm sure if you  
21 call up the IR, then I can verify that. Can you --  
22 107 million for water rentals in 2020? That is  
23 correct.

24 MR. JARED WHEELER: Yes. Thank you.  
25 And we've just heard in response to my friend Mr.

1 Hacaault that increased water flow also increases the  
2 water rental fee, correct?

3 MS. SANDY BAUERLEIN: That is correct.

4 MR. JARED WHEELER: Now it's going to  
5 feel like I'm shifting gears. Now Ms. Schubert, can  
6 we please bring up IR number 4 from the Assembly of  
7 Manitoba Chiefs?

8 And in this IR, AMC asked if a -- a  
9 number of pieces of information were to be adopted by  
10 Manitoba Hydro as evidence in this hearing. Manitoba  
11 Hydro indicated that a number of excerpts from the  
12 transcripts from last year's GRA were adopted as  
13 evidence in this current proceeding, correct? This  
14 list right on the screen, yeah.

15 MS. SANDY BAUERLEIN: That is correct.

16 MR. JARED WHEELER: Thank you. And  
17 one of the adopted excerpts, if we look at number 26  
18 there, that's that Mr. Kelvin Shephard's testimony  
19 from December 5th, 2017, at page 553, lines 21,  
20 through to page 556, line 2, correct?

21 MS. SANDY BAUERLEIN: Correct.

22 MR. JARED WHEELER: Now Ms. Schubert,  
23 maybe we can bring up on the screen -- perfect. And  
24 if we can go to page 554. Thank you, and I'll just  
25 read the portion out here, maybe right up at the

1 beginning of this, just to give a little context.

2 My friend, Mr. Shefman, put it to Mr.

3 Shephard that:

4 "Would you agree that Manitoba  
5 Hydro's revenue comes from  
6 electricity generated almost  
7 entirely, if not entirely, on the  
8 traditional and ancestral lands and  
9 waters of First Nations across  
10 Manitoba?"

11 Mr. Shephard responds with:

12 "That's a fair characterization.  
13 The Province of Manitoba is located  
14 on the ancestral lands of Indigenous  
15 people, and we operate and provide  
16 service in Manitoba."

17 Can Manitoba Hydro then please just  
18 confirm that this statement from Mr. Shephard is  
19 adopted as Manitoba Hydro's evidence today?

20 MS. SANDY BAUERLEIN: Yes it is.

21 MR. JARED WHEELER: And I like to dig  
22 a bit deeper into the details of this year. It's  
23 probably for Mr. Cormie.

24 Mr. Cormie, would you agree that the  
25 vast majority of the elec -- the electrical energy

1 produced by Manitoba Hydro's integrated system is  
2 generated in Northern Manitoba?

3 MR. DAVID CORMIE: Yes.

4 MR. JARED WHEELER: And specifically,  
5 Manitoba Hydro's largest generating stations are in  
6 Treaty 5 territory. Is that correct?

7 MR. DAVID CORMIE: I'll take that,  
8 subject to check.

9 MR. JARED WHEELER: Thank you. Now if  
10 we look at the bottom of page 554 on the screen at  
11 line 25, the very last line, and then over to the top  
12 of page 555, Mr. Shefman asks:

13 "Would you agree that the  
14 construction and operation of the  
15 dams and other infrastructure that  
16 generates Manitoba Hydro's  
17 electricity impacts the ability of  
18 First Nations in Manitoba to  
19 exercise their inherent Aboriginal  
20 and Treaty rights?"

21 Mr. Shephard responds:

22 "I would agree there are impacts  
23 from the construction of  
24 hydroelectric -- electric  
25 facilities, and there are impacts to

1                   those Treaty rights, yes."

2                   So on Manitoba Hydro's evidence on  
3 these points, I'd like to clarify this a bit. The  
4 evidence is that there are impacts to Treaty rights  
5 from the construction of hydroelectric facilities.  
6 Maybe we can expand that.

