



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

re:

MANITOBA HYDRO

2023/24 and 2024/25

GENERAL RATE APPLICATION

Hearing

Before Board Panel:

Robert Gabor, KC - Board Chairperson

Marilyn Kapitany - Board Vice Chair

Carol Bellringer - Board Member

Hamath Sy - Board Member

George Bass, KC - Board Member

HELD AT:

Public Utilities Board

400, 330 Portage Avenue

Winnipeg, Manitoba

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Pages 2209 to 2484

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1 --- Upon commencing at 9:03 a.m.

2

3 THE CHAIRPERSON: Good morning. So we
4 have the Revenue Requirement Panel today. We are
5 going to try to see if we can conclude the cross-
6 examination today, although no promises.

7 What we will do is we will look at --
8 re-evaluate at lunch time. We may have a shorter
9 lunch time. If there's a way to do it even with
10 extending the hours today to try and get it done
11 because I understand everybody's busy.

12 However, we need to be fair to all of
13 the Interveners to permit them a full cross-
14 examination. So we are going to see where we are at
15 noon and -- and determine whether we can finish today.
16 If not, we'll have to reconvene tomorrow morning with
17 this panel.

18 So anyways, did you want to give an
19 update, Mr. Hombach?

20 MR. SVEN HOMBACH: Yes. Good morning,
21 Mr. Chair. I do not believe there's any exhibits that
22 need to be entered this morning. Board counsel
23 concluded the examination yesterday. It's Ms.
24 Guglielmin's turn on behalf of the Assembly of
25 Manitoba Chiefs. I would suggest you call on her.

1 THE CHAIRPERSON: Sorry. Ms.
2 Guglielmin...?

3

4 REVENUE REQUIREMENT PANEL:

5 SANDRA AMORIM DEW, Resumed

6 SUSAN STEPHEN, Resumed

7 GREGORY EPP, Resumed

8 AUREL TESS, Resumed

9 ALASTAIR FOGG, Resumed

10

11 CROSS-EXAMINATION BY MS. EMILY GUGLIELMIN:

12 MS. EMILY GUGLIELMIN: Thank you, Mr.
13 Chair.

14 Good morning. My name is Emily
15 Guglielmin. I'm legal counsel for the Assembly of
16 Manitoba Chiefs. I'm going to address these questions
17 to the panel, as a whole, so anyone can feel free to
18 answer.

19 First, Ms. Schubert, can we turn to
20 Exhibit PUB 4-20A. In subsection (a) of this
21 Information Request, Manitoba Hydro was asked to file
22 financial forecasts that would be needed in order to
23 achieve an 80 percent debt-to-capitalization ratio
24 target by 2035 by equal rate increases until that
25 time.

1 And Manitoba Hydro's response
2 essentially shows us that a 1.43 percent rate increase
3 annually from now until 2034/'35 would achieve an 80
4 percent debt ratio target by that date.

5 Is that correct?

6 MR. GREGORY EPP: That is correct.

7 MS. EMILY GUGLIELMIN: And a 1.43
8 percent rate increase today is .6 percent lower than
9 the proposed rate increase from Manitoba Hydro.

10 Is that correct?

11 MR. GREGORY EPP: That's correct. So
12 that rate path would achieve the 80 percent by the
13 latest date for that target in the Act. However, if
14 we scroll down a little bit, in -- in order to move
15 the debt ratio from eighty (80) in '34/'35 to seventy
16 (70) in '39/'40, an annual rate increase of roughly 7
17 percent under this scenario, or three (3) times the
18 forecasted rate of inflation, would be required to
19 meet that final target.

20 MS. EMILY GUGLIELMIN: And the last
21 decade has been marked by significant capital spending
22 by Manitoba Hydro, and this capital spending has
23 resulted in the current high debt ratio that Bill 36
24 is explicitly trying to reduce.

25 Is that correct?

1 MR. AUREL TESS: I think it's fair to
2 say that we're -- yeah, we're in this period now where
3 we accepted our ratios would have to drop during the
4 construction period. And we're now in a period where
5 we feel we have to reduce them -- the debt ratios.

6 MS. EMILY GUGLIELMIN: Would you agree
7 that current ratepayers have borne the brunt of
8 Manitoba Hydro's capital spending plans in recent
9 years, and this has been the primary driver of rate
10 increases?

11 MR. AUREL TESS: Well, I think, as we
12 -- we noted in the direct evidence, many of the costs
13 are now hitting the revenue requirement now, over 700
14 million.

15 So even though there have been rate
16 increases that have helped reduce and offset the
17 revenue requirement, there still are a number of
18 increased costs that we've outlined in our application
19 related to the new construction.

20 MS. EMILY GUGLIELMIN: And that would
21 have included the interim rate increase.

22 Is that correct?

23 MR. AUREL TESS: That's correct, yeah.

24 MS. EMILY GUGLIELMIN: And I note that
25 you just noted that the 70 percent debt ratio target

1 is not achieved by the 2039/'40 target date under this
2 scenario, and that would change the projected debt
3 ratio in 2034 -- 2039 to '40 to being 78 percent.

4 According to Daymark, this conclusion
5 is supposing a conservative long-term forecast for
6 export revenue into the future. Is that correct?

7 MR. AUREL TESS: I believe Daymark
8 said the forecast was reasonable.

9 MS. EMILY GUGLIELMIN: But they also
10 said it was conservative, agreed?

11 MR. AUREL TESS: Agree.

12 MS. EMILY GUGLIELMIN: If net export
13 revenue turns out to be above Manitoba Hydro's current
14 forecast, do you agree that taking a conservative
15 approach to forecasting today would be likely to
16 result in current ratepayers overpaying compared to
17 future ratepayers?

18

19 (BRIEF PAUSE)

20

21 MR. ALASTAIR FOGG: I -- I think what
22 we've tried to present in the long-term forecast is
23 taking the average approach, recognizing that the net
24 export revenues maybe -- could be higher than that
25 average or lower than that average.

1 And we've noted in responses to -- to
2 several IRs, that as the -- those actual revenues are
3 -- are recorded, we may adjust that -- that rate path
4 to recognize the change in the pacing to meet that
5 debt ratio target.

6 MS. EMILY GUGLIELMIN: Would you
7 accept that the longer out a forecast extends into the
8 future the greater the uncertainty of the forecast
9 becomes?

10 MR. GREGORY EPP: Yeah, we'd accept
11 that.

12 MS. EMILY GUGLIELMIN: And if
13 uncertainty farther in the future is true, is it more
14 likely that Manitoba Hydro's current forecasts for
15 2035 to '40 will be different than the actual values
16 for those years compared to forecasts for the 2023 to
17 2035 time frame?

18 MR. GREGORY EPP: Yes, there's --
19 there's definitely a little more visibility in the
20 near term than -- than what might -- might happen in
21 the last five (5) years of a forecast considering all
22 of the changes that are anticipated to the industry.

23 MS. EMILY GUGLIELMIN: Thank you. Ms.
24 Schubert, could we turn to Exhibit PUB 4-34(c). In
25 its response to (c), in the last part of the second

1 paragraph, Manitoba Hydro states that:

2 "The 2 percent rate increase over
3 the next twenty (20) years will
4 mitigate the impact of imposed risks
5 together with retained earnings when
6 they incur, and this will support
7 providing smooth predictable rates."

8 Given the discussion we just had about
9 the difference between short-term and long-term
10 forecasts and the ability to achieve the debt ratio
11 target of 80 percent by 2035, with an annual rate
12 increase of about 1.4 percent, is Manitoba Hydro
13 smoothing rate increases for customers beyond 2035 by
14 shifting some portion of those rate increases to
15 today's customers?

16

17 (BRIEF PAUSE)

18

19 MR. ALASTAIR FOGG: I don't think we -
20 - we would agree with that -- that assessment. We --
21 we presented a 2 percent rate path that -- that smooth
22 inconsistent rates for customers across the forecast
23 period.

24

25 And we acknowledge that the -- the
forecast itself is uncertain, but it's uncertain in

1 both directions, if you will, that it could improve or
2 it could be -- deteriorate from what we forecasted on
3 the average.

4 MS. EMILY GUGLIELMIN: Thank you. And
5 if we could turn now to Exhibit PUB 4-21(b) at page 4.

6 And I know this looks really small on
7 the screen. And this is the same summary table of key
8 financial measures for the sensitivity analysis that
9 was found in appendix 4.4 that we saw yesterday but
10 with a zero percent rate increase approved for
11 2023/'24 and 2024/'25.

12 Is that correct?

13 MR. GREGORY EPP: That's correct.

14 MS. EMILY GUGLIELMIN: Do you agree
15 that these tables indicate again that there's
16 uncertainty around much of Manitoba Hydro's long-term
17 forecast?

18 MR. GREGORY EPP: I don't quite
19 understand the question.

20 MS. EMILY GUGLIELMIN: I -- I'm just
21 asking you to confirm that this is, again, an
22 indication of uncertainty in the long-term forecast.

23 MR. GREGORY EPP: Yeah, it's a summary
24 of the sensitivities we put on the record.

25 MR. AUREL TESS: I would just add to

1 that a little bit. I -- I think the nature of our --
2 our business is -- is highly volatile. And we -- we
3 always have risk with water levels, interest rates
4 that we -- that we face.

5 We're in a changing interest rate
6 environment right now. We -- we always plan for
7 average water but, you know, it's probably our
8 greatest risk in terms of volatility for our forecast.

9 MS. EMILY GUGLIELMIN: And another of
10 the biggest sensitivities that we can see in these
11 tables out to 2030/2035 is the electricity price
12 forecast. Is that correct?

13 MR. GREGORY EPP: Yes. The
14 electricity export prices are projected to be lower
15 than they have in -- in the past when we forecasted
16 this, so there is less downside risk, I would say at
17 this point, and much higher upside risk, and that's
18 reflected in -- in those numbers there.

19 MS. EMILY GUGLIELMIN: And so, the
20 electricity price forecast, that's a proxy for prices
21 on the export markets. Is that what you're saying?

22 MR. GREGORY EPP: That's correct, for
23 surplus energy sales into the export market.

24 MS. EMILY GUGLIELMIN: And under the
25 high electricity price forecast on the bottom

1 table, with no rate increases in the test years, we
2 can see that the debt ratio hits 80 percent by 2027.

3 Is that correct?

4 MR. GREGORY EPP: That's correct.

5 MS. EMILY GUGLIELMIN: And that would
6 be eight (8) years before the legislated mandate of
7 2035. Is that correct?

8 MR. GREGORY EPP: Yes.

9 MS. EMILY GUGLIELMIN: And does this
10 table also include the value of firm and non-firm
11 contracts?

12 MR. GREGORY EPP: In that -- in that
13 price forecast sensitivity, it is just the price for
14 surplus energy that is changed. All other forecast
15 assumptions remain unchanged from the amended
16 financial forecast scenario.

17 MS. EMILY GUGLIELMIN: And Manitoba
18 Hydro's current export forecast considers that there's
19 no possibility for firm capacity or energy sales
20 beyond the current contracts. Is that right?

21 MR. GREGORY EPP: Our forecast
22 includes committed contracts. No speculative sales in
23 the forecast.

24 MS. EMILY GUGLIELMIN: And we heard
25 from the export panel -- I'm not sure if you can

1 confirm this -- but Manitoba Hydro is working
2 diligently and in conversations about entering into
3 future export contracts.

4 Are you able to confirm that?

5 MR. GREGORY EPP: Yeah. Correct.

6 They are -- they are always pursuing interests with
7 counter parties. However, we are always -- you know,
8 the IRP is going to give us different possible futures
9 and different supply and demand tables on what's
10 available.

11 When we look at the supply and demand
12 tables in -- in this application and for this
13 scenario, there is very little surplus capacity,
14 specifically in the wintertime, for possible sales.
15 So they will -- they will factor in a number of things
16 going forward as they pursue opportunities.

17 MS. EMILY GUGLIELMIN: Thank you. I'm
18 going to -- I'm going to turn a little bit to that
19 subject later on in my questioning but if we could
20 turn now to Exhibit PUB 4-108. And I'm going to look
21 specifically at subsection (a) at the top of page 2.

22 And this table is setting out payments
23 to the Province and municipalities as amended to show
24 the reduction in debt guarantee fees and water rental
25 fees announced on November 23rd, 2022. Is that right?

1 MR. GREGORY EPP: This table is the
2 difference between the December 9th and the November
3 15th filings.

4 MS. EMILY GUGLIELMIN: Okay. So if
5 you go down to the second column, which is titled
6 'Water Rentals', to the year 2024 -- and that shows
7 the number one-o-nine (109) in brackets -- and that
8 means a \$109 million payment to the Provincial
9 Government. Is that right?

10 MR. GREGORY EPP: That's the
11 difference between the two (2) scenarios, not an
12 actual payment. This is a difference table.

13 MS. EMILY GUGLIELMIN: Okay. I guess
14 it won't matter for my overall questions.

15 But basically, is the payment higher in
16 2024 because of higher water levels and higher
17 generation?

18 MR. GREGORY EPP: No. The payments
19 are -- are different when -- when the announcement was
20 made in November of 2022 and retroactive to April 1,
21 Manitoba Hydro pays water rentals on a monthly basis.
22 So we had already paid at the higher rate.

23 So, for purposes of this forecast, we
24 assumed in the forecast that we had made that accrual
25 so we wouldn't have to make that payment in the

1 subsequent year.

2 That's why you see the bigger
3 difference. That was outlined in tab 4, under the
4 Water Rental section.

5 MS. EMILY GUGLIELMIN: Okay. Thank
6 you. I don't think I need to go down that path. I'm
7 going to turn to a much different topic. I think
8 these questions will mostly be for Ms. Amorim Dew.

9 Ms. Schubert, can you turn to Exhibit
10 AMC 2-34, page 3. At the second bullet point:

11 "Manitoba Hydro states that it has a
12 commitment to promoting and
13 supporting the equitable
14 representation of Indigenous people
15 in its workforce."

16 When attempting to promote and support
17 equitable representation, does Manitoba Hydro seek to
18 advance substantive equality? And I can define that
19 if you prefer.

20 MS. SANDRA AMORIM DEW: If you could
21 please define that.

22 MS. EMILY GUGLIELMIN: So, as a
23 general statement, I would consider a substantive
24 equality to mean both a process and an end goal, that
25 seeks to acknowledge and overcome barriers that have

1 led to inequality.

2 MS. SANDRA AMORIM DEW: So, Manitoba
3 Hydro has goals for Indigenous employment. At the end
4 of December in 2022, we were at 20.2 percent of our
5 employment was Indigenous and we aim to -- to be at
6 that level or exceed it.

7 Our targets for Indigenous employees is
8 based on the adjusted provincial labour force
9 availability, but we don't have quotas or fixed
10 numbers for specific employee categories.

11 MS. EMILY GUGLIELMIN: The Clean
12 Environment Commission Report documented some of the
13 social impacts of extensive Manitoba Hydro
14 development.

15 Are you familiar with that report dated
16 May 2018?

17 MS. SANDRA AMORIM DEW: I am not.

18 MS. EMILY GUGLIELMIN: I will not ask
19 you those questions then. Is anyone on the panel
20 familiar?

21 MR. AUREL TESS: No, I'm sorry, we're
22 not.

23 MS. EMILY GUGLIELMIN: If you could
24 turn to AMC-2-28. On that preamble, it references
25 tabs 3 of Manitoba Hydro's application and it shows

1 that operating and administrative expenses incurred to
2 provide service to customers make up around 20 percent
3 of Manitoba Hydro's total expenses.

4 And the most significant portion of O&A
5 expenses, are approximately 70 percent and those are
6 employee-related costs, mainly salary and benefits.

7 And, I think yesterday, Ms. Amorim Dew,
8 you indicated that it would actually be closer to
9 about 80 percent, when you look at training and per
10 diems, is that correct?

11 MS. SANDRA AMORIM DEW: Yeah. Agreed.
12 So, what you see is that if you look at just wages and
13 salaries, benefits and overtime, it's -- just over 70
14 percent. Ranges between 70 and 75 percent, but if you
15 include travel expenses, which can include per diems,
16 accommodations requirements, you -- you have safety
17 equipment, training -- that number is around 80
18 percent.

19 MS. EMILY GUGLIELMIN: And do you
20 agree that this encompasses a significant portion of
21 the revenue requirement that underpins Manitoba
22 Hydro's requested rates in the test years?

23 MS. SANDRA AMORIM DEW: Sorry, are you
24 speaking specifically to the employee-related expenses
25 or all of O&A?

1 MS. EMILY GUGLIELMIN: All of O and --
2 the 20 percent of O&A we were talking about.

3 MS. SANDRA AMORIM DEW: It would be 20
4 percent of the expenses.

5 MS. EMILY GUGLIELMIN: Which is
6 significant.

7 MS. SANDRA AMORIM DEW: It's a fifth.

8 MS. EMILY GUGLIELMIN: And do you
9 agree that First Nations ratepayers, particularly
10 those on reserve, tend to have higher electricity
11 consumption when compared with the broader residential
12 class?

13 MS. SANDRA AMORIM DEW: I -- I
14 actually can't speak to that. I -- I don't know if
15 that is the case.

16 MS. EMILY GUGLIELMIN: Are you aware
17 that there are differences for on-reserve ratepayers,
18 compared with off-reserve ratepayers, including having
19 electric only heating and lower quality on-reserve
20 housing?

21 MS. SANDRA AMORIM DEW: I am aware of
22 that, yes.

23 MS. EMILY GUGLIELMIN: And for these
24 reasons, would you agree that rate increases may have
25 a higher impact for First Nations on-reserve customers

1 than compared with the broader population?

2 MS. SANDRA AMORIM DEW: You know, I
3 think that Ms. Grewal, on the first day of this
4 hearing, made the comment that there are many
5 customers, not just Indigenous customers that may be
6 struggling and we don't provide natural gas services
7 through the entire province, so we do have a segment
8 of our customers who are on electric-only heat.

9 MS. EMILY GUGLIELMIN: Is it true that
10 Manitoba Hydro has been recognized as one of the top
11 employers in Manitoba?

12 MS. SANDRA AMORIM DEW: Yes, we have,
13 for a few years.

14 MS. EMILY GUGLIELMIN: So, while
15 spending on employee-related costs is a significant of
16 Manitoba Hydro's budget, do you agree that it can have
17 concrete benefits for individuals in Manitoba?

18 MS. SANDRA AMORIM DEW: Sorry. Can
19 you further elaborate on your question or be more
20 specific on what you're asking?

21 MS. EMILY GUGLIELMIN: I'm just asking
22 if -- if employee-related costs, including increases
23 in employment, while it can be significant for the
24 budget, it can have benefits for individuals in
25 Manitoba, like increased job creation?

1 MS. SANDRA AMORIM DEW: Yeah. So, our
2 -- our employees are all Manitoba residents. So, if
3 you're speaking in that regard, I would say yes.

4 MS. EMILY GUGLIELMIN: Would you agree
5 that achieving substantive equality for First Nations
6 requires the implementation of measures that consider
7 and are tailored to respond to the unique causes of
8 their historical disadvantage, as well as their
9 historical, geographic, and cultural needs and
10 circumstances?

11 MS. SANDRA AMORIM DEW: Sorry. I need
12 you to repeat that one, please.

13 MS. EMILY GUGLIELMIN: Would you agree
14 that achieving substantive equality for First Nations
15 requires the implementation of measures that consider
16 and are tailored to respond to the unique causes of
17 their historical disadvantage, as well as their
18 historical, geographic, and cultural needs and
19 circumstances?

20 MS. SANDRA AMORIM DEW: I -- I don't
21 think I can comment on that.

22 MR. AUREL TESS: Excuse me. I just
23 want to weigh in on this, 'cause I think that this is
24 something that Ms. Grewal was addressing as well in
25 her testimony in relation to energy, poverty, and

1 social policy, and Bill 36, precluding us from, you
2 know, doing anything that is different for one class
3 or a set of customers.

4 MS. EMILY GUGLIELMIN: Do you agree
5 that concepts of equity underpin the principle of
6 reconciliation and I can turn to the definition of
7 "reconciliation" in the Path to Reconciliation Act, if
8 you want?

9 MR. AUREL TESS: Yes. We would agree
10 with that.

11 MS. EMILY GUGLIELMIN: We can go -- I
12 think we're still at AMC-28, to Question A, the
13 response.

14 In this question, the AMC asked for
15 Manitoba Hydro to provide the number of First Nations
16 employees at Manitoba Hydro, both in number and in
17 percentage of employee population and various
18 categories.

19 And in response to sub-section A,
20 Manitoba Hydro provided the numbers and percentages
21 for Indigenous staff and, as we can see from that
22 response, Indigenous staff is a general term, and that
23 refers to First Nation, Metis, and Inuit staff.

24 Is that correct?

25 MS. SANDRA AMORIM DEW: That is

1 correct.

2 MS. EMILY GUGLIELMIN: So, while 20.21
3 percent of the Province-wide workforce for Manitoba
4 Hydro is considered broadly Indigenous, fewer than 20
5 percent are First Nations employees. Is that right?

6 MS. SANDRA AMORIM DEW: That would
7 probably be correct --

8 MS. EMILY GUGLIELMIN: M-hm.

9 MS. SANDRA AMORIM DEW: -- although,
10 as we mentioned in our responses, we do not track
11 First Nations employment stats.

12 MS. EMILY GUGLIELMIN: Maybe we can
13 turn to Exhibit AMC-3-7.

14 This response shows us that, as of
15 December 31st, 2022, out of those 1,029 Indigenous
16 employees at Manitoba Hydro, 334 self-identified as
17 First Nations.

18 MS. SANDRA AMORIM DEW: Yes.

19 MS. EMILY GUGLIELMIN: Is that
20 correct?

21 MS. SANDRA AMORIM DEW: Sorry. What I
22 was meant to say was that we don't have targets, which
23 is later on in this response, we don't have targets
24 specific for First Nations employees, whereas we do
25 have a -- a -- a goal of having at least 20 percent of

1 our employees being Indigenous.

2 MS. EMILY GUGLIELMIN: So, out of
3 these 334 self-identified First Nations employees that
4 could be full-time or part-time. Is that correct?

5 MS. SANDRA AMORIM DEW: That is
6 correct.

7 MS. EMILY GUGLIELMIN: Would that also
8 include contract employees?

9 MS. SANDRA AMORIM DEW: No. This
10 would just be employees of Manitoba Hydro.

11 MS. EMILY GUGLIELMIN: And Manitoba
12 Hydro has approximately five thousand (5,000) full-
13 time employees. Is that correct?

14 MS. SANDRA AMORIM DEW: Our
15 information provided in this application shows that we
16 were targeting to be at five thousand one hundred and
17 seventy-five (5,175) FTE. So, that's not total
18 employees.

19 This response in front of us refers to
20 people, whereas the FTEs is based on total hours paid.

21 MS. EMILY GUGLIELMIN: If we could
22 just turn to Exhibit MH-1, that's the application, at
23 PDF page 235. Sorry, Ms. Schubert, I know this is a
24 really big document.

25 That's the annual report for Manitoba

1 Hydro, and -- so I don't have the annual report page
2 number. I know for the full document it's PDF 235 and
3 I basically just want to go down to the report on
4 employee numbers.

5 There's like a little handy graphic in
6 there.

7

8 (BRIEF PAUSE)

9

10 MS. EMILY GUGLIELMIN: Right there.
11 And just scroll down a little bit. And this is,
12 possibly somewhat old data, but it's approximately
13 five thousand (5,000) full-time employees based on
14 this. Is that correct?

15 MS. SANDRA AMORIM DEW: Yes, that's
16 full-time equivalent employees.

17 MS. EMILY GUGLIELMIN: Okay. So,
18 that's not actually the number of people working at
19 Manitoba Hydro?

20 MS. SANDRA AMORIM DEW: No, it's not.
21 It is full-time equivalent employees.

22 MS. EMILY GUGLIELMIN: Do you have the
23 number of employees that work at Manitoba Hydro?

24 MS. SANDRA AMORIM DEW: So, that will
25 change, so our full-time equivalent employees' numbers

1 will include seasonal, summer students. It will
2 fluctuate throughout the year, but the intent of the
3 full-time employees is to show what it would work out
4 to as a -- a full-time equivalent.

5 MS. EMILY GUGLIELMIN: Okay. So, if
6 we take that number as it is, could we say that given
7 their three hundred and thirty-four (334) self-
8 identified First Nations employees, that would
9 encompass approximately 6 percent of Manitoba Hydro's
10 workforce?

11 MS. SANDRA AMORIM DEW: Going on the
12 fact that that was self-identified, I would agree,
13 yes.

14 MS. EMILY GUGLIELMIN: And are you
15 aware that the registered First Nations population in
16 Manitoba is approximately 12 percent?

17 MS. SANDRA AMORIM DEW: I -- I had
18 heard a number close to that.

19 MS. EMILY GUGLIELMIN: If we could
20 flip back to AMC-2-28. When we're looking at
21 management employees, it shows 7.90 percent are
22 Indigenous employees. And that is slightly below
23 Manitoba Hydro's enterprise goal of approximately 8
24 percent for Indigenous management employees.

25 Is that correct?

1 MS. SANDRA AMORIM DEW: Yes. So we
2 have an 8 percent goal for both management and
3 professional positions. So, while we are slightly
4 under in management, we are, I would say, much higher
5 in the professional positions category.

6 MS. EMILY GUGLIELMIN: And the number
7 and percentage there for both professional and
8 management, that would likely also be lower for First
9 Nations employees specifically?

10 MS. SANDRA AMORIM DEW: It could be,
11 but I can't say for certain.

12 MS. EMILY GUGLIELMIN: And in terms of
13 the highest percentage of Indigenous employees in a
14 category, that is in technical and trades positions.

15 Is that correct?

16 MS. SANDRA AMORIM DEW: It is.

17 MS. EMILY GUGLIELMIN: And that's four
18 hundred and nine (409) employees which is 31 percent
19 of all technical and trades employees. And that, as
20 well, it could be a lower number if it showed
21 specifically, First Nations employees.

22 Is that correct?

23 MS. SANDRA AMORIM DEW: It could be.

24 MS. EMILY GUGLIELMIN: Can we assume
25 that of the three hundred and thirty-four (334)

1 identified First Nations employees, the majority fall
2 under technical and trade positions?

3 MS. SANDRA AMORIM DEW: I think one
4 can make the assumption, but I don't know if that is
5 actually the fact.

6 MS. EMILY GUGLIELMIN: Okay. And then
7 lastly, out of all of the Indigenous employees, is --
8 it's about 20 percent women employees. Is that right?

9 MS. SANDRA AMORIM DEW: Yes, that it
10 correct.

11 MS. EMILY GUGLIELMIN: And if we
12 scroll down to (b) of this question, here the AMC
13 asked for planned recruitment numbers for First
14 Nations candidates for each of the technical and
15 trades-related training programs and professional
16 training programs over the test years.

17 And you stated yesterday these programs
18 are -- are sort of ramping up to address attrition.

19 Is that correct?

20 MS. SANDRA AMORIM DEW: Yes, that's
21 correct. So we are increasing our FTE levels, and
22 predominantly in the operations group, and the
23 majority of that is through our trades trainee
24 programs.

25 And so what this response indicates is

1 that there is a pre-placement program that we have for
2 Indigenous candidates, and it's -- it allows
3 Indigenous candidates that may not meet the minimum
4 qualifications for our trades trainee programs,
5 specifically the power line technician and power
6 electrician programs.

7 It's a six (6) to twelve (12) month
8 program which Manitoba Hydro pays for all the job
9 training and prepare -- allows them to be on a level
10 playing field to apply into the trades trainee
11 programs.

12 MS. EMILY GUGLIELMIN: And is that
13 program also ramping up, the trainee?

14 MS. SANDRA AMORIM DEW: I would have
15 to confirm with our HR group on that. I would make
16 the assumption that it might be, but I would have to
17 confirm that.

18 MS. EMILY GUGLIELMIN: Could you
19 confirm that?

20 MS. SANDRA AMORIM DEW: I can, yes.

21

22 --- UNDERTAKING NO. 32: Manitoba Hydro to confirm
23 that trades trainee
24 programs are ramping up

25

1 CONTINUED BY MS. EMILY GUGLIELMIN:

2 MS. EMILY GUGLIELMIN: And like -- but
3 like you said before, Manitoba Hydro does not have a
4 targeted recruitment number for First Nations
5 candidates for its training programs.

6 Is that right?

7 MS. SANDRA AMORIM DEW: We do not have
8 a target specific for First Nations employees.

9 MS. EMILY GUGLIELMIN: And Manitoba
10 Hydro does not have an Indigenous-specific
11 professional training program.

12 Is that right?

13 MS. SANDRA AMORIM DEW: We do not.

14 MS. EMILY GUGLIELMIN: Does Manitoba
15 Hydro acknowledge that First Nations have a unique
16 relationship with the Crown?

17 MR. AUREL TESS: Yeah, I can take
18 that. So -- it's Mr. Tess speaking.

19 So I think -- I'd just like to get on
20 the record too that, in regard to reconciliation, so
21 from a policy perspective, Manitoba Hydro has been
22 working diligently to strengthen relationships with
23 Indigenous communities.

24 We do have a business unit that the
25 majority of their responsibility is -- is that in fact

1 we manage over eight hundred (800) active agreements
2 in place with Indigenous communities and
3 organizations.

4 There are many specific initiatives
5 that are outlined in our Environmental Governance
6 Report that you would find on our website, and -- and
7 that is a commitment to truth and reconciliation and
8 the commission's call to action that you will see in
9 that report.

10 Cross -- cross-cultural education for
11 employees; recruitment, development, and training
12 initiatives for Indigenous people; working with
13 communities to understand Indigenous knowledge in
14 relation to Manitoba Hydro projects; and purposeful
15 engagement and opportunities to identify ways to
16 reduce impacts and create meaningful opportunities for
17 existing operations and potential future projects.

18 MS. EMILY GUGLIELMIN: Thank you for
19 that. And part of the reason that Manitoba Hydro
20 engages in those activities is that Manitoba Hydro is
21 a Crown corporation.

22 Is that right?

23 MR. AUREL TESS: I think that has an
24 effect on it, yeah, for sure.

25 MS. EMILY GUGLIELMIN: And Manitoba

1 Hydro also operates on the traditional lands and
2 waters of First Nations.

3 Is that correct?

4 MR. AUREL TESS: Correct.

5 MS. EMILY GUGLIELMIN: And do you
6 agree that one (1) important component of the treaties
7 is setting aside reserves for First Nations?

8 MR. AUREL TESS: Agreed.

9 MS. EMILY GUGLIELMIN: And does
10 Manitoba Hydro acknowledge that the unique
11 relationship to the land may be a hurdle for many
12 First Nations candidates who would otherwise be
13 qualified to be employed with Manitoba Hydro?

14 MR. AUREL TESS: I'm not sure I can --
15 I can speak to that exactly. I'm not an expert in
16 that area. We could take that as a -- as an
17 undertaking, but we know that, you know, what I just
18 mentioned in terms of the training programs, if -- if
19 you look at the report, that really speaks to what I
20 mentioned in the SG report, that speaks to the total
21 employment that was provided on the Keeyask Project,
22 for example, 40 percent of the employment was
23 Indigenous people.

24

25 --- UNDERTAKING NO. 33: Manitoba Hydro to advise

1 whether it acknowledges
2 that the unique
3 relationship to the land
4 may be a hurdle for many
5 First Nations candidates
6 who would otherwise be
7 qualified to be employed
8 with Manitoba Hydro

9
10 MS. EMILY GUGLIELMIN: Moving to
11 Exhibit 3-7. At the top of page 2 and the last
12 sentence of this request:

13 "Manitoba Hydro notes that,
14 throughout their careers, employees
15 work collaboratively --
16 collaboratively with their manager
17 to develop an annual personal
18 development plan that aims to
19 develop their skills and
20 capabilities for future
21 opportunities."

22 Do these personal development plans or
23 collaborations with managers recognize or consider the
24 unique circumstances of First Nations employees?

25

1 (BRIEF PAUSE)

2

3 MS. SANDRA AMORIM DEW: I think
4 recognizing that these plans are personal development
5 plans, it would be difficult to -- to say whether that
6 was considered or not.

7 MS. EMILY GUGLIELMIN: Okay. And I
8 think I can move on from that.

9 In Exhibit 3-7, which is this exhibit,
10 if we look here at the bottom of this page, Manitoba
11 Hydro indicates that it works with some First Nations
12 to implement specific employment initiatives. And I -
13 - I believe that's what was being spoken about just a
14 minute ago.

15 And if we turn to Exhibit AMC-2-34, on
16 page 3 of that Information Request, the second bullet
17 point in sort of the bottom part of this, it speaks
18 generally about the recently completed Keeyask
19 projects.

20 And I think we just heard about the
21 hiring of Indigenous candidates for the Keeyask
22 Project, and it also shows that about 40 to 65 percent
23 of hiring on recent transmission projects were
24 Indigenous hires.

25 Are you aware of whether the majority

1 of Indigenous employees currently at Manitoba Hydro
2 have been hired into those capital projects?

3 MS. SANDRA AMORIM DEW: So I just
4 wanted to comment that, with these projects -- namely,
5 the Keeyask Project or some of the transmission
6 projects that are referred to here -- this would be
7 representing -- it may also represent Manitoba Hydro
8 employment, but it's predominantly the contractor-
9 based employment stats.

10 MS. EMILY GUGLIELMIN: Okay. And so
11 it wouldn't -- that one thousand and twenty-nine
12 (1,029) Indigenous employees, that's not considering
13 those contract hires from --

14 MS. SANDRA AMORIM DEW: No. That
15 would be above that number -- or this would be above
16 that number.

17 MS. EMILY GUGLIELMIN: And so now that
18 those capital projects are winding down, the majority
19 of this 40 to 65 percent, that will no longer -- will
20 they no longer be working with Manitoba Hydro?

21 MR. ALASTAIR FOGG: So it's Mr. Fogg.
22 Maybe just if I could -- could clarify.

23 Often those employees that we're
24 speaking about here are employed by -- by one (1) of
25 those contracting firms conducting the construction

1 work.

2 And I can't speak to each individual
3 case, but often those individuals remain with those
4 companies on further projects that may not be Manitoba
5 Hydro projects, but they maintain employment with that
6 contractor.

7 MS. EMILY GUGLIELMIN: If we can go to
8 Exhibit Manitoba Hydro-1, PDF 923, page 923, we're
9 looking at about lines 10 to 17:

10 "Manitoba Hydro has indicated that
11 some employees on term assignments
12 that are dedicated to the major
13 capital projects were released at
14 the end of their term."

15 Is that term employees that were hired
16 by Manitoba Hydro, or are those contractors?

17 MS. SANDRA AMORIM DEW: Yeah. This is
18 specific to Manitoba Hydro employees.

19 MS. EMILY GUGLIELMIN: Okay. And the
20 majority of internal employees bid into posted
21 vacancies with Manitoba Hydro, but does this indicate
22 that about half of the staff remaining on the Keeyask
23 Project do not have future assignments identified?

24 MS. SANDRA AMORIM DEW: I did speak to
25 this yesterday in response to a similar question from

1 Mr. Hombach. And in Coalition IR-1-78(d), we do have
2 updated numbers from what is in front of us here.

3 And it does show that approximately
4 half of the Manitoba Hydro employees on the Keeyask
5 Project still remain at Manitoba Hydro, and
6 approximately half of them have left the Company
7 because their term employment was over.

8 MS. EMILY GUGLIELMIN: Is that some of
9 the attrition that is causing Manitoba Hydro to
10 rebuild its trades and trainee programs?

11 MS. SANDRA AMORIM DEW: No, it is not.
12 So these would have been term positions that were
13 intended just for the project.

14 MS. EMILY GUGLIELMIN: Could some of
15 the attrition in those programs be addressed by people
16 coming off of the Keeyask Program -- sorry, the
17 Keeyask Project that don't have placements?

18 MS. SANDRA AMORIM DEW: Sorry, can you
19 repeat that?

20 MS. EMILY GUGLIELMIN: Could some of
21 the attrition that we talked about in these programs
22 be addressed by people coming off of the Keeyask
23 Project that don't have placements within Manitoba
24 Hydro?

25 MS. SANDRA AMORIM DEW: So, are --

1 sorry, are -- when you're saying "the programs," are
2 you speaking to the technical and trades and
3 professionals?

4 So, those are intended -- those are a
5 different intent. So, the -- the individuals that are
6 still employed with Manitoba Hydro, they would be
7 helping some of our attrition in filling vacant
8 positions if they were successful in bidding into
9 vacant positions, but the trainee programs we have are
10 for brand-new hires.

11 So, in the trades areas, it is -- it's
12 on-the-job training. There's learning, and that's
13 specific to the trades. These employees here would
14 already be experienced employees. And if we had any
15 journey people working on the Keeyask Project, they
16 wouldn't be going into the training program, but they
17 could fill vacancies that were due to attrition.

18 MS. EMILY GUGLIELMIN: After major
19 capital projects are completed, does Manitoba Hydro
20 have any initiatives that ensure First Nations
21 employees hired for those projects continue to have
22 opportunities with Manitoba Hydro?

23 MR. AUREL TESS: There is a Keeyask
24 workers opportunity fund that was pointed out in the -
25 - in the same report I referenced earlier that really

1 was developed to provide opportunities to support
2 education, training, and employment for members of the
3 Keeyask Cree Nation.

4 And -- and just to note that the
5 Keeyask Project exceeded employment and contracting
6 targets with the four (4) First Nation partners and
7 provided significant employment to Indigenous people.

8 There is a great example actually on
9 page 38 of this report that talks about a plumbing
10 trades person, Gabriel Spence (phonetic), and the
11 story, is -- is about him getting his red seal
12 certification and continuing on his employment, so
13 there's many examples of that that we could point to.
14 This is just one (1) that we highlighted in our
15 report.

16 MS. EMILY GUGLIELMIN: Thank you.

17 MS. SANDRA AMORIM DEW: And this --
18 this is Ms. Amorim Dew. I just want to add, as well,
19 the numbers represented here for the Keeyask employees
20 or specific to the Keeyask Project are just for the
21 Manitoba Hydro employees.

22 There were well over two thousand
23 (2,000) people employed on the Keeyask Project through
24 various contracts.

25 THE CHAIRPERSON: Sorry, can I just

1 interrupt and ask a question.

2 Mr. Tess, you raised the issue that
3 there were the four (4) indigenous led companies. I
4 just want to make sure I've got this straight.

5 The -- the Manitoba Hydro numbers don't
6 include those numbers, right, because those people
7 were employed by third-party contractors?

8 MR. ALASTAIR FOGG: That's -- that's
9 correct, Mr. Chair.

10 THE CHAIRPERSON: Okay. Is there --
11 do we know that -- the total number of Indigenous
12 workers, or the percentage of those workers, who were
13 involved in -- in Keeyask above the Manitoba Hydro
14 employees?

15 MR. ALASTAIR FOGG: And I -- I
16 apologize. I can't recall which IR we had up earlier,
17 but that --

18 THE CHAIRPERSON: Okay.

19 MR. ALASTAIR FOGG: -- total
20 percentage was the total percentage on -- on Keeyask
21 overall.

22 THE CHAIRPERSON: Right. Oh. But --
23 right. But it's got total employees. I took this as
24 being strictly employees, not third-party contractors.

25 MR. ALASTAIR FOGG: Yeah, sorry, not -

1 - not this one. There is a --

2 THE CHAIRPERSON: Okay.

3 MR. ALASTAIR FOGG: I believe it was a
4 60 percent reference we made earlier to employment,
5 and that was -- that would be total employment on the
6 Keeyask Project, including the contractors for --

7 THE CHAIRPERSON: Right.

8 MR. ALASTAIR FOGG: -- Indigenous.

9 THE CHAIRPERSON: And sorry, the final
10 question is, the RFPs for Keeyask, did it contain --
11 or did they contain a term that said preference would
12 be given for companies that had Indigenous employees,
13 number 1, and number 2, was there a target in terms of
14 'X' percentage of Indigenous employees?