7                   And I am not sure who this question is  
8 going to. Would Manitoba Hydro agree that First  
9 Nations may hold both Aboriginal rights and Treaty  
10 rights?

11                   MS. MARLA BOYD: Sorry to interrupt,  
12 but I don't believe those questions are relevant to  
13 the hearing we're at today. That one (1) may actually  
14 have asked for a legal opinion, so we -- we can't have  
15 our witnesses do that.

16                   Further, the -- the Order 1 of '19  
17 specified some fairly limited scope in terms of the  
18 areas for consideration in this hearing.

19                   MR. JARED WHEELER: Would Manitoba  
20 Hydro agree that both the construction and ongoing  
21 operation of Manitoba Hydro's facilities has the  
22 potential to have ongoing impacts to First Nations?

23                   MS. MARLA BOYD: Again, I don't  
24 believe that's part of this hearing. The projects --

25                   THE CHAIRPERSON: Well, we -- we're

1 going to allow it.

2 MS. SHAWNA PACHAL: Yes, I would  
3 agree.

4

5 CONTINUED BY MR. JARED WHEELER:

6 MR. JARED WHEELER: Thank you. Maybe  
7 I'll move on to the next topic area. I have some  
8 questions about the continuing need for bill  
9 affordability mechanisms on First Nations.

10 Now if we can bring up MKO-IR-8. And  
11 this is about customer accounts in arrears on MKO  
12 member First Nations. And if we can go to page 3 of  
13 6, and this is residential customer accounts in  
14 arrears, and this is on MKO member First Nations.

15 And if we can go to page 4 of 6, we've  
16 got residential First Nation on reserve customer  
17 accounts in arrears. I'm going to be spending some  
18 time with these two (2) tables.

19 As an example only, I draw your  
20 attention to just the top line, barren lands First  
21 Nation diesel community. You would agree that there  
22 are fifty-six (56) accounts in arrears in barren lands  
23 as of December 2018, correct?

24 MS. LOIS MORRISON: That is correct.

25 MR. JARED WHEELER: Thank you. And if

1 we can go back to number three (3) -- or page 3,  
2 pardon me, residential customer accounts in arrears,  
3 we see that in barren lands, there are sixty-seven  
4 (67) accounts in arrears, correct?

5 MS. LOIS MORRISON: That is correct.  
6 There are sixty-seven (67) residential accounts in  
7 arrears.

8 MR. JARED WHEELER: So when  
9 considering these tables, is it fair to assume, then,  
10 that the First Nations customers in -- in the second  
11 table on page 4 are also included in the broader on  
12 reserve residential customers in the table on table 3?

13 MS. LOIS MORRISON: Yes, the fifty-six  
14 (56) customers on table -- on the table on page 5, I  
15 think it is -- or 4 -- are included within the sixty-  
16 seven (67) customers identified on page 3.

17 MR. JARED WHEELER: So comparing these  
18 tables, I'm not a mathematician, but there are eleven  
19 (11) residential customer accounts in arrears in  
20 barren lands that were not First Nation customers,  
21 then, correct?

22 MS. LOIS MORRISON: That is correct.

23 MR. JARED WHEELER: And would you  
24 agree that customers that are not First Nations  
25 customers would not benefit from programs specifically



1 directed to First Nations customers?

2 MS. LOIS MORRISON: I apologize.

3 Could you restate that?

4 MR. JARED WHEELER: Sure, if a  
5 customer is not a First Nation customer, we're not  
6 recognized by Manitoba Hydro as a First Nations  
7 customer, they would not be able to access programs  
8 specifically directed to First Nations customers; is  
9 that fair?

10 MS. LOIS MORRISON: If we had programs  
11 that said, specifically, you're only allowed to engage  
12 in this program if you are a First Nation identified  
13 person in the First Nation on-reserve community, then  
14 I would say that we were excluding them, and that if  
15 they are in a position where they would qualify based  
16 on, say, income eligibility or such that they should  
17 be eligible to -- to participate in those programs.

18 MR. JARED WHEELER: So how does  
19 Manitoba Hydro determine whether a residential  
20 customer on a reserve is a First Nations customer?

21 MS. LOIS MORRISON: In our billing  
22 system we do have treaty numbers identified.

23 MR. JARED WHEELER: And to obtain  
24 those treaty numbers a customer would have to disclose  
25 to Manitoba Hydro that they should fall within a First

1 Nations residential customer class, correct?

2                   They'd have to tell Manitoba Hydro that  
3 they are a First Nations person.

4                   MS. LOIS MORRISON:    So to answer your  
5 question, yes, they would have to identify themselves  
6 as being treaty.  However, the First Nation  
7 residential customer class is eligible for all  
8 residential customers on reserve, not just the ones  
9 identifying as Treaty.

10                  MR. JARED WHEELER:    So between these  
11 two (2) tables in front of us, the residential  
12 customer accounts in arrears that are on Barren Lands  
13 First Nation, for example, and the first Nations  
14 residential customer accounts in arrears, where does  
15 the difference come between these numbers?  Where does  
16 that come from; sixty-seven (67) to fifty-six (56) I'm  
17 not clear on why there's a difference.

18                  MS. LOIS MORRISON:    The difference --  
19 okay, so, the sixty-seven (67) customers that are  
20 identified on the first table, they are all under the  
21 residential customer -- sorry, they are all rec -- are  
22 within the First Nation rate class.  They all receive  
23 the different hydroelectric rate.

24                  The difference is is that they have --  
25 the people that are -- that difference between the two

1 (2) tables is people that have either identified or  
2 not identified as treaty.

3 MR. JARED WHEELER: So to identify as  
4 a treaty person, does a customer need to show some  
5 form of identification?

6 MS. LOIS MORRISON: I'm not familiar  
7 with the specifics as how they qualify but we do have  
8 a number of avenues for getting that information but,  
9 typically, I would expect this from the customer, but  
10 I would have to take that subject to check.

11 MR. JARED WHEELER: Okay, I'll leave  
12 that part there. So if we look at the second column  
13 on here, percentage of accounts in arrears. So we can  
14 see that -- well, can you confirm that looking at this  
15 table that every MKO member First Nation had at least  
16 some First Nation residential accounts in arrears at  
17 this time?

18 MS. LOIS MORRISON: Yes, that is  
19 correct.

20 MR. JARED WHEELER: And those values  
21 range from a low of 31 percent to a high of 82  
22 percent, correct?

23 Although there are a few First Nations  
24 at the bottom that are cut off right now. Can we come  
25 out on this table a little bit. There we go, thank

1 you.

2 MS. LOIS MORRISON: So a low of 31 to  
3 a high of --

4 MR. JARED WHEELER: Eight eighty-two  
5 (882).

6 MS. LOIS MORRISON: That is correct.

7 MR. JARED WHEELER: So then from this  
8 table at least 31 percent of the First Nation  
9 residential customer accounts were in arrears.

10 By its very definition an account in  
11 arrears would mean that there are outstanding amounts  
12 due and owing to Manitoba Hydro from that customer  
13 account; agreed?

14 MS. LOIS MORRISON: Agreed.

15 MR. JARED WHEELER: And can you  
16 briefly explain for Manitoba Hydro to consider an  
17 account to be in arrears, does -- what's the timeframe  
18 there? How long does somebody have to have not paid a  
19 bill to be considered an account in arrears?

20 MS. LOIS MORRISON: I am drawing on  
21 memory. It's been a long time since I've had to look  
22 at that level of detail. Typically, it's after sixty  
23 (60) days that it starts being in arrears.

24 So we have -- we -- so the first  
25 billing -- the first billing comes 30 days. So we

1 have a 30, 60, and 90 days cycle that we follow, but I  
2 would have to check as to whether this arrears is at  
3 the thirty (30) days or the sixty (60) days past due.