15 MR. ALASTAIR FOGG: Mr. Chair, I'll do
16 my -- I'll do my best to -- to answer that from the
17 Keeyask perspective.

18 So, firstly, the Keeyask Project was
19 executed under the Burntwood/Nelson Agreement which
20 has specific hiring provisions that all of the
21 contractors would have to follow in that regard
22 related to Indigenous -- local communities or
23 Indigenous overall first for qualified candidates.
24 And then it would go through other tiers of
25 Manitobans, for example.

1 So, they would have to go through that
2 hiring process regardless to ensure that they hired
3 Indigenous staff who were -- who had those
4 capabilities.

5 Typically, the contracts, as well,
6 would have expectations around training programs for
7 Indigenous staff and expectations around certain
8 targets in many cases.

9 THE CHAIRPERSON: Thank you. Sorry
10 for interrupting.

11 VICE-CHAIR KAPITANY: Ms. Guglielmin,
12 can I just -- while we're interrupting you, could I
13 interrupt, as well. Thank you.

14 So, this is a question for you, Ms.
15 Amorim Dew. You talked about the training programs
16 and how they're for brand-new hires only.

17 Would there be an occasion where an
18 employee was not a brand-new hire but wanted to change
19 their roles at Manitoba, and so then would be eligible
20 for the training programs?

21 MS. SANDRA AMORIM DEW: Yeah. Thank
22 you for that clarification, Ms. Vice-chair.

23 What I was trying to explain is that
24 some of the more experienced employees that were on
25 the Keeyask Project would most likely not go into one

1 of the trainee programs.

2 But definitely there are internal
3 employees that may want to change career or progress
4 into a different path, and they could apply for the
5 training programs.

6 VICE-CHAIR KAPITANY: Thank you.

7

8 CONTINUED BY MS. EMILY GUGLIELMIN:

9 MS. EMILY GUGLIELMIN: I only have one
10 (1) more follow-up from that line of questioning. You
11 spoke about the four (4) Indigenous led contractors as
12 well as other third-party contractors. But now that
13 Keeyask is winding down, presumably the work for those
14 contractors is also winding down.

15 Are you -- can you comment on that?

16

17 (BRIEF PAUSE)

18

19 MR. ALASTAIR FOGG: I -- I can't speak
20 to specifically each contractor, but some of those
21 contractors would be Manitoba contractors who would
22 continue to do work in the province. And likely,
23 staff who worked at Keeyask may then work on other
24 projects within the province with that contractor.

25 MS. EMILY GUGLIELMIN: And does

1 Manitoba Hydro have any initiatives that would assist
2 the Indigenous-led contractors to continue working on
3 projects for Manitoba Hydro?

4 MR. AUREL TESS: Well, the one I
5 mentioned earlier, you know, the Keeyask workers
6 opportunity fund is -- is one way. But I think -- or
7 I think Ms. Amorim Dew spoke to the -- the training
8 programs that we have, and they all apply to those --
9 those workers, as well.

10 MS. EMILY GUGLIELMIN: Thank you. I'm
11 going to turn to a different topic now, and starting
12 with Exhibit PUB 4-4.

13 In (c) of this response Manitoba Hydro
14 states that:

15 "No assumptions related to the 2023
16 Integrated Resource Plan influenced
17 Manitoba Hydro's load forecast
18 scenario or revenue requirement for
19 this General Rate Application."

20 Is that correct?

21

22 (BRIEF PAUSE)

23

24 MR. ALASTAIR FOGG: Correct.

25 MS. EMILY GUGLIELMIN: Aside from --

1 we did see that part of the bump in professional fees
2 forecast is due to the IRP work but, I mean, aside
3 from that, is that correct?

4 MR. ALASTAIR FOGG: I believe what we
5 were trying to denote is there was consulting fees
6 related to that IRP work, but the IRP didn't
7 influence, as we noted there, load forecast scenario
8 or revenue requirement outside of that one (1) item.

9 MS. EMILY GUGLIELMIN: Okay. And the
10 IRP will provide a more detailed assessment of what
11 energy and capacity resources will be required over
12 the next twenty (20) years. Is that right?

13 MR. GREGORY EPP: That is correct.
14 The IRP is looking at a number of different futures
15 that would influence capacity and energy need dates
16 and resources.

17 MS. EMILY GUGLIELMIN: And one of
18 those items will be determining the optimal mix of
19 energy and capacity resources that will be required to
20 meet growing demand. Is that right?

21 MR. GREGORY EPP: That's correct.

22 MS. EMILY GUGLIELMIN: Included in
23 that analysis will also be an optimization to ensure
24 that Manitoba Hydro is meeting demand with the lowest
25 cost supply mix. Is that right?

1 MR. GREGORY EPP: That would be one
2 (1) of the metrics that they would track, lowest cost.

3 MS. EMILY GUGLIELMIN: Do you agree
4 that, given the IRP process underway, the long-term
5 forecast that Manitoba Hydro is relying on to suggest
6 a 2 percent rate path over the long-term forecast is
7 of limited value?

8

9 (BRIEF PAUSE)

10

11 MR. GREGORY EPP: You're -- are you
12 suggesting the scenario we have before you is of
13 limited value?

14 MS. EMILY GUGLIELMIN: I'm asking you,
15 given the IRP process underway, is that 2 percent
16 forecast of limited value?

17 MR. GREGORY EPP: No, I would not
18 agree with that. When we prepare any long-term
19 forecast, there's -- and we've alluded to this
20 throughout the proceeding -- there's a number of
21 uncertainties. And -- and we typically update our
22 planning assumptions each year.

23 We're embarking on this IRP to begin --
24 and I would say begin to understand some of the
25 changes that -- that are going to be facing the

1 utility and our industry.

2 And I would say that what we have
3 before you is -- is the best information that was
4 available when we craft the forecast, when we -- when
5 we prepared the materials and put it forward.

6 And I think it's -- it's very reliable
7 and it's -- and it's useful in this proceeding.

8 MS. EMILY GUGLIELMIN: Is that long-
9 term forecast likely to change following the IRP
10 process?

11 MR. GREGORY EPP: We -- there is -- we
12 don't have a crystal ball. The IRP is going to look
13 at a number of future scenarios. And as -- as new
14 information materializes and things be -- things
15 change, we will incorporate that in future forecasts.

16 MS. EMILY GUGLIELMIN: As part of the
17 IRP analysis, Manitoba Hydro will have a better idea
18 of what level of dependable energy or capacity it will
19 have that is surplus to domestic needs.

20 Is that correct?

21

22 (BRIEF PAUSE)

23

24 MR. ALISTAIR FOGG: I -- I would
25 indicate that our current forecast already identifies

1 that there's a domestic need for energy and capacity.
2 And we -- you know, that will be refined through the
3 IRP process.

4 But -- but we don't anticipate that --
5 that need will -- it may move in specific date, but we
6 know that will be a requirement.

7 MS. EMILY GUGLIELMIN: Will the IRP
8 provide a more accurate assessment of Manitoba Hydro's
9 ability to secure long-term export contracts, rather
10 than rely on opportunity cost sales?

11

12 (BRIEF PAUSE)

13

14 MR. GREGORY EPP: I mean, I don't want
15 to get into too much of, you know, the IRP because
16 it's -- it hasn't been released.

17 But what I can say is -- is a lot of
18 the planning assumptions that we're looking at are
19 looking at higher domestic load, resulting from
20 electrification and -- meaning that more of the energy
21 and the capacity is going to be required domestically;
22 whether it's for residential customers or industrial
23 customers.

24 So while we -- we will always be
25 looking for export opportunities through dependable

1 contracts, really, it -- without -- without getting
2 into too much detail, it would appear that the need is
3 -- is more localized than it would be in the other
4 markets.

5 MR. ALISTAIR FOGG: Maybe if I could
6 just provide an example.

7 I mean, the current forecast already
8 assumes, to some extent, the need for electric
9 vehicles or electrification of transportation. I
10 think the IRP will refine that or clarify that
11 further, but I don't -- I wouldn't suggest, without
12 getting into great detail, that it's going to indicate
13 a dramatic change in -- in the forecast around
14 electrification of transportation.

15 MS. EMILY GUGLIELMIN: Thank you. Ms.
16 Schubert, can we turn to PUB-4-95. That's the exhibit
17 number. And this is going on to a different topic.

18 And this table is taken from MFR-88 and
19 that shows the difference between final pre-
20 construction budgets and final project costs.

21 Is that correct?

22 MS. SANDRA AMORIM DEW: That is
23 correct.

24 MS. EMILY GUGLIELMIN: And can you
25 confirm that the cost overruns laid out in this table,

1 looking at that dollar differences column, that adds
2 up to just over \$2 billion. Is that correct?

3 MS. SANDRA AMORIM DEW: Sorry, which
4 column?

5 MS. EMILY GUGLIELMIN: The dollar
6 differences column. It doesn't show a summary. I
7 don't know if you're -- if you're able to --

8 MS. SANDRA AMORIM DEW: So that one --
9 did you say billions?

10 MS. EMILY GUGLIELMIN: I believe so.

11 MS. SANDRA AMORIM DEW: No, that
12 wouldn't be in billions. That would be millions, I
13 believe. But you'd have to scroll up. Yeah, it says
14 in millions.

15 MS. EMILY GUGLIELMIN: Do you know
16 what the total cost overruns are if you add up that
17 column?

18 MS. SANDRA AMORIM DEW: So in this IR,
19 we were asked to provide final pre-construction
20 budgets, which we don't actually have as a defined
21 approval point at Manitoba Hydro. So we put together
22 a capital investment justification for our projects.

23 And so, the -- the numbers in this
24 final pre-construction budget was the capital approval
25 document closest to construction starting.

1 With some of these projects -- and we
2 have it, I think, either later on or in a subsequent
3 IR to this, some of the projects had scope change.
4 And so, there would have been further approval --
5 approvals required before proceeding with that work.

6 MS. EMILY GUGLIELMIN: Okay. And the
7 largest cost overruns that are shown on this table,
8 those occur on some of the largest projects, such as
9 Bipole, Kettle Unit Replacement, and the Kelsey
10 Rerunning. Is that right?

11 MS. SANDRA AMORIM DEW: Sorry, can --
12 Ms. Schubert, can you scroll down to the Bipole one?

13

14 (BRIEF PAUSE)

15

16 MR. ALISTAIR FOGG: Maybe just -- we
17 could -- if we use the Bipole III Project as an
18 example to try and illustrate what Ms. Amorim Dew is
19 mentioning.

20 I believe the budget reflected here is
21 the \$2.3 billion project budget that was before the --
22 even the change in the location of the Bipole III
23 transmission line.

24 So from a -- that's an example of a
25 scope change perspective, where there would have been

1 several other budget approvals that came after that.

2 So what we're looking at here would be
3 a -- essentially, an east side Bipole III transmission
4 line budget versus final completion of the west side
5 transmission line project.

6 So it's -- it's substantially different
7 from a scope perspective.

8 THE CHAIRPERSON: Sorry. Mr. Fogg,
9 can you also explain Pointe du Bois? I mean, it -- it
10 looks -- we're seeing it -- on page 1, we're seeing
11 that it's under by 83 percent and then someplace else
12 -- it sounds like what happened was most of it got
13 pulled.

14 And it -- and the actual -- and you're
15 waiting for the funding and then it'll come back in at
16 a later point once there's a determination. Is that
17 correct? Or -- I'm just having trouble with Bipole --
18 with Pointe du Bois.

19 MR. ALISTAIR FOGG: And that was on
20 the first page?

21 THE CHAIRPERSON: All the -- all the
22 numbers show that it's -- it's, you know, been reduced
23 by -- you know, if you go to page 1, it's 83 percent
24 under. And then, later on, it's's 31 percent under.

25 And it -- it sounds like most of the

1 project's been withdrawn because you're waiting for
2 funding on a -- on a different -- so Pointe du Bois
3 spillways, to what is -- you know --

4 MR. ALISTAIR FOGG: Sorry, Mr. Chair,
5 were you talking about the project -- Pointe du Bois
6 project on the first page; not the Spillway
7 Replacement Project here?

8 THE CHAIRPERSON: Yeah. I mean, all -
9 - all of them, it's -- it appears that the difference
10 is because there's been a scoping change and you're
11 waiting for funding for the new project.

12 MR. ALISTAIR FOGG: I suspect -- and I
13 would have to -- you know, subject to check and we
14 could go back and confirm it, that you -- you're --
15 the way you describe that, in this case, would be
16 correct, where it would have been a certain scope that
17 was preceding and then it was changed at that point.
18 And then is coming back as a -- as a new project ---

19 THE CHAIRPERSON: Your point.

20 MR. ALASTAIR FOGG: --- essentially.

21 THE CHAIRPERSON: Yeah.

22 MR. ALASTAIR FOGG: Yeah.

23 THE CHAIRPERSON: Okay.

24

25 (BRIEF PAUSE)

1 MS. EMILY GUGLIELMIN: Can I continue?

2 THE CHAIRPERSON: Oh, sorry. Yeah.

3 Sorry.

4 MS. EMILY GUGLIELMIN: No problem.

5 THE CHAIRPERSON: Please continue.

6 MR. ALASTAIR FOGG: Sorry, Mr. Chair,
7 just -- and just to confer, like we've had a few
8 discussions here and we will -- we will go back and
9 check, but I do believe you're correct that this would
10 be like a different by -- Pointe du Bois project that
11 had started and then was stopped and now it's
12 proceeding again under a new approval justification --

13 THE CHAIRPERSON: Yeah, I -- I think
14 the panel just wants to ensure that the numbers it's
15 relying on are -- are as current as possible.

16 MR. ALASTAIR FOGG: Absolutely.
17 Agreed.

18 THE CHAIRPERSON: So. Sorry, please
19 continue.

20

21 CONTINUED BY MS. EMILY GUGLIELMIN:

22 MS. EMILY GUGLIELMIN: Sure.
23 Basically, all that I'm getting at, in a general way,
24 is that when you start with a budget and then, maybe
25 there's scoping changes, maybe there's supply chain

1 issues, regardless, when the final pre-construction
2 budget is over the initial budget, those project core
3 -- project costs that have increased, will have to be
4 borne by current and future ratepayers, is that
5 correct?

6 MR. ALASTAIR FOGG: It -- they will
7 become part of our depreciation expenses, part of
8 revenue requirement over time. Correct.

9 MS. EMILY GUGLIELMIN: And have cost
10 overruns on these projects, soaked up Manitoba Hydro's
11 budget and prevented other necessary projects from
12 being implemented over that time frame?

13 Like, for example, vegetation
14 management, we've heard has lapsed.

15

16 (BRIEF PAUSE)

17

18 MR. ALASTAIR FOGG: And so from a
19 capital expenditure perspective, we -- I believe we
20 discussed yesterday, we set overall financial spending
21 envelopes that we then -- the asset management groups
22 optimizes the projects they're working on within that
23 envelope.

24 So, the -- I don't -- those envelopes
25 wouldn't necessarily change. They may in certain

1 instances, but generally no. So they would re-
2 optimize their portfolio to adjust for the spending on
3 these particular projects that -- certain ones are
4 over budget, they would adjust accordingly.

5 The vegetation management example
6 that's a -- that's an operating expense, different
7 from that capital portfolio optimization that we're
8 talking about here.

9 MS. EMILY GUGLIELMIN: And, so it
10 would be more likely that you would have to take out
11 some of the capital cost expenditures, like --

12 MR. ALASTAIR FOGG: I'm not sure 'take
13 out' is the -- quite the right term, but we would --
14 it may have to be deferred or done at a different
15 point in time to manage the overall financial budget
16 for capital expenditures.

17 MS. EMILY GUGLIELMIN: Thank you. I'd
18 like to move on to talk a little bit about cost
19 recovery mechanisms and I don't think I need to turn
20 to an exhibit.

21 Manitoba Hydro has recognized in this
22 application that the energy sector is undergoing
23 significant change, specifically, that consumers will
24 move to becoming prosumers (phonetic), is that
25 correct?

1 MR. AUREL TESS: Yeah, we'd agree with
2 that.

3 MS. EMILY GUGLIELMIN: And Manitoba
4 Hydro's not proposing any new cost recovery mechanisms
5 for the residential class related to the Himan
6 (phonetic) meter generation. Is that also correct?

7 MR. AUREL TESS: That's correct.

8 MS. EMILY GUGLIELMIN: However,
9 Manitoba Hydro has recognized that it is likely over
10 the next twenty (20) years that new cost recovery
11 mechanisms will be required. Is that correct?

12 MR. AUREL TESS: I think that's
13 something that we're -- we're going to study for sure
14 in the next few years, but, like, we can't say for
15 sure how much definition I can put around that right
16 now. But, it's certainly something we're studying.

17 MS. EMILY GUGLIELMIN: Would you say
18 that it's likely over the next twenty (20) years that
19 Manitoba Hydro's tariff structure will be
20 reconsidered?

21 MR. AUREL TESS: Yeah, I think we're
22 quite ways away from that, but we have lots of
23 mechanisms that are required and data that's required
24 to -- to get to that point. And I think that -- some
25 of that is tied to the MA -- AMI project, for example,

1 but it's not -- it's not a driver of that project, but
2 for sure it's something that would be required to get
3 the data in order to do something like that.

4 MS. EMILY GUGLIELMIN: Should Manitoba
5 Hydro have considered a more modest rate path for the
6 long term forecast, knowing that adjustments will
7 likely need to be made in the next twenty (20) years,
8 in the way in which Manitoba Hydro currently recovers
9 costs from different ratepayers?

10 MR. AUREL TESS: I think that would
11 have been challenging to do, given that we don't have
12 the -- the information we need to assess -- you know,
13 and to do the cost of service study that, you know,
14 would come out of that -- that kind of assessment.

15 MS. EMILY GUGLIELMIN: Is this
16 something that we'll have more information on when the
17 IRP is concluded as well?

18 MR. AUREL TESS: Certainly, we'll have
19 better information, yeah.

20 MS. EMILY GUGLIELMIN: If you could
21 turn now to Exhibit Manitoba Hydro-1, that's the
22 application and PDF page 51.

23 At line 14 here, right underneath
24 continuous improvement capability, Manitoba Hydro
25 states that:

1 "Continuously improving operations
2 and processes, is embedded into the
3 culture of Manitoba Hydro. Manitoba
4 Hydro's bringing greater consistency
5 to the systems, methods, tools and
6 standards associated with continuous
7 improvements to transform and
8 transition its culture and business
9 practices to deliver on strategy and
10 create value."

11 My question related to this is: Given
12 that Manitoba Hydro has reduced its levels of FTEs in
13 recent years, was it able to undertake all of the
14 continuous improvement initiatives that were planned?

15 MR. AUREL TESS: Yeah, it's -- like we
16 don't actually track every single improvement that's
17 made in the system. It's -- it's something that we're
18 trying to embed in the culture. I'll say further
19 embed, 'cause when I started with Manitoba Hydro, I
20 could already see that there was a culture of
21 improvement.

22 It's really more of a formalized
23 process now to try to make it more -- to try to
24 empower the staff and from a high level, the tone at
25 the top makes a big difference when you're talking

1 about the culture for employees and to -- to promote
2 that -- that engagement you need to -- to make
3 improvements.

4 And, I think an example that we
5 provided in the application, was how we're, you know,
6 we're very much in favour of -- of these things coming
7 forward to our executive leadership team and we do at
8 periodic meetings have presentations from staff who
9 have made improvements and they're in the application.
10 But it's -- it's -- it sort of promotes that top down
11 tone at the top that we're going to promote.

12 MS. EMILY GUGLIELMIN: And, if we turn
13 to Exhibit AMC-2-5. This response indicates that no
14 cost benefit analysis has been completed by Manitoba
15 Hydro in relation to improvement initiatives, and
16 that's sort of what you were just talking about.

17 Is that correct?

18 MR. AUREL TESS: Yeah, that's correct.

19 MS. EMILY GUGLIELMIN: And so Manitoba
20 Hydro cannot provide any detailed metrics that the
21 Public Utilities Board can rely on to show that these
22 improvement initiatives reduced operating costs for
23 the need for additional FTEs over this application.