4 MR. JARED WHEELER: Okay. And so for  
5 that either thirty (30) or sixty (60) days past due,  
6 that -- that would mean of course that the -- the  
7 customer has not paid that and no other entity has  
8 paid those accounts, correct?

9 MS. LOIS MORRISON: That is -- that is  
10 correct.

11 MR. JARED WHEELER: Thank you. Which  
12 would also mean then that the federal government has  
13 not paid those accounts, correct?

14 MS. LOIS MORRISON: There is -- there  
15 will be cases where they may be delayed in payments of  
16 social assistance on these bills, yes.

17 MR. JARED WHEELER: So there could be  
18 delays and -- now if we look at the number of accounts  
19 in arrears for greater than one (1) year. The last  
20 column there.

21 MS. LOIS MORRISON: Yes.

22 MR. JARED WHEELER: If an account is  
23 in arrears for greater than one (1) year, that would  
24 suggest that nobody has paid that account for at least  
25 a year. Of course, is that correct?

1 MS. LOIS MORRISON: Not entirely.  
2 What it may state -- what it may reflect is that there  
3 may have been payments towards the account or part  
4 payments towards that account. But a portion of that  
5 account may be in arrears and have been accruing in  
6 arrears for greater than a year.

7 MR. JARED WHEELER: Okay. So -- so  
8 that doesn't necessarily mean the entire account, it  
9 means a portion of the account at least.

10 MS. LOIS MORRISON: That is correct.

11 MR. JARED WHEELER: Okay, thank you.  
12 Now in broad terms can Manitoba Hydro confirm that  
13 natural gas is not an available option for heating in  
14 MKO member First Nations?

15 MS. LOIS MORRISON: That is correct.

16 MR. JARED WHEELER: And therefore, it  
17 costs more to heat homes in MKO member First Nations  
18 because it costs more to heat with electricity,  
19 correct, over natural gas?

20 MS. LOIS MORRISON: That is correct.

21 MR. JARED WHEELER: And in Manitoba  
22 Hydro's direct evidence the panel yesterday, if  
23 approved a 3.5 percent would result in an additional  
24 \$6.30 per month for a residential customer with  
25 electric space heat using 2000 kWh hours per month.

1 Is that correct?

2 Maybe we can bring up --

3 MS. LOIS MORRISON: That's correct.

4 MR. JARED WHEELER: Okay. And using  
5 my rudimentary math, again, not being a mathematician,  
6 \$6.30 a month would amount to an estimated additional  
7 \$75.60 on an annual basis, assuming that 2000 kWh were  
8 used every month?

9 MS. LOIS MORRISON: I'll trust your  
10 math.

11 MR. JARED WHEELER: Thank you. I  
12 rarely do. And then increase to the hydro bill of a  
13 residential ratepayer which would include a First  
14 Nations on-reserve residential ratepayer, is sought on  
15 an annualized basis in perpetuity, correct?

16 MS. LIZ CARRIERE: Yes, that's  
17 correct.

18 MR. JARED WHEELER: Thank you, Ms.  
19 Carriere. And as I recall from Tuesday, I believe,  
20 Ms. Carriere, it was your words that had said Manitoba  
21 Hydro expects that the Corporation will be seeking  
22 rate increases every year in the foreseeable future.  
23 Is that correct?

24 MS. LIZ CARRIERE: Well, I don't know  
25 that for sure, but the longer term forecasts that

1 we've seen leading up to this proceeding have  
2 certainly indicated that there is annual rate  
3 increases that are required.

4                   What we don't know is the level of  
5 those or for how long because we are undertaking a  
6 strategic plan at the moment and will determine  
7 financial targets and a rate plan out of that.

8                   MR. JARED WHEELER:    Okay.  Now still  
9 on this topic of accounts being in arrears.  The table  
10 on the screen here.  But maybe we can switch this.  
11 Can we switch to Ex -- to PUB's IR Number 24.