24 Is that correct?

25 MR. AUREL TESS: Yeah. That's

1 correct.

2 MS. EMILY GUGLIELMIN: And do these
3 improvement initiatives, do they have a cost to
4 Manitoba Hydro?

5 MR. AUREL TESS: Some of them do
6 involve investment of -- of resources, but when you --
7 when you consider the improvements to operations and -
8 - there is -- there is benefits. There's also
9 intangible benefits that we -- we pointed to in here.
10 Some of them are non-financial, but you can point to
11 it.

12 I think we have an example in tab 6, I
13 believe it is, that -- that talks about better work-
14 life balance for employees, as an example. Scheduling
15 impacts. Maybe Ms. ---

16 MS. SANDRA AMORIM DEW: Yeah, I'll
17 just add to what Mr. Tess is saying and I'll use an
18 example that we do have in Tab 6 of the Application,
19 which is related to tree-trimming.

20 And, so, we get a lot of calls, and
21 there's many forums by which people complain about
22 tree issues, so contacts on lines with trees, either
23 on personal property or private property -- or public
24 property, sorry, and before we would have to have one
25 of our employees go out and investigate these.

1 So, through one of these continuous
2 improvements, and through employee suggestions, it was
3 determined that we should put a -- a tool on our
4 website, which, if you think about it, it is quite
5 simple, but it's let's give a -- our customers the
6 mechanism to be able to upload pictures, provide
7 further details to reduce the number of truck rolls,
8 and that has seen a significant reduction. I would
9 have to go to Tab 6.

10

11 (BRIEF PAUSE)

12

13 MS. SANDRA AMORIM DEW: Yeah. So, say
14 investigations have been reduced by more than 40
15 percent as a result of this initiative and that is an
16 initiative that is very recent. So, I just wanted to
17 throw that out as an example.

18 So, it -- we knew that there would be
19 benefits by doing that. Very minimal costs. So, it
20 was a matter of someone creating a form, putting it on
21 our website, that provides great results and allows
22 our staff to be deployed to other priority work.

23 MS. EMILY GUGLIELMIN: And, in terms
24 of quantifying the costs benefits of continuous
25 improvement capability, is that something that

1 Manitoba Hydro's looking at -- at doing in future
2 applications?

3 MS. SANDRA AMORIM DEW: I think, as
4 Mr. Tess had alluded to, we are looking at a --
5 formalizing a process. There's more work to be done
6 on this and -- and there's always an evaluation to
7 ensure that the benefits outweigh the costs, but a
8 formal cost-benefit analysis may not always be
9 performed and available to present at a regulatory
10 proceeding.

11 MS. EMILY GUGLIELMIN: Thank you. I'd
12 like to turn now to uncollectible accounts and that is
13 at Exhibit Manitoba Hydro-1, PDF page 928 and it's on
14 -- on the bottom part of this page.

15 So, Manitoba Hydro has identified that
16 there has been an increase in uncollectible accounts
17 and the increase in uncollectible accounts was due to
18 hardships many Manitobans faced during the pandemic,
19 as well as the result of Manitoba Hydro's measures to
20 extend the credit period it usually offers to
21 customers. Is that correct?

22 MR. ALASTAIR FOGG: That's correct.
23 We saw a significant increase in -- in uncollectible
24 accounts during that pandemic period but we were also
25 weren't conducting any disconnections.

1 MS. EMILY GUGLIELMIN: And we heard,
2 yesterday, that CPI for 2022/'23 is at 7.98 percent.

3 Do you agree that many Manitoba Hydro
4 customers continue to face financial hardships, in
5 part, due to inflationary pressures?

6 MR. ALASTAIR FOGG: I would agree that
7 -- that people are facing inflationary pressures.
8 Yes.

9 MS. EMILY GUGLIELMIN: And, despite
10 this, is Manitoba Hydro still not anticipating any
11 further spikes in uncollectible accounts?

12 MR. ALASTAIR FOGG: So, maybe just to
13 clarify, we -- we always account for the potential of
14 uncollectible accounts. We include in our operating -
15 - Operating & Admin expenses and expect a credit loss
16 allowance and that's a -- that's an accounting
17 approach that we use every year to -- to account for
18 pote -- potential uncollectible accounts.

19 That said, what we -- what we've seen
20 in our -- some initial analysis is that the -- the
21 higher level of uncollectibility that we saw during
22 the pandemic has -- has tempered or slowed down, but
23 we -- we will always account for a certain level of
24 uncollectible accounts, through our expected credit
25 loss.

1 MS. EMILY GUGLIELMIN: Do
2 uncollectible accounts have a cost to Manitoba Hydro?

3 MR. ALASTAIR FOGG: Yes. They have a
4 cost and that's what we factor in with that allowance
5 that I just mentioned.

6 MS. EMILY GUGLIELMIN: And, so, if the
7 uncollectible accounts rise, that means Manitoba Hydro
8 has to make up those lost revenues through other
9 means?

10 MR. ALASTAIR FOGG: It -- depending on
11 the degree to which they rise, in comparison to what
12 we've allowed for, they -- that could impact the
13 revenue requirement, but that would be -- it would
14 depend on the amount of the increase versus what our
15 expectations were for that.

16 MS. EMILY GUGLIELMIN: And you were
17 just talking about the expected credit loss allowance.
18 That's based on actuals.

19 So, is that a relatively short-term
20 forecast for uncollectible accounts?

21 MR. ALASTAIR FOGG: So, that allowance
22 is con -- is an exercise we go through each year and
23 we account for each year within our -- our finances,
24 and it considers the level of accounts at different
25 stages of their -- their degree of receivables,

1 whether that's under 30 days, 31 to 60 days, 61 to 90,
2 or over 90 days, in terms of the degree to which
3 they're -- they're behind and, then, we could go
4 through that exercise, every year, to account for
5 that.

6 MS. EMILY GUGLIELMIN: So, there's no
7 longer term analysis of the number of uncollectible
8 accounts that would be expected to arise, if the
9 requested rate increases are granted?

10 MR. ALASTAIR FOGG: So, we look at --
11 at a rolling average of history and that -- that is
12 then is informing what our allowance is. This year,
13 that allowance is then included as part of the
14 forecast outward.

15 MS. EMILY GUGLIELMIN: And part of --
16 what about part of the longer-term forecast, when we
17 look at the 2 percent rate increase over time, do the
18 longer-term forecasts account for the possibility of
19 uncollecti -- of higher uncollectible accounts?

20 MR. ALASTAIR FOGG: It includes --
21 what we would do is we would have the -- our budgets
22 in the test years for operating and admin that include
23 that allowance and, then, that is forecasted out over
24 time with -- within a factor for escalation.

25 MS. EMILY GUGLIELMIN: And when you

1 factor in that escalation, does it factor in
2 considerations like bill affordability for consumers
3 or is that more based on like a more standard formula?
4

5 (BRIEF PAUSE)
6

7 MR. ALASTAIR FOGG: I'm not sure that
8 I would say there's a specific provision in that
9 calculation for bill affordability. What we would
10 look at is what the current levels of -- of
11 uncollectible accounts are and, then, kind of an
12 overall escalation factor on -- on the O&A and to the
13 long-term forecast.

14 MS. EMILY GUGLIELMIN: Ms. Schubert,
15 could we turn to Exhibit AMC-2-30(b).

16 This shows the number of First Nation
17 on-Reserve accounts that were -- that were
18 transitioned to an uncollectible status between 2018
19 and 2022 and, in 2020, we can see there's a decline in
20 uncollectible accounts, from 189 -- oh, am I looking
21 at the right --

22 MR. ALASTAIR FOGG: I believe this --
23 this was revised. This is the original, but it was
24 subsequently revised.

25 MS. EMILY GUGLIELMIN: I'm sorry. I

1 just pulled this from the website yesterday. So, I
2 haven't had a chance to review the revised numbers.

3 MR. ALASTAIR FOGG: No apologies. I
4 believe this was the original.

5 MS. EMILY GUGLIELMIN: Oh, this is the
6 original? Oh. Sorry. So, I think that that one I
7 was looking at is the correct one. Okay. I was
8 worried about that. Okay. Thank you.

9 So, in 2020, here, we can see a decline
10 in uncollectible accounts to 189 from 303 in the
11 previous year.

12 Is that decline due to COVID-19
13 measures by Manitoba Hydro to extend credit periods?

14

15 (BRIEF PAUSE)

16

17 MR. ALASTAIR FOGG: That would be
18 related to -- to the COVID time period and there was
19 also a raise in what was considered, I guess, the
20 level before it was considered un -- uncollectible.

21 MS. EMILY GUGLIELMIN: And, the
22 highest number of uncollectible accounts during this
23 time period is shown as six hundred and seventy-seven
24 (677).

25

Does Man -- Manitoba Hydro know why

1 this number is so much higher in 2018?

2 MR. ALASTAIR FOGG: I don't have that
3 immediately available. We'd have to confirm that.

4 MS. EMILY GUGLIELMIN: Okay. Would
5 you be able to confirm that?

6 MR. ALASTAIR FOGG: Yes, we can.
7 Yeah.

8

9 --- UNDERTAKING NO. 34: Manitoba Hydro to advise
10 why the uncollectible
11 number is so much higher
12 in 2018.

13

14 CONTINUED BY MS. EMILY GUGLIELMIN:

15 MS. EMILY GUGLIELMIN: In 2022 we can
16 see that the number of uncollectible acco -- First
17 Nations accounts is still higher than in 2019, pre-
18 pandemic. Is that correct?

19 MR. ALASTAIR FOGG: Sorry, could you
20 re -- repeat the question?

21 MS. EMILY GUGLIELMIN: Oh, I'm sorry.
22 In 2022, we can see that the number of uncollectible
23 First Nations account is still higher than in 2019,
24 pre-pandemic. Is that correct?

25 MR. ALASTAIR FOGG: Correct.

1 MS. EMILY GUGLIELMIN: If we go down
2 to number -- table C, this is showing the disconnect -
3 - the number of disconnected First Nations accounts.
4 This number in 2021, that shows only three (3)
5 accounts.

6 Is that because Manitoba Hydro
7 discontinued the disconnection of customers for non-
8 payment during the pandemic?

9 MR. ALASTAIR FOGG: That would be as a
10 result of the pandemic and any disconnects would have
11 been -- I -- I believe there would have been specific
12 reasons. I don't know for those three (3), what those
13 were, that was pandemic driven, yes.

14 MS. EMILY GUGLIELMIN: Okay. So, the
15 three (3) accounts that means they're disconnections
16 for reasons other than non-payment?

17 MR. ALASTAIR FOGG: I -- I don't know
18 the exact reasons for those accounts, but I believe
19 there would have been -- we generally suspended that
20 Disconnection Policy during COVID.

21 MS. EMILY GUGLIELMIN: Okay. And so,
22 through this can we assume that the majority of
23 disconnections, in the table, perhaps aside from that
24 number 3 is for non-payment?

25 MR. ALASTAIR FOGG: Subject to check,

1 I would agree with that.

2 MS. EMILY GUGLIELMIN: And in 2020 it
3 shows a reduction in disconnections from the previous
4 year.

5 And although still at a high number, is
6 that an indication that Manitoba Hydro had still
7 stopped some disconnections partway through 2020, due
8 to the pandemic?

9

10 (BRIEF PAUSE)

11

12 MR. ALASTAIR FOGG: It's likely that -
13 - the -- the effect of -- of the start of COVID in
14 that case.

15 MS. EMILY GUGLIELMIN: And in 2022,
16 it's -- it's still showing a significant decline and
17 disconnected accounts.

18 Is that still a continuation of the
19 pandemic policy?

20

21 (BRIEF PAUSE)

22

23 MR. ALASTAIR FOGG: So, really the
24 effect here in 2022 that you see is -- is the
25 restarting of disconnections. And -- and now we would

1 have resource needs to get back to the same level if
2 we were needing to connect -- conduct those
3 disconnects.

4 So, it will take some time to -- or if
5 you -- it may or may not, depending on the accounts
6 themselves go back to those previous pre-pandemic
7 levels.

8 MS. EMILY GUGLIELMIN: And if we can
9 turn to AMC 3-9. Answer C. Am I on the right -- oh,
10 sorry, answer C is on the next bookmark there. There
11 we go. Thank you.

12 And here we have the number of
13 disconnected accounts for residential customers. And
14 this is a slightly different metric, because this is
15 for the 2022/'23 fiscal year.

16 But it's showing that those
17 disconnected accounts are already growing higher.

18 Is that correct?

19

20 (BRIEF PAUSE)

21

22 MR. ALASTAIR FOGG: I apologize.
23 Could you repeat that question?

24 MS. EMILY GUGLIELMIN: This shows that
25 as of February, the amount of disconnected accounts

1 for residential customers has already grown back up to
2 one thousand three hundred and five (1,305).

3 So, can we assume that the disconnected
4 account numbers are still growing?

5 MR. ALASTAIR FOGG: I think that's a
6 valid assumption, yes.

7 MS. EMILY GUGLIELMIN: Do disconnected
8 accounts have an impact on Manitoba Hydro's revenue
9 requirement?

10 MS. SANDRA AMORIM DEW: Sorry, I just
11 wanted to add -- this is Ms. Amorim Dew. I wanted to
12 add something to the previous two (2) questions you
13 had.

14 I think one (1) thing worth still
15 mentioning is that -- as I mentioned in previous
16 responses, through the pandemic we had restrictions on
17 being able to enter customer premises.

18 So, in addition to the -- to the
19 actions that were put in place to not disconnect
20 customers due to non-payment, there was also a
21 restriction on disconnections through the pandemic and
22 through the distancing requirements that were in
23 place.

24 So, in '21/'22 -- 2021/'22, you would
25 still see lower disconnect numbers due to those

1 restrictions.

2 MS. EMILY GUGLIELMIN: Okay. Thank
3 you. Do you agree that disconnected accounts have an
4 impact on Manitoba Hydro's revenue requirement?

5 MR. ALASTAIR FOGG: I believe in part
6 'A' of this -- this same IR response, we indicated
7 that from a revenue requirement perspective, Manitoba
8 Hydro uses the expected credit loss model to estimate
9 the probability of default on -- on those receivables.

10 So, by calculating that allowance,
11 we've -- we've accounted for that potential of
12 uncollectible accounts already in the revenue
13 requirement.

14 MS. EMILY GUGLIELMIN: But there is no
15 analysis over the longer term considering continuous
16 raises in rates. Is that correct?

17 MR. ALASTAIR FOGG: I believe that we
18 said it would be factored in as part -- part of the
19 escalation of the O&A expenses that where -- that do
20 include that in the test years as well.

21 MS. EMILY GUGLIELMIN: But not
22 necessarily in relation to like bill affordability?

23 MR. ALASTAIR FOGG: There isn't a
24 specific study that would suggest a -- a rate at which
25 those would increase from a bill affordability

1 perspective that's factored into that calculation, no.

2 MS. EMILY GUGLIELMIN: Thank you.

3

4 (BRIEF PAUSE)

5

6 MS. EMILY GUGLIELMIN: Those are all
7 of my questions for this panel. Thank you for your
8 answers.

9 THE CHAIRPERSON: Thank you very much.

10 We'll take the morning break and reconvene at 10:45.

11 Thank you.

12

13 --- Upon recessing at 10:32 a.m.

14 --- Upon resuming at 10:49 a.m.

15

16 THE CHAIRPERSON: Thank you. Mr.

17 Williams...?

18

19 CROSS-EXAMINATION BY DR. BYRON WILLIAMS:

20 DR. BYRON WILLIAMS: Yes. Good

21 morning, Mr. Chair and members of the Panel. Both Mr.

22 Klassen and I will be doing the cross-examination

23 today. I'll lead off, and I certainly will take us to

24 lunch which I understand will be somewhere between

25 11:45 and -- and 12:00.

1 Just -- we do have, through the
2 courtesy of Manitoba Hydro, two (2) exhibits to
3 introduce. One is excerpts from various Public
4 Utilities Board Orders which I'll suggest be marked as
5 Consumer Coalition 18.

6 And I'll just note at the -- at the
7 references on the bottom of that page there's a couple
8 of typos that have been corrected in the electronic
9 version, but number 2 should be an excerpt from PUB
10 Order 69/'19, and excerpt 3 should be from PUB Order
11 9/'22.

12

13 --- EXHIBIT NO. CC-18: Excerpts from various
14 Public Utilities Board
15 orders

16

17 CONTINUED BY DR. BYRON WILLIAMS:

18 DR. BYRON WILLIAMS: In addition,
19 again my understanding, with no objection from
20 Manitoba Hydro, we have an excerpt from the 2014
21 Annual Report of the Office of the Auditor General of
22 Ontario, chapter 3, on the Smart Metering initiative.

23

24 --- EXHIBIT NO. CC-19: Excerpt from the 2014
25 Annual Report of the

1 Office of the Auditor
2 General of Ontario,
3 chapter 3, on the Smart
4 Metering initiative

5

6 CONTINUED BY DR. BYRON WILLIAMS:

7 DR. BYRON WILLIAMS: And finally,
8 before we start, Mr. Chair and members of the Panel, I
9 was away for an hour during Mr. Hombach's cross-
10 examination yesterday. I'll assure you that, thanks
11 to the good graces of Ms. Taylor, I've reviewed the --
12 the notes and also some of the relevant transcript.

13 So if I do trespass where my learned
14 friend from Board counsel went, it will be for a -- a
15 different purpose or to a different end, all in the
16 public interest.

17 I wonder, Ms. Schubert, if we can go to
18 Manitoba Hydro's response to Consumer Coalition 1st
19 Round Information Request 150-C. And perhaps you can
20 look at -- focus us on the question and then -- then
21 the answer a bit lower down on the next page, I
22 believe. Yeah. And show the question and, if you
23 want, the answer as well.

24 Mr. Fogg, I don't know if this goes to
25 you, but that's -- that's where I'm starting. You can

1 send it down the queue. And if you want a second,
2 maybe Ms. Schubert can scroll up just a bit more and
3 show you a bit -- scroll -- scroll down a bit more and
4 show you a bit more of the response.

5

6

(BRIEF PAUSE)

7

8 DR. BYRON WILLIAMS: Mr. Fogg, one (1)
9 element underlying the -- the current General Rate
10 Application is what we now call the 2021 electric load
11 forecast scenario, agreed?

12 MR. ALASTAIR FOGG: Agreed.

13 DR. BYRON WILLIAMS: And in -- in
14 prior days, or prior General Rate Applications, it
15 would have been term -- termed the electric load
16 forecast, correct?

17 MR. ALASTAIR FOGG: Correct.

18 DR. BYRON WILLIAMS: And indeed, since
19 the last hearing into rates for the 2019/'20 years,
20 Manitoba Hydro has changed the name from electric load
21 forecast to electric load forecast scenario, agreed?

22 MR. GREGORY EPP: Mr. Williams, it has
23 that name specifically for this purpose of this
24 hearing. It was a scenario, just like the amended
25 financial forecast was a scenario and not an official

1 approved forecast like an IFF and all the underlying
2 assumptions.

3 DR. BYRON WILLIAMS: Thank you for
4 that. And recognizing that this is a scenario,
5 Manitoba Hydro would agree that -- that, at a high
6 level, the energy landscape as it has emerged has
7 brought unprecedented uncertainty to the future
8 electric needs of Manitoba, agreed?

9 MR. GREGORY EPP: Agreed.

10 DR. BYRON WILLIAMS: And of course,
11 sir, some of that uncertainty relates to policy,
12 whether at the federal level or the provincial level,
13 agreed?

14 MR. GREGORY EPP: Agreed.

15 DR. BYRON WILLIAMS: And in terms of
16 this unprecedented uncertainty, one (1) element of
17 course is the Provincial Energy Strategy which you are
18 familiar with, the sub -- the -- at least the general
19 context, Mr. Epp?

20 MR. GREGORY EPP: Are you referring to
21 provincial energy policy?

22 DR. BYRON WILLIAMS: Let's call it the
23 provincial energy policy by the correct name. You're
24 familiar with that, sir?

25 MR. GREGORY EPP: Yes, I am.

1 DR. BYRON WILLIAMS: And you're aware
2 of course that Mr. Dunsky has been asked by Manitoba
3 to explore various options including the future role
4 of geothermal, renewable electricity, electric
5 vehicles, hydrogen, and alternatives to oil and gas.

6 At a high level, you're familiar with
7 that, sir?

8 MR. GREGORY EPP: I'm aware, yes.

9 DR. BYRON WILLIAMS: And of course
10 neither Mr. Dunsky's report or the provincial energy
11 policy in response to that report have been made
12 public, agreed?

13 MR. GREGORY EPP: That's my
14 understanding.

15 DR. BYRON WILLIAMS: There's nothing,
16 I'll suggest to you, sir, on the public record to
17 indicate whether his recommendations will be accepted,
18 rejected, or sawn in half.

19 MR. GREGORY EPP: I agree.

20 DR. BYRON WILLIAMS: And of course, at
21 Manitoba Hydro, you're anxiously awaiting the
22 provincial energy policy, correct?

23 MR. GREGORY EPP: Yes, we are waiting.

24 DR. BYRON WILLIAMS: And currently,
25 would it be fair to suggest that we're expecting it in

1 the dead of summer?

2 MR. GREGORY EPP: I think that's what
3 the government has committed to, Mr. Williams.

4 DR. BYRON WILLIAMS: Without accepting
5 the term 'dead', you'll accept the -- the summer, sir?

6 MR. GREGORY EPP: Subject to check,
7 yes.

8 DR. BYRON WILLIAMS: And Manitoba
9 Hydro, of course, recognizes that, even if the
10 provincial energy policy is -- becomes public in the
11 summer of 2023, it will be up to whoever forms
12 government after October 2023 who'll make the
13 determination of the energy strategy policy going
14 forward -- the energy policy going forward, agreed?

15 MR. GREGORY EPP: Agreed.

16 MR. AUREL TESS: I just wanted to
17 point out, though, that federal policy, as we've
18 listed in our response, does play a very key role in -
19 - in terms of electrification, for example.

20 DR. BYRON WILLIAMS: Thank you. And -
21 - and that may -- and you've spoken about that in the
22 future, but I do appreciate that reminder, sir.

23 Mr. Fogg or Mr. Epp, probably back to
24 you, apart from the policy issue, another part of the
25 -- Manitoba Hydro's characterization of unprecedented

1 (sic) uncertainty relates to emerging technologies,
2 agreed?

3 MR. ALASTAIR FOGG: That's another
4 aspect, agreed.

5 DR. BYRON WILLIAMS: And in Hydro's
6 view, this combination of both prospective policy
7 changes and prospective emerging technology has the
8 potential to drastically change how Manitobans utilize
9 electricity into the future, agreed?

10

11 (BRIEF PAUSE)

12

13 MR. ALASTAIR FOGG: Mr. Williams, I
14 would -- I would say that -- that it could have a --
15 an impact or significant over time. It's a matter of
16 the timing or -- or pacing at which that -- that type
17 of change occurs.

18 Whether that were to necessarily occur
19 tomorrow and the next couple of years, you may not see
20 that change for the next twenty (20). But -- but that
21 could arise over time.

22 DR. BYRON WILLIAMS: Okay. And thank
23 you, Mr. Fogg. And we'll break that answer into two
24 (2).

25 In terms of those changes, you're

1 suggesting they're less likely to be material in the
2 next couple of years, but more material over time?

3 MR. ALASTAIR FOGG: I think that's a -
4 - a reasonable assumption, yes.

5 DR. BYRON WILLIAMS: And, sir, I put
6 the words to you "the potential to drastically
7 change", and Manitoba Hydro would agree with that
8 characterization?

9 MR. ALASTAIR FOGG: I believe as we've
10 indicated in some of the discussion on IRP, we've
11 looked at several potential scenarios for the future.
12 Some -- some of those scenarios could be more drastic;
13 others, less so comparatively speaking.

14 DR. BYRON WILLIAMS: And so when we
15 look at the 2021 electric load forecast scenario, we
16 should conceive of it, I'll suggest to you, as a point
17 estimate to represent a potential future based upon
18 what we know today in terms of both energy policy and
19 the economics of new and emerging technology, agreed?

20 MR. ALASTAIR FOGG: Agreed. We've --
21 we've noted in this response that you have on the
22 screen that's our best projection of the future needs.

23 DR. BYRON WILLIAMS: And indeed, this
24 snapshot or point estimate scenario represents
25 Manitoba Hydro's best projection of Manitoba's future

1 energy needs such that there exists an equal chance
2 that the future energy needs will be higher or lower
3 than projected under what we see in that -- in the
4 2021 scenario, agreed, sir?

5 MR. ALASTAIR FOGG: That's what it
6 indicates, yes.

7 DR. BYRON WILLIAMS: That's what it
8 indicates, and --

9 MR. ALASTAIR FOGG: That's what it --

10 DR. BYRON WILLIAMS: -- Manitoba Hydro
11 --

12 MR. ALASTAIR FOGG: -- that's what
13 it's -- yes.

14 DR. BYRON WILLIAMS: Okay. Thank you.
15 And I'm sorry for interrupting. I may have had a bit
16 too much coffee, so I'll -- I'll try -- try to just be
17 a little careful. My apologies.

18 Now, Mr. Fogg, you were leading me
19 there with an answer a couple of answers ago, but in
20 terms of directing your attention to the second last
21 sentence on this page, Hydro recognizes that external
22 factors primarily beyond the test years could
23 significantly impact future energy needs of
24 Manitobans, agreed?

25 MR. ALASTAIR FOGG: Agreed.

1 DR. BYRON WILLIAMS: And, of course,
2 as Mr. Epp has been kind enough to share, some of
3 those factors are being evaluated in what we -- we
4 know as the integrated resource process, agreed?

5 MR. ALASTAIR FOGG: Agreed.

6 DR. BYRON WILLIAMS: And, Mr. Fogg,
7 with reference to the term 'primarily beyond the test
8 years', Manitoba Hydro has a fair degree of confidence
9 in the load scenario as it relates to '23/'24 and
10 '24/'25, fair, or Mr. Epp, whoever?

11 MR. ALASTAIR FOGG: I would agree with
12 that statement.

13 DR. BYRON WILLIAMS: You have
14 significantly less confidence beyond the test years,
15 agreed?

16 MR. ALASTAIR FOGG: I -- I would
17 suggest that -- that in any aspect of a forecast, as
18 you move out in time, the certainty of that forecast
19 lessens, you know, twenty (20) years from today versus
20 two (2) years from today. That includes that load
21 forecast that we're discussing right now.

22 DR. BYRON WILLIAMS: Fair enough, sir.
23 But Manitoba Hydro has characterized that future
24 period as unprecedented with the potential for drastic
25 change, agreed?

1 MR. ALASTAIR FOGG: We've
2 characterized it as -- as unprecedented and the
3 potential for drastic change or -- or other changes,
4 comparatively speaking, in those futures we've talked
5 about with the IRP.

6 DR. BYRON WILLIAMS: And recognizing
7 that reality, that compounds the uncertainty beyond
8 the test years, agreed, sir? How could it not?

9 MR. ALASTAIR FOGG: Sorry, compounds
10 it beyond the test year, you said, correct? There is
11 increasing uncertainty outside of the test years as a
12 result of those factors that you were describing.

13 DR. BYRON WILLIAMS: And just to be
14 clear, sir, compared to other twenty (20) year
15 forecasts at a different point in time, that
16 uncertainty is compounded?

17 MR. ALASTAIR FOGG: There is more
18 uncertainty at this point in time compared to some of
19 those other previous forecasts, as you just described,
20 yes.

21 DR. BYRON WILLIAMS: Thank you. And
22 recognizing my friend, Mr. Czarnecki, is here, I don't
23 want to go too far into the IRP, but, Mr. Epp, without
24 asking for any elaboration, would it be fair to say
25 that there are at least four (4) scenarios being

1 evaluated under the IRP -- IRP process, sir?

2 MR. GREGORY EPP: Yes.

3 DR. BYRON WILLIAMS: None of which is
4 the 2021 load forecast, sir?

5 MR. GREGORY EPP: Not specifically.

6 DR. BYRON WILLIAMS: And, of course,
7 the scenarios being contemplated under the IR process,
8 the integrated resource process, will, of course, be
9 subject to the ultimate direction of the Provincial
10 energy policy, agreed?

11 MR. GREGORY EPP: Sorry, can you
12 repeat that? The IRP is going to be...?

13 DR. BYRON WILLIAMS: Let me -- let me
14 try it in a more colloquial way, hopefully better.

15 You can have an IRP, but what comes out
16 of the Provincial energy policy will have a
17 significant impact on the ultimate IRP outcome?

18 MR. GREGORY EPP: Yeah, there -- it's
19 -- there's the potential that the energy policy that
20 comes out, you know, either just before or after,
21 we'll have something in there that wasn't contemplated
22 or reflected in -- in the analysis that -- that the
23 team has done and, you know, it'll be an -- an ongoing
24 process.

25 Just because the IRP is published and -

1 - and made public, that doesn't mean that the work
2 stops at that point. It's -- it's a continuous
3 evaluation.

4 So, just as -- as -- whether it's
5 federal, provincial policies, there's a lot of things
6 with technology breakthrough incentives. As -- as
7 technology improves in different areas and that
8 affects efficiency of certain things, that will get
9 factored into -- into the analysis over time, so.

10 DR. BYRON WILLIAMS: Thank you for
11 that. And that's what you -- you were adverting to
12 yesterday, sir. I don't think you need to turn it --
13 to it.

14 But at pages transcript 2,055 to 2,057,
15 you'll recall suggesting that, even once the energy
16 and IRP drop, that there will still be a lot of work
17 to get a handle on their implications for Hydro's
18 financial forecast, agreed?

19 MR. GREGORY EPP: That's right.
20 There's -- there's a lot of work going on -- on --
21 underway right now to develop the IRP. And then
22 there's -- there's another kind of body of work that
23 has to move that into a financial picture for -- for
24 us to review.

25 DR. BYRON WILLIAMS: Thank you. And,

1 Mr. Fogg, the financial forecast scenario underlying
2 this rate application extends out twenty (20) years,
3 sir?

4 MR. ALASTAIR FOGG: Agreed.

5 DR. BYRON WILLIAMS: And anyone
6 presenting twenty (20) year financial forecasts must
7 acknowledge some need for humility because there's no
8 doubt that the -- it's certain the forecast will be
9 wrong, sir?

10 MR. ALASTAIR FOGG: I would certainly
11 agree with that, Mr. Williams.

12 DR. BYRON WILLIAMS: And it would be
13 fair to say, Mr. Fogg, that you cannot pinpoint or
14 forecast what the world will look like for Manitoba
15 Hydro twenty (20) years from now with pinpoint
16 certitude?

17 MR. ALASTAIR FOGG: You certainly
18 can't with pinpoint certainty, no.

19 DR. BYRON WILLIAMS: Okay. Thank you.
20 I'd like to turn to Coalition 1st Round Information
21 Request 1-83(a) to (c), please, Ms. Schubert.

22 And, Mr. Fogg, you'll recall that in
23 2019 the Public Utilities Board approved final rates
24 for the 2019/'20 year for Manitoba Hydro, correct?

25 MR. ALASTAIR FOGG: Agreed. Yes,

1 correct.

2 DR. BYRON WILLIAMS: And, sir, subject
3 to check, that was the last public hearing in which
4 the Public Utilities Board made a final rate
5 determination for any rate year of Manitoba Hydro,
6 agreed?

7 MR. ALASTAIR FOGG: Subject to check,
8 agreed.

9 DR. BYRON WILLIAMS: And, of course,
10 Ms. Grewal joined Manitoba Hydro as Chief Executive
11 Officer on or about February of 2019, agreed?

12 MR. ALASTAIR FOGG: Agreed.

13 DR. BYRON WILLIAMS: Ms. Schubert, you
14 can turn to figure 1 on this page.

15 But, Mr. Fogg, prior to the business
16 model realignment, it would be accurate to suggest
17 that Manitoba Hydro was organized around functional
18 segments such as generation, transmission,
19 distribution, and customer service, sir?

20 MR. ALASTAIR FOGG: That's correct.

21 DR. BYRON WILLIAMS: And without
22 asking for elaboration, the business model realignment
23 created new business units, agreed?

24 MR. ALASTAIR FOGG: Yes, it created a
25 new business structure with new business units; that's

1 correct.

2 DR. BYRON WILLIAMS: And the result
3 was employees in positions moving from that previous
4 functional structure to the new organizational
5 structure, agreed?

6 MR. ALASTAIR FOGG: There would have
7 been a combination of movements as well as new
8 positions that people bid into in relation to that new
9 structure, yes.

10 DR. BYRON WILLIAMS: Thank you. And
11 when we look at figure 1, you'll agree that it's --
12 it's an effort to look at full-time equivalence by
13 division for the period from 2019/'20 to 2024/'25,
14 agreed, sir?

15 MR. ALASTAIR FOGG: Agreed.

16 DR. BYRON WILLIAMS: In essence, it's
17 trying to -- to provide a continuity schedule of
18 straight time, full-time equivalence by divisions over
19 that time period?

20 MR. ALASTAIR FOGG: Yes. In essence,
21 we're trying to provide that continuity under the
22 current structure, recognizing it changed over that
23 period of time.

24 DR. BYRON WILLIAMS: And this is done
25 by divisions. But if we're trying to get an

1 indication of how it's changed over time, we'll see
2 the various business units labelled here above the
3 division, such as president and CEO, customer service
4 and experience, asset planning and delivery, agreed?

5 MR. ALASTAIR FOGG: Agreed.

6 DR. BYRON WILLIAMS: And just taking
7 that time period, sir, of 2019/'20 to '24/'25, the
8 preliminary budget, in terms of full-time equivalence
9 by divisions under what is now the president and CEO
10 business unit, that has increased from eight (8) to
11 twenty-one (21), sir?

12 MR. ALASTAIR FOGG: That's correct.
13 That shows the projection to -- to twenty-one (21) in
14 the preliminary budget. And that's related to the
15 enterprise excellence division which Ms. Amorim Dew
16 talked about yesterday as the new division.

17 DR. BYRON WILLIAMS: Thank you. And
18 again, if we look at customer solutions and experience
19 and the divisions under that, the change over time was
20 from 2019/'20 actuals of three hundred and seventy-
21 three (373) down a bit to three sixty-five (365) --
22 three hundred and sixty-five (365) in the '24/'25
23 preliminary budget, sir?

24

25

(BRIEF PAUSE)

1 MR. ALASTAIR FOGG: Agreed, Mr.
2 Williams, yes.

3 DR. BYRON WILLIAMS: Thank you. And -
4 - and turning to the business unit asset planning and
5 delivery, we see a -- a decrease of about two hundred
6 (200) from the 2019/20 actuals of one-thousand-five-
7 hundred-and-nine (1,509) to the '24/'25 preliminary
8 judgment -- budget of one-three-o-seven (1,307), sir?

9 MR. ALISTAIR FOGG: Correct. And in
10 that particular business unit -- while not called out
11 here -- that would include the Keeyask construction
12 group, which that -- a large part of that decline is
13 related to Keeyask staff who were leaving.

14 DR. BYRON WILLIAMS: And indeed, sir,
15 if we drilled down to the division level, we'll see a
16 decline in construction from five-fifty-three (553) to
17 four-sixty-three (463), sir? Do you see that?

18 MR. ALISTAIR FOGG: I do, yes.

19 DR. BYRON WILLIAMS: Yeah. And
20 similarly, you'll see a decline in project management
21 from three-fifty-nine (359) FTEs in 2019/20 to two-
22 hundred-and-four (204) in the '24/'25 preliminary
23 budget, sir?

24 MR. ALISTAIR FOGG: Yes, I see that.

25 DR. BYRON WILLIAMS: And Ms. Amorim

1 Dew, I think you have something to share with us.

2 MS. SANDRA AMORIM DEW: I just want to
3 add something in there. So Mr. Fogg mentioned the
4 reduction due to Keeyask. And you'll see that
5 predominantly in the project management division.

6 But in the construction division, it
7 was due to the business model review changes. We used
8 to have the trainees under the construction group.
9 And they were centralized under the operations group.
10 So I just wanted to highlight that change as well.

11 DR. BYRON WILLIAMS: Yes, and -- and
12 thank you. And just to make sure I'm clear, you're
13 moving some of the folks out of asset planning and
14 delivery, in terms of the trainees, and they will show
15 up instead under the business unit operations.

16 Correct?

17 MS. SANDRA AMORIM DEW: Yes, correct.

18 DR. BYRON WILLIAMS: Okay.

19 MS. SANDRA AMORIM DEW: And the -- the
20 reason for that was to have all of our trades trainees
21 centralized and have a -- a clear focus on how to
22 build up those trainee programs and deploy them from a
23 central location.

24 It was a more efficient process.

25 DR. BYRON WILLIAMS: Thank you. And,

1 Mr. Fogg or other witnesses, in terms of operations,
2 under that business unit, we see a growth in the FTEs
3 in terms of those divisions from two-thousand-four-
4 hundred-and-seven (2,407) to two-thousand-five-
5 hundred-and-ninety-eight (2,598) in the '24/'25
6 preliminary budget, sir?

7 MR. ALISTAIR FOGG: Yes, we do.

8 DR. BYRON WILLIAMS: Just on to the
9 next page, if you would, Ms. Schubert.

10 Under human -- the business unit
11 'Digital and Technology', Mr. Fogg, we see a growth of
12 twenty -- twenty-four (24) or so from the 2019/20
13 actuals of two-forty-nine (249) to the '24/'25
14 preliminary budget of two-seventy-three (273), sir?

15 MR. ALISTAIR FOGG: Correct.

16 DR. BYRON WILLIAMS: And sir, going
17 under business unit 'HR and Safety', it's -- et al --
18 a growth of fifty (50) FTEs, agreed?

19 MR. ALISTAIR FOGG: Agreed.

20 DR. BYRON WILLIAMS: And under the
21 'Chief Financial Officer' between 2019/20 actuals and
22 the '24/'25 preliminary budget, a growth of twenty
23 (20) FTEs. Agreed?

24 MR. ALISTAIR FOGG: Agreed.

25 DR. BYRON WILLIAMS: And for

1 'External and Indigenous Relations', a growth of about
2 nine (9) FTEs over that analogous time period, sir?

3 MR. ALISTAIR FOGG: That's correct.

4 And just maybe one -- one thing to note is, what we
5 have at the bottom here is 'business unit totals'.

6 And some of these increases -- say, for example, in
7 the Chief Financial Officer area, there's been some
8 staff from the MHI, kind of, consolidated group, who
9 have moved under, say, the corporate control area.

10 Just as an example.

11 DR. BYRON WILLIAMS: Thank you. And
12 by 'MHI', you're using the acronym for Manitoba Hydro
13 --

14 MR. ALISTAIR FOGG: Manitoba Hydro
15 International. I apologize for the acronym.

16 DR. BYRON WILLIAMS: No worries.
17 Thank you. Ms. Schubert, if we can -- and Mr. Fogg --
18 sorry, Ms. Schubert, if you can turn to Consumer
19 Coalition's 2nd Round Information Request 35(b),
20 please.

21

22 (BRIEF PAUSE)

23

24 DR. BYRON WILLIAMS: Sub (b), the
25 response, please.

1 And Mr. Fogg, when we look at that
2 increase in -- excuse me. One second, please. There.
3 Thank you.

4 Mr. Fogg, when we look at the -- the
5 increase in digital and technology, that business
6 unit, that has primarily -- over the time period from
7 2019/20 to the '24/'25 period -- that's primarily been
8 due to building out the business unit to support
9 Strategy 2040 and the execution of the -- what is
10 called the D&T Roadmap. Agreed?

11 MS. SANDRA AMORIM DEW: Mr. Williams,
12 if I may. This is Ms. Amorim Dew. I just want to
13 respond to that.

14 I just want to make a note that we --
15 in our rebuttal evidence, we -- we commented that we
16 can compare 2019/'20 to our test years. We definitely
17 can do that, but that really isn't a fair comparison
18 especially at a business unit level.