12                   And in part 'A' the Board asks for an  
13 explanation about an \$8.1 million increase in  
14 uncollectible accounts or bad debt as detailed in  
15 appendix 8 of the application.

16                   And we see in Manitoba Hydro's response  
17 'A' that the bad debt expense increased as a result of  
18 an assessment of collectability of arrears.  Correct?

19                   MS. SANDY BAUERLEIN:    That is correct.

20                   MR. JARED WHEELER:    And as it says  
21 here, as arrears age and other circumstances change  
22 the probability of collection on past due accounts may  
23 also change; correct?

24                   MS. SANDY BAUERLEIN:    That is correct.

25                   MR. JARED WHEELER:    And now if we can



1 -- so now we see at the top right here it says,  
2 "provide the bad debt expense policy." And if we can  
3 see the response -- response -- Manitoba Hydro's  
4 response is that there isn't a bad debt policy per se,  
5 but Manitoba Hydro follows a general practice in the  
6 collection of bad debts. Is that correct?

7 MS. LOIS MORRISON: That's correct.

8 MR. JARED WHEELER: So can we ask,  
9 what purpose does it serve to keep accounts deemed to  
10 be uncollectible on Manitoba Hydro's books?

11 MS. LOIS MORRISON: So, I think we  
12 need to qualify that the accounts that are typically  
13 moved to write off or bad -- doubtful are inactive.  
14 The vast majority of the ones that are written off.

15 And that means that we haven't been  
16 able to -- the customer has moved and is no longer on  
17 Manitoba Hydro's system and -- or we haven't been able  
18 to find them and those accounts then go to a  
19 collection agency for pursuit or for follow-up.

20 We don't stop attempting to recover  
21 even when an account has become inactive. If at some  
22 -- or we do write it off, even if we write it off, at  
23 some point if that customer connects back to our --  
24 comes back and connects to our system and we are made  
25 -- and we -- we -- we identified them, those

1 outstanding -- those outstanding accounts do come back  
2 on to that customer's account and we attempt to  
3 collect.

4 MS. SANDY BAUERLEIN: I'm not sure if  
5 this might confuse the issue or not but I'm going to  
6 add a comment here. So this bad debt expense does not  
7 reflect the accounts that may be written off in a  
8 particular year. What it is it's the adjustment to --  
9 we have an allowance. So the allowance is -- call it  
10 the allowance for doubtful accounts. So under  
11 accounting, you have to establish sort of a liability  
12 what you would expect if you were to, you know, shut  
13 down today in terms of what would be uncollectible.

14 So, I didn't want you to leave the  
15 impression that if we write off an account that's  
16 reflected in your bad debt expense. Writing off an  
17 account does not cause our expense to go up in that  
18 particular year. It's suggesting the allowance for  
19 what we think probability of future past-due accounts  
20 may be. I may have just confused you.

21 MR. JARED WHEELER: I am very easily  
22 confused so that didn't take very much but -- no, you  
23 did not. I appreciate your answer. Thank you.

24 I am going to completely shift gears to  
25 some questions about the diesel zone and consumption

1 patterns in the diesel zone. In response to Coalition  
2 IR 35. Perhaps we can bring that up on the screen,  
3 Ms. Schubert. Thank you.

4 Manitoba Hydro explains in the second  
5 last paragraph -- maybe if we can go down to the next  
6 page. Thank you. Right there.

7 Rates for all residential consumption  
8 and general service usage up to 2000 kWh per month are  
9 priced at equivalent to grid rates on a policy basis.

10 Would you agree that following Board  
11 Order 59/'18 this statement would be more accurately  
12 put as with respect to rates in the diesel zone rates  
13 for all residential consumption and general service  
14 usage up to 2000 kWh per month are priced at  
15 equivalent to the grid rate for the First Nations on-  
16 reserve residential customer class on a policy basis?

17

18 (BRIEF PAUSE)

19

20 MS. LIZ CARRIERE: Yes, we would  
21 agree with that.

22 MR. JARED WHEELER: Thank you. And I  
23 said that was going to be about consumption patterns  
24 but my notes jumped around a little bit. This will be  
25 about consumption patterns. If we can please bring up

1 AMC IR Number 8.

2 And while Ms. Schubert is bringing that  
3 up -- although she's very quick -- can you please  
4 confirm that the diesel zone is comprised of Barren  
5 Lands First Nations, Northlands Dene First Nations,  
6 ASA Dene First Nation and Shamattawa First Nation. Is  
7 that correct?

8 MS. LIZ CARRIERE: I think that's  
9 correct, yes.

10 MR. JARED WHEELER: And I'll just draw  
11 your attention to the third page of this table on the  
12 screen, and specifically to the information applicable  
13 to the average electricity usage in Shamattawa. Again,  
14 a diesel community.

15 And so we see that average annual usage  
16 for 2017/'18 in Shamattawa was about 16,200 kWh. Is  
17 that correct?

18 MS. LIZ CARRIERE: That's correct.

19 MR. JARED WHEELER: Now for the sake  
20 of comparison if we can look at the last row on this  
21 table York Factory First Nation.

22 And with respect to York Factory, we  
23 see that aver -- average annual usage for the same  
24 time '17/'18 was about 34,400 kWh. Is that correct?

25 MS. LIZ CARRIERE: That's correct.

1 MR. JARED WHEELER: Now I used the  
2 example of these two (2) First Nations specifically. I  
3 suggest that Shamattawa and York Factory or at  
4 virtually the same line of latitude. I don't have a  
5 map in front of me. I checked. I'm hoping you can  
6 trust me.

7 York Factory is actually slightly  
8 further north but you'd agree with me that average  
9 consumption levels in Shamattawa, in this time period,  
10 were less than half the average consumption levels in  
11 York Factory for the same year; is that correct?

12 MS. LIZ CARRIERE: That's correct.

13 MR. JARED WHEELER: And further  
14 consulting this table, if need be, would you agree  
15 that, in general, consumption levels in all diesel  
16 service communities in 2017/'18 were less than half  
17 the consumption levels in other Northern First  
18 Nations?

19 MS. LIZ CARRIERE: I would accept  
20 that, yeah.

21 MR. JARED WHEELER: And would you  
22 agree with me that electric space heat is not  
23 available in any of the First Nations comprising the  
24 diesel zone?

25 MS. LIZ CARRIERE: Yes, that's true.

1 MR. JARED WHEELER: And if we need it,  
2 we can bring up AMC IR number 9 but would you agree  
3 that average weather adjusted consumption per  
4 residential customer for the past ten (10) years has  
5 shown consumption levels in the diesel zone that are  
6 half the consumption levels in other First Nations?  
7 Maybe we should bring up AMC 9. This will show us the  
8 last approximately ten (10) years.

9 And we can see the diesel zone again  
10 being Shamattawa and Barren Lands, Northlands, and CSA  
11 Dene, approximately half the consumption of the other  
12 Northern First Nations.

13 MS. LIZ CARRIERE: Sorry, I'm having  
14 trouble seeing straight lines here.

15 MR. JARED WHEELER: I'll suggest to  
16 you that it's true.

17 MS. LIZ CARRIERE: I'll except that,  
18 yes.

19 MR. JARED WHEELER: Thank you. Now,  
20 would you agree with me that issues facing First  
21 Nations in general that con -- contribute to higher  
22 consumption rates such as poor housing stock, et  
23 cetera, also face residential customers in the diesel  
24 zone.

25 MS. LIZ CARRIERE: Yes, I would agree

1 with that.

2 MR. JARED WHEELER: So what our client  
3 would like to know is to what does Manitoba Hydro  
4 attribute the fact that the average electricity usage  
5 in the diesel zone is half that of other northern  
6 First Nations?