19 We compare ourselves all the time to
20 2016/17, which is when we did the voluntary departure
21 program. As I've already said in my direct and in
22 some responses through this Hearing, the voluntary
23 departure program was an initiative to have a
24 financial reduction through reduction of our
25 workforce, which we are maintaining through the test

1 years.

2 And so, there were not deliberate
3 positions that were eliminated or deemed not required.
4 We're doing a lot of work now through the business
5 model review to have the right people in the right
6 place to ensure that the work is properly getting
7 done. So the customer service isn't impacted and
8 reliability isn't impacted greater than it has.

9 But I just want to comment that
10 comparing to 2019/'20 by business unit is not a fair
11 comparison.

12 DR. BYRON WILLIAMS: Okay. Thank you
13 for sharing that perspective.

14 And, of course, it was after -- after
15 2019, for example, that Keeyask was completed.
16 Agreed?

17 MS. SANDRA AMORIM DEW: That is
18 correct.

19 DR. BYRON WILLIAMS: And it wasn't
20 until the summer of 2019 that Bipole III --

21 MS. SANDRA AMORIM DEW: '18.

22 DR. BYRON WILLIAMS: '18? Bipole III
23 was completed and MMTP was completed in 2019. Thank
24 you.

25 MS. SANDRA AMORIM DEW: 2020 or '21.

1 DR. BYRON WILLIAMS: My apologies.

2 MS. SANDRA AMORIM DEW: Yeah.

3 DR. BYRON WILLIAMS: Now, in terms of
4 those changes from 2019/20 to today, for digital and
5 technology, they were driven to support Strategy 2040.

6 Agreed, Ms. Amorim Dew?

7 MS. SANDRA AMORIM DEW: So I wouldn't
8 -- and perhaps it was an error of ours to characterize
9 it the way we did in this IR response.

10 But what we did provide in our
11 Application and through IRs is that our digital and
12 technology business unit has evolved from being a
13 division previously within the HR and administrative
14 group to now being its own business unit, rather than
15 just a division.

16 Part of that is through the -- in --
17 I'm going to go to my direct evidence so I can quote
18 it directly.

19 I talked about the alignment to our
20 prioritized strategic pillars. So our strategic
21 pillar 2, in Strategy 2040, is to serve customers
22 efficiently, responsively, and digitally.

23 And there's also a reliability
24 component. So what you do see when you look at it by
25 division, under the digital and technology group, we

1 have a cyber security group, which has increased the
2 requirements for FTE as well.

3 DR. BYRON WILLIAMS: So you want to
4 correct this answer in your Information Request, is
5 that what you're telling me, Ms. Amorim Dew?

6 MS. SANDRA AMORIM DEW: I guess, this
7 response was at a very high level and didn't build out
8 the way that I did. I -- I don't know if I have to go
9 back to correct it.

10 DR. BYRON WILLIAMS: Okay. If we can
11 go to (c). Excuse me, (d). If we look at the
12 increase in the FTEs in the Chief Financial Officer's
13 business unit -- sorry, (d) on the next page. Thank
14 you.

15 This answer suggests it's primarily due
16 to strategic initiatives associated with Strategy
17 2040, as well as filling vacancies in the Strategy and
18 Enterprise Planning and ERM divisions.

19 Do you see that, Ms. Amorim Dew?

20 MS. SANDRA AMORIM DEW: I do. And --

21 DR. BYRON WILLIAMS: Does the
22 Corporation wish to recant its answer on this one as
23 well?

24 MS. SANDRA AMORIM DEW: No, we're not
25 recanting our answer. And Mr. Fogg or Mr. Tess --

1 this is his business unit -- may want to add in.

2 But as Mr. Fogg had mentioned, this has
3 an increase due to Manitoba Hydro International staff
4 moving into the Corporate Controller division.

5 Additionally, there was build out for
6 the Strategy and Enterprise Planning and Enterprise
7 Risk Management divisions, which are part of Strategy
8 2040.

9 DR. BYRON WILLIAMS: Okay. Thank
10 you.

11 MR. AUREL TESS: Can I just add to
12 that a little bit?

13 So -- so in terms of the additional
14 resources for Enterprise Risk Management, it -- it
15 falls under the umbrella of Strategy 2040. And same
16 with Strategy and Enterprise Planning.

17 But these are really core functions for
18 any healthy organization to take on enterprise risk
19 management with a standardized methodology, like we've
20 done, you know, for the health of the business.

21 And, in terms of the FTE's that were
22 moved from the increase, rather, from MHI, Manitoba
23 Hydro International, those costs don't have an
24 implication for the electric segment. They -- they
25 are charged back to Manitoba Hydro International.

1 But it's a move to consolidate and get
2 more efficient and effective with the operation as a
3 whole, so under Mr. Fogg's able leadership, we know
4 that we're going to get more efficiencies with moving
5 those -- those staff under -- under his jurisdiction.

6 DR. BYRON WILLIAMS: Thank you --

7 MR. AUREL TESS: And provide better
8 service.

9 DR. BYRON WILLIAMS: Thank you for
10 that and I did want to turn with you, Mr. -- Mr.
11 Tess, and to briefly follow-up your discussion
12 regarding the 2021 drought and interim rate increase
13 that you had with my learned friend, Mr. Hombach.

14 Do you recall that -- from yesterday,
15 sir?

16 MR. AUREL TESS: Was that regarding
17 the Q3? Regarding the Q3 discussion? Sorry, Q1, I
18 apologize. Yeah.

19 DR. BYRON WILLIAMS: Sir, I'll just --
20 do you recall generally a discussion with Mr. Hombach
21 about the drought, as well as --

22 MR. AUREL TESS: Yes.

23 DR. BYRON WILLIAMS: -- timing of the
24 -- of the -- the --

25 MR. AUREL TESS: Yes, I recall that.

1 DR. BYRON WILLIAMS: Yes, thank you.
2 I have to just be careful, sir, 'cause I'm not allowed
3 to testify, so I've got to put it back to you as a
4 question, I just can't answer the questions, so thank
5 you.

6 Sir, just at a very high level, of
7 course, the -- the vast bulk of electricity supplied
8 by Manitoba Hydro is sourced from hydro electricity.

9 Agreed?

10 MR. AUREL TESS: Correct.

11 DR. BYRON WILLIAMS: And as the Chief
12 Financial Officer for Manitoba Hydro, it is incumbent
13 on you and the members of your team to stay aware and
14 alert to the hydrological numbers. Agreed?

15 MR. AUREL TESS: That's correct. It's
16 one of our major risks. I think I justified that
17 earlier.

18 DR. BYRON WILLIAMS: And, I -- I can
19 take you there if you want, sir, but you -- you
20 advised Mr. Hombach, yesterday, I'll suggest to you,
21 that the monthly hydrological reports prepared by Mr.
22 Gawne, G-A-W-N-E, as his team are -- are a major input
23 into your financial forecast? Agreed?

24 MR. AUREL TESS: Agreed.

25 DR. BYRON WILLIAMS: And you

1 indicated, sir, I'll suggest to you to Mr. Hombach,
2 that a special audit and finance meeting was held in
3 June of 2021 to advise the Manitoba Hydro Electric
4 Board of some of the drought risks you were facing.

5 Would that be fair, sir?

6 MR. AUREL TESS: I believe I -- I
7 testified that I wasn't sure if it was a special
8 meeting. I know we dealt with it at the regular
9 meeting in June. There was a large segment dedicated
10 to it, given the significance in materiality of this
11 situation.

12 DR. BYRON WILLIAMS: By June of '21 --
13 2021, sir, you were in a position to devote a
14 significant amount of time to a Manitoba Hydro
15 Electric Board meeting to discuss drought risk, given
16 the significance in materiality of the situation.

17 Agreed?

18 MR. AUREL TESS: And just to clarify,
19 that was at the end of June.

20 DR. BYRON WILLIAMS: Thank you. And,
21 sir, by September -- the September - October period of
22 2021, Manitoba Hydro was fully aware that they were in
23 a full scale drought. Agreed?

24 MR. AUREL TESS: The way we
25 characterize it as -- as we move along through the --

1 through the spring and the summer and even in the fall
2 period, of course, the chance of drought gets
3 escalated, right.

4 As we get better certainty on the water
5 levels and, I think in -- in that -- that period
6 you're referring to, there was -- it was getting --
7 there was more and more evidence being compiled all
8 the time that the water levels were -- were going to
9 be low.

10 And -- but there was always discussion
11 about potentially having two (2) or three (3) weeks of
12 heavy rain, as has happened in the past, to kind of
13 reverse the situation.

14 So, it's part of the uncertainty we
15 deal with -- with water levels.

16 DR. BYRON WILLIAMS: And directing
17 your mind back, sir, to the June -- late June 2021
18 meeting, where you brought to the attention of the
19 Manitoba Hydro Board the materiality and significance
20 of the drought risk.

21 At that point in time, you did not
22 issue a special directive to staff to reduce
23 operating, maintenance and administrative expenses.

24 Would that be fair?

25 MR. AUREL TESS: That would be fair.

1 DR. BYRON WILLIAMS: And, sir,
2 directing your attention now to October of 2021, at
3 which point in time you were in a full scale drought,
4 you did not issue a special directive to staff to
5 reduce operating, maintenance and administrative
6 expenses? Agreed?

7 MR. AUREL TESS: Well, I think the --
8 what you're really referring to, I believe, Mr.
9 Williams, is -- is issuing a directive to -- to
10 contain costs, without any implication what -- knowing
11 what might happen.

12 And, we -- we know that -- that
13 practice necessarily hasn't worked in the past and
14 what we've seen is degradation in our reliability,
15 degradation in customer service.

16 So, because you're in a drought, that
17 doesn't mean that the work we're doing, for example,
18 in the IRP would suddenly stop. You could -- you
19 could consider that almost a discretionary
20 expenditure, but I'm just giving you that as an
21 example, but we wouldn't necessarily do that because
22 it's not a prudent management move.

23 DR. BYRON WILLIAMS: Mr. Fogg, subject
24 to check, you'll agree that operating and
25 administrative expense for the '21/'22 year was

1 twenty-two (22) million or 3.9 percent higher than
2 budget. If you need a source, sir, page 54 of
3 Appendix 33.

4 MR. ALASTAIR FOGG: I -- I'll agree
5 with that, subject to check.

6 DR. BYRON WILLIAMS: Mr. Tess, let's
7 take you to the winter of 2022.

8 As a consequence of the drought, did
9 Manitoba Hydro issue a -- a special directive to
10 reduce '23/'24 operating, maintenance and
11 administrative expenses?

12 MR. AUREL TESS: There wasn't a
13 special directive issued, Mr. Williams, but I think
14 I've -- as we've testified and we have a very, in my
15 opinion, a very robust budgeting and planning system
16 that we -- we consider almost from a top-down/bottom -
17 up process.

18 And that planning, I believe, subject
19 to check with Ms. Amorim Dew, had already commenced at
20 that period. So, when we're look -- we look at all
21 expenditures to see where we can get best value for
22 money, that's part of our regular process. And now
23 we've added the -- I've -- more of a continuous
24 improvement element to that and prioritization.

25 So, issuing a directive, I would say,

1 is not the way to do it. The way we proceed is to
2 look at the actual expenditures and see where, you
3 know, what we can stop doing and what we need to
4 increase.

5 And that's -- that's how we go about
6 our budgeting and planning process.

7 DR. BYRON WILLIAMS: Thank you, sir.
8 So you -- in essence, you followed the regular process
9 for the '23/'24 --

10 MR. AUREL TESS: I would say there was
11 -- of course, there's always a heightened awareness of
12 what's happening on the revenue side throughout that
13 process, and that is part of the top-down messaging
14 that's provided throughout the process.

15 DR. BYRON WILLIAMS: Thank you. Mr.
16 Chair and members of the panel, I'm going to a longer
17 section. I will not complete it, that -- which is
18 fine, I'm just advising you will -- perhaps the Board
19 can let me know when you wish me to break it up.

20 THE CHAIRPERSON: We will. Thank you.

21

22 CONTINUED BY DR. BYRON WILLIAMS:

23 DR. BYRON WILLIAMS: If we could turn
24 to Coalition-Hydro-1-82, question A, please. Probably
25 you, Mr. Fogg, but if that -- maybe it's -- I'm not

1 trying to -- to pick on you, if it's Ms. Amorim Dew,
2 whoever it is, I see you're both turning there.

3 Could Manitoba Hydro confirm that for
4 the '24/'25 test year, other employee-related
5 expenditures of eighty-five (85) million represent
6 about 12 percent of total O&A costs? Agreed?

7 MS. SANDRA AMORIM DEW: Subject to
8 check.

9 DR. BYRON WILLIAMS: Thank you.
10 Further reminder of how I should ask questions, thank
11 you.

12 And -- and secondly, subject to check,
13 Manitoba Hydro will agree that external services and
14 materials of two hundred and twenty-one (221) million
15 represent approximately 32 percent of total O&A costs
16 for the '24/'25 test year, subject to check.

17 MS. SANDRA AMORIM DEW: Yes, subject
18 to check.

19 DR. BYRON WILLIAMS: And, together,
20 these cost categories being other employ -- employee-
21 related expenditures and external services and
22 materials, represent 44 percent of total forecast, O&A
23 costs, in '24/'25, subject to check.

24

25

(BRIEF PAUSE)

1 MS. SANDRA AMORIM DEW: So, Mr.
2 Williams, I just want to comment that the other rel --
3 employer-related expenditures --

4 DR. BYRON WILLIAMS: -- report on the
5 next page of the --

6 MS. SANDRA AMORIM DEW: Okay. Maybe
7 that would help. Yeah.

8 DR. BYRON WILLIAMS: And I apologize.
9 I wasn't trying to -- I thought this was
10 straightforward.

11 MS. SANDRA AMORIM DEW: Nope. Nope.
12 I just want to make sure it's -- because what we do,
13 as well, in all of our O&A reports is that we show our
14 total and, so, when I was referring to the employee-
15 related expenditures, that's before we factor in
16 capitalization. So, I just want to make sure that
17 we're -- we're talking the same thing?

18 Yes. I can -- I can confirm the 85
19 million for sure and the percent increase on Figure 1.

20 DR. BYRON WILLIAMS: And you'll accept
21 that the 85 million, subject to check, is 12 percent
22 of the total O&A costs of 687 million, for '24/'25.

23 MS. SANDRA AMORIM DEW: Well, what I--

24 DR. BYRON WILLIAMS: Do you want to
25 take this back over the lunch?

1 MS. SANDRA AMORIM DEW: We will take
2 it back, if you don't mind. Yes, please.

3 THE CHAIRPERSON: We're okay. Keep
4 going.

5

6 CONTINUED BY DR. BYRON WILLIAMS:

7 DR. BYRON WILLIAMS: Okay. Ms. Amorim
8 Dew, and, perhaps, if we -- if we can go just back up
9 to the question for a second.

10 And you'll see that, in (b), you were
11 asked to provide a breakdown of other employee-related
12 expendur -- expenditures and external services and
13 materials for each year, between '17/'18 and '24/'25.

14 Agreed?

15 MS. SANDRA AMORIM DEW: Agreed.

16 DR. BYRON WILLIAMS: Okay. Let's go
17 to Figure 2, please, and Ms. Amorim Dew, Figure 2
18 presents the various sub-categories for external
19 services and materials for the time period of '17/'18
20 to '24/'25. Agreed?

21 MS. SANDRA AMORIM DEW: Agreed.

22 DR. BYRON WILLIAMS: Okay. And I want
23 to direct you to Line 2, Consulting and Professional
24 Fees, but take you, starting at the 2019/'20 year, are
25 you with me, you can follow along and maybe, Ms.

1 Schubert can help us move along as well.

2 MS. SANDRA AMORIM DEW: I am there.

3 DR. BYRON WILLIAMS: Okay, and I'll
4 suggest to you that Consulting and Professional Fees,
5 in that year, were about 12.639 million. Agreed?

6 DR. SANDRA AMORIM DEW: Agreed.

7 DR. BYRON WILLIAMS: Okay. And we see
8 going along to the '24/'25 preliminary budget,
9 Consulting and Professional Fees being projected to be
10 50.564 million. Agreed?

11 MS. SANDRA AMORIM DEW: Agreed.

12 DR. BYRON WILLIAMS: And recognizing
13 that I'm asking you to do math on the fly but, subject
14 to check, that's a more than \$37 million increase
15 between the 2019/'20 actuals and the 2024/'25
16 preliminary budget. Agreed?

17 MS. SANDRA AMORIM DEW: Subject to
18 check, agreed. I do want to add in, Mr. Williams,
19 that, during my direct evidence, I -- I spoke to this.
20 I didn't go back to 19 -- 2019/'20, but I did go back
21 to '21/'22 and explained the increases related to
22 Consulting and Professional Fees, which is close to
23 that amount.

24 DR. BYRON WILLIAMS: I heard some of
25 those answers and I certainly thank you for it and,

1 certainly, you'll agree, and we can scroll down under
2 (c) of the response that the answers, in terms of the
3 explanation for these changes, can be found -- move on
4 to the next page, Ms. Schubert -- in -- in a variety
5 of places and I don't nee -- think you need to -- to -
6 - to turn there, but those variety of places include
7 PUB-MH-1-76, PUB-MH-1-62, PUB-MH-1-67. Agreed?

8 MS. SANDRA AMORIM DEW: Agreed. We
9 explained it many times.

10 DR. BYRON WILLIAMS: But not all of
11 it, and so, Ms. Amorim Dew, again, you'll accept
12 subject to check, that when we look to that, the
13 changes for the '21 -- from the '21/'22 year -- from
14 the 2021 year to the 2122 year some of those changes,
15 of course, as you've indicated, were the accounting
16 rule treatment from cloud computing arrangements.

17 Agreed?

18 MS. SANDRA AMORIM DEW: Mr. Williams,
19 I just want to confirm, are you asking the difference
20 from 2020/'21 to '21/'22?

21 And subject to check, I think that
22 actually most, if not a little more, were related to
23 cloud computing in that year.

24 DR. BYRON WILLIAMS: And you can check
25 PUB-1-67 for this if you need to. But another factor

1 that was reflected in the change from 2021 to '21/'22
2 in terms of consulting fees, was the cancellation of
3 the advancement of distribution, asset, management,
4 the capital project. Do you recall that?

5

6

(BRIEF PAUSE)

7

8 MS. SANDRA AMORIM DEW: Mr. Williams,
9 I'll have to look into that one to -- to understand
10 the second item that you referenced there. I'm not
11 remembering right now what it's related to.

12 DR. BYRON WILLIAMS: So -- and just --
13 just to be clear, while -- while I'm sending you away
14 and with reference to the Corporation's response to
15 PUB-1-67, I'm asking you to confirm, first of all,
16 that the cancellation of the advancement of the
17 distribution asset management capital project, was one
18 (1) factor in the change in terms of the external
19 services and materials from 2021 to 2022. Okay.

20 And then I'm not sure this needs to be
21 an undertaking, but you're going away to do homework,
22 so --

23 MS. SANDRA AMORIM DEW: I should be
24 able to respond after lunch.

25 DR. BYRON WILLIAMS: And we would

1 appreciate, on behalf of our clients, an explanation
2 of what was the advancement of the distribution asset
3 management capital project and why was it cancelled.

4 MS. SANDRA AMORIM DEW: I'll endeavour
5 to do that.

6 DR. BYRON WILLIAMS: Thank you. And,
7 Mr. Czarnecki, unless you think otherwise, I don't
8 think we require a -- an undertaking. We just need a
9 lunch break.

10 MR. BRENT CZARNECKI: We'll try our
11 best after lunch.

12 DR. BYRON WILLIAMS: Yes, thank you.
13 Again, thank you.

14

15 CONTINUED DR. BYRON WILLIAMS:

16 DR. BYRON WILLIAMS: And, Ms. Amorim
17 Dew, in -- in terms of if we'll look at, what I'll
18 suggest to you is about a \$9.6 million increase in
19 consulting fees between '21/'22 and '22/'23, I'll
20 suggest to you that that was due to a number of
21 factors, one of which were -- were strategic
22 initiatives. Agreed?