7 MS. LOIS MORRISON: Excuse me, could I  
8 clarify the question. Are you asking, if I understand  
9 you correctly, you're asking why the diesel community  
10 customers -- a customer residing in a diesel community  
11 would use half the amount of electricity as a customer  
12 who has electric heat. Correct?

13 MR. JARED WHEELER: Yes, exactly.

14 MS. LOIS MORRISON: Okay. Well, the -  
15 - they are still using other electric services in the  
16 communities and if you were actually to compare their  
17 energy consumption to a customer in the south heating  
18 with natural gas, or a customer heating not as far  
19 south but say in Swan River or somewhere like that,  
20 has natural gas access, you would look -- see that  
21 their consumption of electricity is similar or more  
22 similar to a customer heating with another fuel  
23 source.

24 So, you're seeing the -- the impact of  
25 then heating with fuel oil and still having other

1 electric loads in their home.

2 MR. JARED WHEELER: Thank you very  
3 much, Ms. Morrison. I'm going to completely shift  
4 again with respect to cost of service.

5 Has Manitoba Hydro segregated the cost  
6 of servicing the First Nations on-reserve residential  
7 customer class from the broader residential customer  
8 class?

9 MS. LIZ CARRIERE: We haven't  
10 completed that work yet.

11 MR. JARED WHEELER: And that would be  
12 because a cost-of-service study has not yet been  
13 conducted since the Board ordered the creation of the  
14 First Nations on-reserve residential customer class,  
15 correct?

16 MS. LIZ CARRIERE: That would be  
17 correct.

18 MR. JARED WHEELER: I'm going to leave  
19 that topic there. I'm going to ask a couple of  
20 questions about consultation with ratepayers.

21 For quick reference maybe if we can  
22 bring up MKO IR 10. And in this response Manitoba  
23 Hydro has indicated that as of the date of this IR  
24 response there had not been an engagement process with  
25 its customers at all and I believe this was canvassed



1 a bit with Dr. Williams this morning but that public  
2 meetings at that time were scheduled in Steinbeck, The  
3 Pas, and Winnipeg in March 2019, correct?

4 MS. LIZ CARRIERE: That's correct.

5 MR. JARED WHEELER: So I guess our  
6 first question then on that is: Did those public  
7 engagement Sessions take place in March 2019.

8 MS. LIZ CARRIERE: Yes, I was --  
9 participated in all three (3).

10 MR. JARED WHEELER: Ms. Carriere, do  
11 you have a rough -- rough estimate of how many people  
12 attended those sessions?

13 MS. LIZ CARRIERE: I have -- my  
14 recollection is there was about thirty (30) to thirty-  
15 five (35) in total.

16 MR. JARED WHEELER: Are there minutes  
17 available from those meetings?

18 MS. LIZ CARRIERE: No, there's no  
19 minutes. It was -- the format of those meetings was  
20 more of a -- sort of open discussion. There was no  
21 presentations. There were storyboards for customers  
22 to review and ask questions, and we had Manitoba Hydro  
23 staff available on a number of topic areas that they  
24 were able to ask questions of.

25 MR. JARED WHEELER: Was one (1) of

1 those topic areas the requested rate increase, the  
2 subject of this hearing today?

3 MS. LIZ CARRIERE: Yes.

4 MR. JARED WHEELER: And in this  
5 response on the screen, Manitoba Hydro also stated  
6 that there was a plan to broadly communicate the  
7 requested rate increase to customers using social  
8 media posts and insert in all April 2019 bills and a  
9 related webpage on the Corporation's external website.  
10 Right in the middle there. Would you agree with that?

11 MS. LIZ CARRIERE: Yes, that's  
12 correct.

13 MR. JARED WHEELER: Have there been  
14 social media posts from Manitoba Hydro about this  
15 requested rate increase?

16 MS. LIZ CARRIERE: I believe there  
17 have. I wouldn't know personally. I don't do social  
18 media.

19 MR. JARED WHEELER: I try not to  
20 myself. Was there an insert in April 2019 bills  
21 communicating the requested rate increase?