23 MS. SANDRA AMORIM DEW: No, those
24 weren't the biggest components, but some of the
25 strategic initiatives, as I mentioned yesterday, were

1 related to the -- engaging a consultant to assist with
2 the Integrated Resource Planning work, also with Asset
3 Management Maturity Assessment, other project
4 management, and asset management work as well, as we
5 are devel -- we were developing centres of expertise
6 following the business model changes.

7 DR. BYRON WILLIAMS: And when we look,
8 Ms. Amorim Dew, at the increase in consulting fees
9 from '22/'23 to '23/'24, that was in excess of \$22.7
10 million, subject to check. Agreed?

11 MS. SANDRA AMORIM DEW: Agreed.

12 DR. BYRON WILLIAMS: And when we look
13 at the explanation for that, that was primarily to do
14 with both the accounting rule treatment changes for
15 cloud computing, as well as an increase in cloud based
16 services. Agreed?

17 MS. SANDRA AMORIM DEW: Agreed.

18 DR. BYRON WILLIAMS: And in terms of
19 the increase moving from '23/'24 to '24/'25, the
20 preliminary budget, that's primarily related to both
21 the accounting rule treatment of cloud computing and a
22 -- and an increase in cloud based services. Correct?

23 MS. SANDRA AMORIM DEW: Correct. And
24 I just want to add and remind the panel members, and
25 everyone present, that a big component of that is

1 related to our current SAP System not being supported
2 beyond 2027, and so it's related to potential
3 placeholder for the new S/4 version.

4 And as Mr. Fogg indicated yesterday,
5 even if we don't move to the new S/4, and we need to
6 use a third party to provide us services to maintain
7 our current system which does have potentially risks
8 associated with that. Then we would still see an
9 increase in that cost category.

10 DR. BYRON WILLIAMS: Thank you. And
11 of course we'll -- we'll come to that in -- probably
12 after lunch.

13 I wonder, Ms. Schubert, if we could
14 turn to Coalition/Manitoba Hydro-1-75 updated.
15 There's two (2) 1-75s, I think, that have been filed.

16 And, Ms. Amorim Dew, is this you as
17 well? I saw you nodding the head. Or is that Mr.
18 Fogg? He looks ready. Who's ready?

19 MS. SANDRA AMORIM DEW: I think we
20 could both -- we're both familiar with this one.

21 DR. BYRON WILLIAMS: Okay. And you'll
22 recall that in this Information Request, our client
23 asked for a copy of Manitoba Hydro's current
24 Information Technology Plan, agreed?

25 MS. SANDRA AMORIM DEW: Agreed.

1 DR. BYRON WILLIAMS: And if we scroll
2 just over two (2) pages into Attachment 1 -- is there
3 an Attachment 1, Ms. Schubert?

4

5 (BRIEF PAUSE)

6

7 DR. BYRON WILLIAMS: And, Ms.
8 Schubert, just so you know, we'll be kind of bouncing
9 back and forth between the -- the attachments and the
10 Information Request.

11 In the original response, what Manitoba
12 Hydro provided was this two (2) page document,
13 correct?

14 MS. SANDRA AMORIM DEW: Can I see the
15 second page? I don't recall the second page. Oh,
16 yeah, the acronyms, correct.

17 DR. BYRON WILLIAMS: So our -- our
18 request was for a plan. We got a roadmap and some
19 acronyms, agreed?

20 MS. SANDRA AMORIM DEW: Agreed, but I
21 would suggest that it is a plan in a different format.

22 DR. BYRON WILLIAMS: And if we flip to
23 Attachment 2, we'll see another two (2) page document,
24 I'll suggest to you, which discusses Strategy 2040 and
25 the digital transformation, agreed?

1 MS. SANDRA AMORIM DEW: Agreed.

2 DR. BYRON WILLIAMS: And -- and, Ms.
3 Schubert, if you can go back to the first page of the
4 -- the response. Okay, right there's fine.

5 And, Ms. Amorim Dew, you also see that
6 set out in Attachment 3 of this response are
7 technology investments, CGIs (sic) where available,
8 agreed?

9 MS. SANDRA AMORIM DEW: Yes. CIJs
10 were available -- were provided in Attachment 3.

11 DR. BYRON WILLIAMS: Yeah, and I
12 apologize. CIJs are capital investment
13 justifications?

14 MS. SANDRA AMORIM DEW: They are.
15 Sorry. I should have --

16 DR. BYRON WILLIAMS: No, that was my
17 fault, not yours. And of course we're not going to
18 find a capital investment justification for the SAP
19 S/4HANA in there, agreed?

20 MS. SANDRA AMORIM DEW: Agreed, as we
21 are currently working through phase zero to develop
22 the business case for that.

23 DR. BYRON WILLIAMS: And we're not
24 going to find the business cases for cloud computing -
25 - computing arrangement small software systems in

1 there either, agreed?

2 MS. SANDRA AMORIM DEW: I do not agree
3 with that. You do in that attachment find some of the
4 CIJs for some of the small software. So some of the
5 examples are the contact handling technology.

6 DR. BYRON WILLIAMS: Fair enough.
7 I'll -- I'll accept that answer, and I --

8 MS. SANDRA AMORIM DEW: Okay. For
9 anything we had available, we did provide.

10 DR. BYRON WILLIAMS: Thank you. Would
11 it be fair to say that at this time Manitoba Hydro's
12 digital and technology plan is under development?

13 MS. SANDRA AMORIM DEW: I would
14 suggest that, due to the rapid changes that we're
15 continually seeing in this area, which was accelerated
16 through the pandemic and we're continuing on, it may
17 always be in development as things change.

18 As Ms. Grewal mentioned on the first
19 day of the hearing, there is a plan that is going to
20 be going to the Manitoba Hydroelectric Board for a
21 review to -- sorry, in the fall that will be going.

22 DR. BYRON WILLIAMS: So to date, the -
23 - the plan has not been approved -- reviewed and
24 approved by the Manitoba Hydroelectric Board?

25 MR. AUREL TESS: Yeah, I can weigh in

1 here. It has not been approved, and as Ms. Amorim Dew
2 mentioned, our current plan is to also bring the
3 business case for AMI and SAP, assuming the timing
4 works out, in -- in the fall to the Manitoba
5 Hydroelectric Board.

6 I think you would agree that those two
7 (2) projects combined have a combined material impact
8 on the plan, so.

9 DR. BYRON WILLIAMS: And, sir, I don't
10 think it's for me to agree, but perhaps you can agree
11 with me that in terms of AMI, the placeholder budget
12 currently in effect is in the range of 300 million,
13 sir, subject to check?

14 MR. AUREL TESS: That is correct.

15 DR. BYRON WILLIAMS: And SAP HANA, the
16 placeholder budget currently in effect is 156 million,
17 sir?

18 MR. AUREL TESS: That is correct, and
19 I think I -- I mentioned in our direct evidence that
20 that is very much a placeholder. It does not include
21 some of the other significant modules like replacement
22 of Banner, our billing system, for example.

23 So in essence, there's close to half a
24 billion dollars that we see in your financial forecast
25 but that -- that haven't --

1 MR. AUREL TESS: Right.

2 DR. BYRON WILLIAMS: -- don't have a
3 business plan, agreed?

4 MR. AUREL TESS: Yeah. Just simply
5 not that we're proceeding without a business plan. I
6 don't want to give the PUB that impression.

7 We are in the midst of developing the
8 business plans for both of those significant projects,
9 and as more information becomes available and more
10 decisions have been made, we'll certainly make them
11 available.

12 DR. BYRON WILLIAMS: But, sir, you're
13 asking the Public Utilities Board to set rates, taking
14 into account half a billion dollars nearly of proposed
15 expenditures for which there is no business plan.

16 MR. AUREL TESS: We -- we were asked,
17 as you know, Mr. Williams, to prepare a financial
18 forecast based on the best information we have.

19 Given that these are material and
20 significant, we felt it important to include them in
21 the financial forecast with the best estimates we had
22 at the time.

23 DR. BYRON WILLIAMS: And in -- in
24 effect, the best estimates are really just
25 placeholders, sir?

1 MR. AUREL TESS: Those are my words,
2 so I would agree with you.

3 DR. BYRON WILLIAMS: Thank you. Mr.
4 Chair, I have some stuff I'm waiting for. I could
5 keep going for a few minutes. It's up to you.

6 THE CHAIRPERSON: Yeah. I'd suggest
7 you keep going until --

8 DR. BYRON WILLIAMS: Thank you.

9 THE CHAIRPERSON: -- until we discuss
10 further.

11

12 CONTINUED BY DR. BYRON WILLIAMS:

13 DR. BYRON WILLIAMS: Ms. Schubert, if
14 you can pull up Manitoba -- the Coalition/Manitoba
15 Hydro-1-76(a) to (e), and go to the response to (a)
16 for a second.

17

18 (BRIEF PAUSE)

19

20 DR. BYRON WILLIAMS: Ms. Amorim Dew,
21 we've already discussed this, but in terms of SAP
22 S/4HANA, there's no business plan in effect at this
23 point in time, agreed?

24 MS. SANDRA AMORIM DEW: Agreed. We're
25 doing a lot of work to plan for this and do the pre-

1 planning work that we deem is prudent.

2 DR. BYRON WILLIAMS: And you're
3 working with a consultant to develop -- to develop the
4 business and case value for that platform, agreed?

5 MS. SANDRA AMORIM DEW: Agreed.

6 DR. BYRON WILLIAMS: Okay. And, Ms.
7 Amorim Dew, in terms of the preliminary budget for
8 '23/'24 and '24/'25 for cloud computing arrangements,
9 small software systems, would it be fair to suggest
10 that there are not business cases for -- for those
11 projects in the -- sorry, Mr. Fogg.

12 MR. ALASTAIR FOGG: Sorry, Mr.
13 Williams. I'll let you finish your -- your question.
14 I apologize.

15 DR. BYRON WILLIAMS: Either way's
16 fine. Just scroll up on this page -- no, scroll down.
17 I can never get that right.

18

19 (BRIEF PAUSE)

20

21 DR. BYRON WILLIAMS: And in terms of
22 the '23/'24, '24/'25 small software systems related to
23 cloud computing, would it be fair to suggest that
24 there are no business cases for a number of these
25 expenditures with respect to the '23/'24, '24/'25

1 year?

2 MS. SANDRA AMORIM DEW: So, for the
3 ones that we have planned and are known, we have those
4 developed, and we provided them to you in the previous
5 -- think it was 75 updated that we just went through.

6 And as we are determining the
7 investments that are required, we are putting together
8 business cases.

9 DR. BYRON WILLIAMS: Okay. Let's go
10 to Coalition-1-76(b).

11

12 (BRIEF PAUSE)

13

14 DR. BYRON WILLIAMS: And what we have
15 here, I'll suggest to you, in figure 1, Ms. Amorim
16 Dew, are cloud computing arrangements, or (CCA), cost
17 for '21/'22 through '24/'25, agreed?

18 MS. SANDRA AMORIM DEW: Agreed.

19 DR. BYRON WILLIAMS: And for SAP
20 S/4HANA, we see in the '23/'24 year a figure of \$13
21 million, agreed?

22 MS. SANDRA AMORIM DEW: Agreed.

23 DR. BYRON WILLIAMS: And for the
24 '24/'25 year, a figure of 23 million, agreed?

25 MS. SANDRA AMORIM DEW: Agreed.

1 DR. BYRON WILLIAMS: And we're clear
2 that there's -- there's no business case for that?

3 MS. SANDRA AMORIM DEW: There is not a
4 business case yet, no. Except I do want to add that
5 we -- we are developing that business case. And, as
6 Mr. Fogg elaborated on yesterday, the '23/'24
7 preliminary budget does include estimates for the
8 blueprinting phase, which would be the next stage.

9 So, we have stage gates, as we've
10 described, through our capital planning process. We
11 have similar ones for this larger S/4 project.

12 And so, the first one is the phase
13 zero, which is the preplanning and doing the business
14 case. The next phase we'll be looking at the
15 blueprinting phase, and then a determination on
16 whether implementation should proceed.

17 DR. BYRON WILLIAMS: And you'll see,
18 Ms. Amorim Dew, that for the '23/'24 preliminary
19 budget for small software system, CCA costs a figure
20 of 13 million, agreed?

21 MS. SANDRA AMORIM DEW: Agreed.

22 DR. BYRON WILLIAMS: And for '24/'25 a
23 figure of 9 million, correct, for small software
24 system CCA costs?

25 MS. SANDRA AMORIM DEW: Correct. The

1 only thing I'd like to highlight in here is that we
2 also indicate internal labour, and whereas you won't
3 see that in our -- you won't see that when you're
4 looking at the operating and admin expenses because we
5 aren't capitalizing the labour anymore because this is
6 now an operating expense.

7 This isn't necessarily an increase in
8 O&A directly, but we wanted to highlight this as this
9 was a shift from what used to be capitalized.

10 DR. BYRON WILLIAMS: And I want to go
11 to Coalition-1-76, answer (d), so on the next page.

12

13 (BRIEF PAUSE)

14

15 DR. BYRON WILLIAMS: And actually, Ms.
16 Schubert, if -- if you can go to the original question
17 just for a second, please.

18

19 (BRIEF PAUSE)

20

21 DR. BYRON WILLIAMS: And our client is
22 asking Manitoba Hydro if you forecast any costs save -
23 - savings in the business case used to justify the
24 expenditures for SAP and small software systems.

25

 You see that, Ms. Amorim Dew, that

1 question?

2 MS. SANDRA AMORIM DEW: I do.

3 DR. BYRON WILLIAMS: Okay. And if we
4 can go to the answer now, please, (d), please. Thank
5 you.

6

7 (BRIEF PAUSE)

8

9 DR. BYRON WILLIAMS: And, of course,
10 for SAP S/4HANA, cost savings have not been forecasted
11 as we belabour there is no business case, agreed?

12 MS. SANDRA AMORIM DEW: Agreed.

13 DR. BYRON WILLIAMS: Okay. On to the
14 next page. It says here that:

15 "Cost savings for future cloud-based
16 system updates for replacements will
17 be forecasted when business case --
18 cases are put together for each
19 specific system."

20 You see that reference, Ms. Amorim Dew?

21 MS. SANDRA AMORIM DEW: I do.

22 DR. BYRON WILLIAMS: And, of course,
23 those business cases will include an assessment of
24 risk value, alternatives, and cost, correct?

25 MS. SANDRA AMORIM DEW: Correct.

1 DR. BYRON WILLIAMS: Is it the case
2 that for the '23/'24 and '24/'25 years you cannot show
3 us cost savings for the cloud-based small software
4 systems because there are no business cases?

5 MS. SANDRA AMORIM DEW: So, as I -- I
6 have indicated before, we provided business cases for
7 any small software systems that we have prepared to
8 date.

9 I do also want to go back to what I
10 mentioned with some of the reasons that we're moving
11 to cloud based aside from the fact that some vendors
12 just won't be able to provide us systems in the way
13 that we would have had previously. One (1) of the
14 reasons is cost avoidance.

15 And so, sometimes it's hard to just
16 show the savings. It's -- it's a matter of avoiding
17 certain costs, as well.

18 DR. BYRON WILLIAMS: And just so I'm
19 clear, are you suggesting that for the '23/'24,
20 '24/'25 years there are business cases for those small
21 -- small software systems or not?

22

23 (BRIEF PAUSE)

24

25 DR. BYRON WILLIAMS: You're not

1 suggesting, to put it another way, that there's \$33
2 million -- like, that there's business cases for the
3 proposed expenditures of \$33 million in small software
4 system CCA costs found in the update to -- to PUB --
5 or CC/MH-1-75?

6 MS. SANDRA AMORIM DEW: No. What I
7 was looking for was some of the costs may be flowing.
8 I know that the contact handling technology project,
9 for example, is flowing in the '23/'24 budget year.

10 I'd have to go back to see which
11 business cases we provided that flow into those years
12 but, as I've stated, as we look at new systems that
13 are required, we will be developing business cases and
14 getting the appropriate approvals under our governance
15 structure.

16 THE CHAIRPERSON: Mr. Williams --
17 sorry, Mr. Williams, I'm just wondering if we could
18 break now.

19 DR. BYRON WILLIAMS: If I might ask
20 one (1) more question --

21 THE CHAIRPERSON: Sure. Sure.

22 DR. BYRON WILLIAMS: -- in this area.

23

24 CONTINUED BY DR. BYRON WILLIAMS:

25 DR. BYRON WILLIAMS: In terms of SAP

1 S/4HANA, would it be accurate to say that there has
2 not been a contract signed with any vendor?

3 MS. SANDRA AMORIM DEW: So, all we've
4 signed to date is the contract with -- with E&Y which
5 we provided in one (1) of the IRs, I believe it was.
6 And that was for the phase zero work as we work on
7 developing a business case.

8 DR. BYRON WILLIAMS: Thank you. Mr.
9 Chair, I have, like, two (2) more questions here, but
10 I'm -- I'm happy to take the break now, or just --

11 THE CHAIRPERSON: How long do you
12 think the two (2) questions will take?

13 DR. BYRON WILLIAMS: Four (4) minutes.

14 THE CHAIRPERSON: Okay. Let's --
15 let's finish this area.

16

17 CONTINUED BY DR. BYRON WILLIAMS:

18 DR. BYRON WILLIAMS: Ms. Amorim Dew,
19 we're on the clock.

20 MS. SANDRA AMORIM DEW: I feel like
21 the pressures on now to --

22 DR. BYRON WILLIAMS: Yeah.

23 MS. SANDRA AMORIM DEW: -- not let me
24 talk.

25 DR. BYRON WILLIAMS: Coalition/MH-2-

1 31, please.

2

3

(BRIEF PAUSE)

4

5 DR. BYRON WILLIAMS: Keep going down
6 just to the response.

7

8 Ms. Amorim Dew, hope -- hopefully this
9 is simple. In terms of the consulting and
10 professional fees associated with cloud computing
11 arrangements for '23/'24, those are some \$18 million,
12 agreed?

12

MS. SANDRA AMORIM DEW: Agreed.

13

14 DR. BYRON WILLIAMS: And similarly,
15 for the '24/'25 year, the -- the consulting and
16 professional fees associated with the cloud-computing
17 arrangement are \$20 million, agreed?

17

MS. SANDRA AMORIM DEW: Agreed.

18

19 DR. BYRON WILLIAMS: Okay. Thank you,
20 Mr. Chair. On time.

20

21 THE CHAIRPERSON: I appreciate it, Mr.
22 Williams. We're going to break for forty-five (45)
23 minutes.

23

24 Mr. Williams, I don't mean to put you
25 on the spot, but any idea how long you'll be? And if
you're a little over, that's fine. It's just I'm

1 trying to figure out if we can finish this afternoon
2 or not.

3 DR. BYRON WILLIAMS: Somewhere in the
4 range of one (1) hour and thirty (30) to forty (40)
5 minutes, sir.

6 THE CHAIRPERSON: Okay. Thank you.
7 We'll -- we'll reconvene at quarter to 1:00. Thank
8 you.

9
10 --- Upon recessing at 11:59 a.m.

11 --- Upon resuming at 12:49 p.m.

12

13 THE CHAIRPERSON: Before Mr. Williams
14 resumes, it appears that we're going to have to
15 reconvene tomorrow morning for part of the morning,
16 otherwise, we're going to be here late into the
17 evening.

18 So Mr. Williams...?

19

20 CONTINUED BY DR. BYRON WILLIAMS:

21 DR. BYRON WILLIAMS: Yes. And I
22 believe Ms. Amorim Dew may have a couple of responses
23 from -- from lunchtime. So I'll -- I'll let her lead
24 us off.

25 MS. SANDRA AMORIM DEW: Okay. Thank

1 you, Mr. Williams.

2 I have to say, it's a little funny or
3 ironic, but when you describe the -- the distribution
4 asset management work, I didn't recall because I only
5 knew it under its acronym of ADAM, which we are guilty
6 at Manitoba Hydro of doing.

7 So the Advancement of Distribution
8 Asset Management Program, what that was -- it was a
9 \$15 million capital project that was approved in 2019.
10 And the intent of it was to implement several
11 interrelated asset management projects with the --
12 with the intent to improve data collection, data
13 management, enhanced analytics, and the development of
14 new processes.