22

23 (BRIEF PAUSE)

24

25 MS. LIZ CARRIERE: I think we've

1 concluded as a group that -- we are just in the  
2 process of -- of putting those out.

3 MR. JARED WHEELER: So prior to this  
4 hearing, some folks may not have gotten a notice in  
5 their bills just yet?

6 MS. LIZ CARRIERE: That's correct.

7 MS. SHAWNA PACHAL: Do -- does anybody  
8 know offhand -- and I'm saying anybody because I'm not  
9 sure who would answer then -- do we know the  
10 percentage of residential customers that continue to  
11 receive paper bills from Manitoba Hydro as opposed to  
12 electronic bills?

13 MS. LOIS MORRISON: Our uptake of  
14 electronic bills is actually quite low. It's about --  
15 I think we've got about 20 percent of our customers on  
16 electronic billing.

17 MR. JARED WHEELER: Okay then I'll  
18 just ask about the third method of communicating this  
19 rate increase to customers that's on here, postings on  
20 the Corporation's external website.

21 Can anybody tell us if there are  
22 postings on Manitoba Hydro's website?

23 MS. LIZ CARRIERE: Regarding this  
24 hearing? Yes.

25 MR. JARED WHEELER: And -- and

1 regarding the requested rate increase.

2 MS. LIZ CARRIERE: Yes.

3 MR. JARED WHEELER: Would you agree  
4 that of the three (3) methods of communicating  
5 information about the rate increase to consumers, two  
6 (2) of them, and possibly all three (3), depending on  
7 if somebody gets an e-bill, require access to the  
8 Internet?

9 MS. LIZ CARRIERE: Well, the website  
10 obviously would. And e-bill would. Social media, I'm  
11 going to show all my tech savvy and I have no idea.

12 MS. LOIS MORRISON: Social media if  
13 they have a smart phone and cell service, they would  
14 have access to it but you're correct that if they  
15 don't have access to Wi-Fi or Internet and if they  
16 don't have access to cellular coverage, they would not  
17 have access to that electronic communication.

18 MR. JARED WHEELER: Thank you. I'll  
19 leave that there. Maybe if we can flip forward to the  
20 next page of Manitoba Hydro's response to this IR.

21 Manitoba Hydro explains that they --  
22 that they're ongoing relationships with First Nations  
23 across the province and is in communication with  
24 leadership on a range of topics, correct?

25 MS. SHAWNA PACHAL: That's correct.

1 MR. JARED WHEELER: And then there's a  
2 list of topics discussed with First Nation leadership  
3 here. Topics applicable including customer service  
4 and billing, operational issues, et cetera, et cetera.

5 Would you agree that this list does not  
6 include the topic of the requested rate increase?

7 MS. SHAWNA PACHAL: The list does not  
8 state that.

9 MR. JARED WHEELER: Thank you. I  
10 think we'll leave our questions there and thank you to  
11 the Board for granting our client this opportunity  
12 today. Thank you everyone.

13 THE CHAIRPERSON: Thank you, Mr.  
14 Wheeler.

15 That concludes the hearing today. Let  
16 me outline tomorrow because it's going to be a busy  
17 day. We will have -- start off with cross-examination  
18 by counsel for AMC. Then we will have redirect from  
19 Manitoba Hydro, if there is any. Manitoba Hydro's  
20 fully aware of the rules for redirect.

21 Then we will have direct evidence by  
22 Manitoba Industrial Power Users Group witness. Then  
23 we will try and complete the cross-examination of the  
24 witness by the end of tomorrow and if we do all of  
25 that, then there will be no hearing on Friday.

1                   So we will start at nine o'clock  
2 tomorrow morning and take it from there. Thank you  
3 very much.

4

5 --- Upon adjourning at 3:58 p.m

6

7

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10 Certified Correct,

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13 \_\_\_\_\_

14 Michael McKenzie

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