15 And the expectation was that the
16 distribution asset group would have a tangible asset
17 registry.

18 With the business model changes that
19 occurred starting in 2020, that had -- it moved us
20 from the functional organization to having generation,
21 transmission, and distribution under asset management.

22 It was determined that that project did
23 not make sense to do on a siloed approach, which was
24 part of our reasoning for doing the business model
25 changes. And so, the project was cancelled. And we

1 did have expenditures of just over \$2 million on that.

2 But I do want to add that the work that
3 was done through those expenditures were still value
4 added. We -- we had a data collection -- better data
5 collection, better information on our distribution
6 assets that are and will be used through our Asset
7 Management Program maturity.

8 I'm not sure if you have any other
9 questions on that one?

10 DR. BYRON WILLIAMS: No, that's
11 satisfactory. Thank you very much.

12 MS. SANDRA AMORIM DEW: And then the
13 other item, when we were referring to --

14 DR. BYRON WILLIAMS: Coalition/MH-1-
15 82.

16 MS. SANDRA AMORIM DEW: Eighty-two
17 (82), yes. So in the -- the question for that IR, it
18 asked if we could confirm that the eighty-five (85) --
19 in part 'A', it asked if we could confirm that the \$85
20 million represented approximately 12 percent of total
21 O&A of 687 million for the '24/'25 test year.

22 And we confirmed that. And what we
23 neglected to do is put a qualifier on that.

24 We can confirm that that is 12 percent
25 of the net O&A costs, but it is not the net of the

1 gross cost.

2 So when you look at our -- I'm just
3 checking to see if it's in this. I would have to take
4 you to -- we've provided it -- how we usually show our
5 total O&A costs.

6 But what we do is we have employee-
7 related expenditures at the top. Then we -- we remove
8 the capitalized labour and overhead and provide an
9 operational employee related expenditure total. And
10 then, we outlined all of the O&A expenditures
11 remaining and show a net O&A line, which also removes
12 the costs that are allocated to the gas side of the
13 business.

14 And so, if we look at the gross O&A
15 expenditures, what you see is that employee-related
16 costs are 8.25 percent in the 2024/'25 preliminary
17 budget. The external services cost category is 21.36
18 percent. For a total just under 30 percent of gross
19 O&A.

20 DR. BYRON WILLIAMS: Thank you. And
21 that's very helpful. I'm not sure who this goes to,
22 but I -- I do want to prove to Mr. Peters that I do
23 religiously read the PUB book of documents.

24 So PUB book of documents, tab 11, page
25 264, Mr. Fogg or Ms. Amorim Dew.

1 And you'll see that this is a 2018
2 report by Gartner in terms of the ITS Infrastructure
3 Services benchmarking engagement, the executive
4 summary. Agreed?

5 MS. SANDRA AMORIM DEW: Agreed.

6 DR. BYRON WILLIAMS: And Gartner, of
7 course, is a well-known firm that does peer --
8 examines -- through its large databases, it examines,
9 productivity of certain information technology
10 services. Agreed?

11 MS. SANDRA AMORIM DEW: Yes.
12 Definitely, agree.

13 DR. BYRON WILLIAMS: And if I could
14 just direct your attention to page 265 for a minute.

15 In this 2019 report, one of the
16 conclusions of the Gartner Group was that the IT
17 service desk costs were 29 percent higher than peers,
18 which was driven primarily by higher personnel costs.

19 Agreed?

20 MS. SANDRA AMORIM DEW: That is what
21 it states. I would just like to preface this
22 benchmarking study a little to say what the driver for
23 this study was.

24 So as I've mentioned before, we used to
25 have one division for the IT group before we now moved

1 to this business unit with a greater focus. But we
2 wanted to ensure that the infrastructure services area
3 that we had before was properly aligned to minimize
4 service impacts resulting from the voluntary departure
5 program. So that was the premise for this study.

6 DR. BYRON WILLIAMS: Thank you. And
7 another conclusion was that the IT service desk
8 staffing levels were 37 percent greater than peers.

9 Agreed?

10 MS. SANDRA AMORIM DEW: That was one
11 of the -- the summary points here, yes.

12 DR. BYRON WILLIAMS: And it also
13 concluded that end user computing staffing levels were
14 24 percent greater than peers. Correct?

15 MS. SANDRA AMORIM DEW: That is what
16 it states there, yes.

17 DR. BYRON WILLIAMS: Thank you. Ms.
18 Stephen, I've neglected you, for which I apologize.

19 Would it -- subject to check, would it
20 be fair to say that Manitoba Hydro has debt maturities
21 in the range of \$10 billion over the next ten (10)
22 years?

23 MS. SUSAN STEPHEN: That's correct.

24 DR. BYRON WILLIAMS: And Ms. Stephen,
25 it may just be me, but I wonder if you could speak up

1 just a bit. I worry about the court reporter.

2 MS. SUSAN STEPHEN: Can you hear me
3 now?

4 DR. BYRON WILLIAMS: Yes. Thank you.

5 MS. SUSAN STEPHEN: Okay. Thank you.

6 DR. BYRON WILLIAMS: And if we were to
7 -- and again, at a high level, take that 10.8 billion
8 and divide it over the -- per year over the next ten
9 (10) years, that amounts to about 1.1 billion per
10 year. Fair?

11 MS. SUSAN STEPHEN: That's correct.

12 DR. BYRON WILLIAMS: Assuming that the
13 total debt portfolio is 24.5 billion, on average,
14 Manitoba Hydro, over the next ten (10) years, will be
15 renewing 4.5 percent of its debt portfolio each year.

16 Agreed?

17 MS. SUSAN STEPHEN: Approximately 5
18 percent, yes.

19 DR. BYRON WILLIAMS: Probably a bit
20 less than 5 percent? You nodded your head. Did you
21 say "yes"?

22 MS. SUSAN STEPHEN: Yes.

23 DR. BYRON WILLIAMS: And again, at a
24 high level, the weighted average term to maturity is
25 in the range of somewhere between nineteen (19) and

1 twenty (20) years. Agreed?

2 MS. SUSAN STEPHEN: Correct.

3 DR. BYRON WILLIAMS: And Ms. Stephen,
4 if -- if I recall your PowerPoint, you talked about
5 the exciting decade ahead.

6 Do you -- do you recall that from your
7 PowerPoint?

8 MS. SUSAN STEPHEN: Yes, I do.

9 DR. BYRON WILLIAMS: And I'll suggest
10 to you it was kind of exciting over the last ten (10)
11 years as well, in that Manitoba Hydro had to arrange
12 for about \$20 billion in terms of debt placements.

13 Agreed?

14 MS. SUSAN STEPHEN: Correct.

15 DR. BYRON WILLIAMS: Part of -- much
16 of that was new capital, but some of it was
17 maturities?

18 MS. SUSAN STEPHEN: Yes.

19 DR. BYRON WILLIAMS: And over that
20 past decade, about 45 percent of that debt was issued
21 in ten (10) year and under terms. Agreed?

22 MS. SUSAN STEPHEN: Subject to check,
23 yes.

24 DR. BYRON WILLIAMS: Okay. And
25 likewise, subject to check, 54 percent was placed in

1 the Province's thirty (30) year benchmark bonds or
2 ultra long bonds. Agreed?

3 MS. SUSAN STEPHEN: Correct.

4 DR. BYRON WILLIAMS: Looking forward
5 now to the next decade, Manitoba Hydro would view debt
6 maturities per year of approximately 5 percent of the
7 total debt portfolio to be a reasonable level of risk.
8 Agreed?

9 MS. SUSAN STEPHEN: Reasonable within
10 how we manage the interest rate risk profile.

11 DR. BYRON WILLIAMS: So a "yes"?

12 MS. SUSAN STEPHEN: Yes.

13 DR. BYRON WILLIAMS: Thank you.

14 MS. SUSAN STEPHEN: I should note,
15 though, Mr. Williams, that I've indicated -- and
16 indicated in direct evidence -- that we intend to keep
17 that interest rate risk profile under 10 percent of
18 the debt portfolio.

19 So we will adjust that -- based on the
20 maturities within a given year, we will adjust our
21 floating rate debt accordingly.

22 DR. BYRON WILLIAMS: And in terms of
23 the Corporation's guidelines in terms of renewals,
24 it's up to 10 percent. Right?

25 MS. SUSAN STEPHEN: That is the

1 maximum limit.

2 DR. BYRON WILLIAMS: Okay. Thank you.
3 Ms. Stephen, if I could ask you to turn to
4 Coalition/Manitoba Hydro-1-44A, attachment 1, page 2
5 of 52.

6 And, Ms. Stephen, you'll see reference
7 on this page to an independent assessment of the
8 Corporation's relative weighting of fixed versus
9 floating debt, which was undertaken by Manitoba Hydro
10 pursuant to Public Utilities Board Order. Agreed?

11 MS. SUSAN STEPHAN: Agreed.

12 DR. BYRON WILLIAMS: And that at a
13 high level what National Bank was trying to do way
14 back in 2009 was evaluate a reasonable range for fixed
15 versus floating debt. Agreed?

16 MS. SUSAN STEPHAN: Agreed.

17 DR. BYRON WILLIAMS: And, so in
18 addition to that analysis, National Bank provided to
19 Manitoba Hydro a working model which it could -- with
20 which it complete -- could complete future updates to
21 reassess the appropriate mix of floating versus fixed
22 debt. Agreed?

23 MS. SUSAN STEPHAN: Agreed.

24 DR. BYRON WILLIAMS: And, Ms.
25 Stephen, you indicated yesterday that Manitoba Hydro

1 still makes use of the National Bank model, agreed?

2 MS. SUSAN STEPHAN: Agreed.

3 DR. BYRON WILLIAMS: And, it would be
4 fair to say that subsequent to the National Bank
5 assessment, there has been no subsequent independent
6 assessment of Manitoba Hydro's weighting of fixed
7 versus floating rate debt. Correct?

8 MS. SUSAN STEPHAN: We have not
9 engaged any further independent assessment, but as
10 noted, we have updated the model provided to us, from
11 time to time, to update the -- the range.

12 DR. BYRON WILLIAMS: Okay. Thank you.
13 And we'll come to that in -- in just a couple minutes.
14 If I could direct you now to the National Bank study
15 itself, an independent assessment of corporate risk
16 policy, fixed versus floating rate debt.

17 And, at a high level, Ms. Stephen, I'm
18 not expecting you to memorize this study, but you're
19 generally familiar with its -- with its contents?

20 MS. SUSAN STEPHAN: Yes, I am.

21 DR. BYRON WILLIAMS: Yeah. And if we
22 could turn to page 8 of 52, just above section 1.4.2.

23 Ultimately, Ms. Stephen, National Bank
24 decided to do -- undertaken asset liability approach,
25 examining both revenues and expenses and to formulate

1 an optimal mix of fixed and floating rate debt, based
2 on reducing volatility. Agreed?

3 MS. SUSAN STEPHAN: Correct.

4 DR. BYRON WILLIAMS: And, again,
5 without trying to get into too much detail, under
6 identification of the key factors, the -- the very
7 first step National Bank went to was to try and
8 analyze the sources of Manitoba Hydro's cash-in flow
9 and outflow volatility. Agreed?

10 MS. SUSAN STEPHAN: Agreed.

11 DR. BYRON WILLIAMS: And, if we can go
12 to section 10 -- or page 10 of 52, under scenario
13 analysis, ultimately, what National Bank decided to do
14 was perform a scenario analysis to identify the range
15 of floating rate debt mixes that would potentially
16 lower net income volatility. Correct?

17 MS. SUSAN STEPHAN: Correct.

18 DR. BYRON WILLIAMS: And, probably the
19 best way to do this is to go to page -- the next page
20 Ms. -- Ms. Schubert.

21 And Ms. Stephen you remember figure 1
22 from the National Bank Report?

23 MS. SUSAN STEPHAN: Yes, I do.

24 DR. BYRON WILLIAMS: Okay. And just -
25 - just to orient ourselves, if that's a word, orient

1 ourselves -- Ms. Schubert. if you can just roll up
2 just a little bit and this time I actually mean up,
3 right there is perfect.

4 On the 'Y' axis we have the potential
5 return, agreed? Going up and down, we have the
6 potential return?

7 MS. SUSAN STEPHAN: Agreed.

8 DR. BYRON WILLIAMS: And on the 'X'
9 axis we have the potential risk, agreed?

10 MS. SUSAN STEPHAN: Agreed.

11 DR. BYRON WILLIAMS: And, as kind of
12 at -- at one hundred (100) -- one hundred (100), in --
13 for adjusted risk, at the bottom of that figure, we
14 have the 100 percent fixed debt portfolio. Agreed?

15 MS. SUSAN STEPHAN: Agreed.

16 DR. BYRON WILLIAMS: And the National
17 Bank through its analysis based upon the data at the
18 time, found that there would be an -- an equivalent
19 amount of adjusted risk for a portfolio with 27
20 percent floating and 73 percent fixed. Agreed?

21 MS. SUSAN STEPHAN: That's correct.
22 At the time.

23 DR. BYRON WILLIAMS: And so, of
24 course, at -- at the time and so on the risk, in terms
25 of risk, those portfolios were the equivalent, but

1 there was notionally more return, based upon National
2 Bank's analysis at the time. Agreed?

3 MS. SUSAN STEPHAN: Agreed.

4 DR. BYRON WILLIAMS: And, if we go to
5 the left and up from the 100 percent fixed, you'll see
6 the minimum variance portfolio at about 14 percent
7 floating debt and 86 percent fixed. Agreed?

8 MS. SUSAN STEPHAN: Agreed.

9 DR. BYRON WILLIAMS: And that was a
10 portfolio that achieved the minimum -- minimal --
11 minimum variance in terms of -- in terms of risk.

12 Agreed?

13 MS. SUSAN STEPHAN: Correct.

14 DR. BYRON WILLIAMS: Okay. And it --
15 it also had a return that was higher than the 100
16 percent fixed portfolio. Agreed?

17 MS. SUSAN STEPHAN: Correct.

18 DR. BYRON WILLIAMS: And, so if we see
19 that kind of sweet spot, based upon the National
20 Bank's analysis between minimum variance, 14 percent
21 floating and then up on the -- on the curve to 27
22 percent floating. That was approximately the optimal
23 range, depending upon risk tolerances. Agreed?

24 MS. SUSAN STEPHAN: Agreed.

25 DR. BYRON WILLIAMS: Page 38 to 52 --

1 38 of 52, thank you. And, just scroll up, just a bit,
2 perfect right there.

3 One of the drivers of the National Bank
4 analysis was its finding that interest expense and
5 revenues are correlated. Agreed, Ms. Stephen?

6 MS. SUSAN STEPHAN: Agreed.

7 DR. BYRON WILLIAMS: And so as
8 compared to the 100 percent fixed income, increasing
9 the proportion of floating rate debt could lead to --
10 to lower risk because of that relationship, because of
11 that correlation. Agreed?

12 MS. SUSAN STEPHAN: Yes. The
13 correlation that they -- that they focused on was the
14 correlation -- the positive correlation between short
15 term interest rates and opportunity spot prices in the
16 US market.

17 DR. BYRON WILLIAMS: And, Ms. Stephen,
18 at a high level, the outcomes of the National Bank, in
19 terms of recommendation, one was based upon the
20 information at the time. It said that the -- the
21 current guidelines are fixed versus floating of 85/15
22 to 75/25 were -- were reasonable. Agreed?

23 15 to 25 percent floating debt was
24 reasonable.

25 MS. SUSAN STEPHAN: Yeah.

1 DR. BYRON WILLIAMS: Yes.

2 MS. SUSAN STEPHAN: Yeah.

3 DR. BYRON WILLIAMS: And, the other
4 thing that National Bank advised Manitoba Hydro of was
5 that there might be the potential to take market
6 opportunities by taking into account both the slope of
7 the yield curve and the level of interest rates.

8 Agreed?

9 MS. SUSAN STEPHAN: They did indicate
10 that.

11 DR. BYRON WILLIAMS: Yeah.

12 MS. SUSAN STEPHAN: That is not
13 something that we would necessarily feel comfortable
14 doing and in discussion with our peers, our peers are
15 -- are of the same opinion as well.

16 DR. BYRON WILLIAMS: And, so at a -- a
17 time of record low interest rates, for example,
18 Manitoba Hydro did though take advantage of locking in
19 on some fixed rate or some long terms. Agreed?

20 MS. SUSAN STEPHAN: Absolutely. We
21 locked in fixed rate long-term debt at the longest
22 terms that we have on -- on history, in our record,
23 for debt issuance at a time when we were undergoing
24 our largest capital expansion to ensure stability and
25 low cost for our customers.

1 DR. BYRON WILLIAMS: Ms. Schubert, in
2 terms of the response to Coalition/Manitoba Hydro-1-
3 44-d, I wonder if you could take us there. Keep --
4 keep scrolling down that, thank you.

5 And to you, Ms. Stephen, what we see in
6 the -- what I'm going to call pie charts -- you may
7 correct me -- under 'Summary of Interest Rate
8 Profiles' are summary of interest rate risk profiles
9 at certain points in time, being year end of -- of
10 particular years.

11 Is that right?

12 MS. SUSAN STEPHEN: That's correct.

13 DR. BYRON WILLIAMS: And so, for
14 example, for the year ended March 31st, 2021, the
15 floating rate debt for Manitoba Hydro was 1 percent.

16 Agreed?

17 MS. SUSAN STEPHEN: Correct.

18 DR. BYRON WILLIAMS: And if we move to
19 the '22 year ending March 31st, 2022, again that's 1
20 percent, correct?

21 MS. SUSAN STEPHEN: That's correct.

22 DR. BYRON WILLIAMS: And --

23 MS. SUSAN STEPHEN: But I would like
24 to note that the interest rate risk profile, which is
25 the -- the measure of your interest rate exposure, is

1 5 percent for '21 and is 6 percent for '22.

2 DR. BYRON WILLIAMS: Thank you. And
3 if we go down on the -- on the page, Ms. Schubert,
4 we'll see Manitoba Hydro in at that floating rate,
5 debt rate, of 1 percent I'll suggest to you for '23
6 and -- and '24, the years ended March 31st of '23 and
7 '24?

8 MS. SUSAN STEPHEN: Yes, and interest
9 rate risk profile of 7 percent and 5 percent,
10 respectively.

11 DR. BYRON WILLIAMS: Thank you for
12 that. And by 5 percent, you're referring to the March
13 -- the year ended March 31st (sic), 2024?

14 MS. SUSAN STEPHEN: Correct.

15 DR. BYRON WILLIAMS: Thank you. And
16 if we just -- the last two (2) we'll look at is for
17 the year ended March 31st, 2025. You're at a floating
18 rate debt proportion of 2 percent, agreed?

19 MS. SUSAN STEPHEN: Agreed, with an
20 interest rate risk profile of 6 percent.

21 DR. BYRON WILLIAMS: And -- and again,
22 for the year ended March 31st, 2026, of 2 percent,
23 agreed?

24 MS. SUSAN STEPHEN: Correct, and with
25 an interest rate risk profile of 7 percent.

1 DR. BYRON WILLIAMS: Now, Ms. Stephen,
2 subject to check, the Province of Manitoba's floating
3 rate debt as at March 31st, 2022, was about 11
4 percent?

5 MS. SUSAN STEPHEN: Subject to check,
6 yes.

7 DR. BYRON WILLIAMS: And if I could
8 direct your attention to Coalition/Manitoba Hydro-2-
9 25(a). And if we could go to the response, please.

10 Ms. Stephen, this table represents peer
11 group historical floating rate debt for the -- the
12 years ended 2018 through 2022. Is that right?

13 MS. SUSAN STEPHEN: Correct.

14 DR. BYRON WILLIAMS: And it looks at
15 Manitoba Hydro, as well as other utilities such as BC
16 Hydro and Hydro Quebec.

17 Would that be fair?

18 MS. SUSAN STEPHEN: That'd be fair.

19 DR. BYRON WILLIAMS: As -- in there as
20 well are private or non-Crown entities such as Fortis,
21 British Columbia, agreed?

22 MS. SUSAN STEPHEN: Agreed, and we
23 also have the other Crown, Newfoundland and Labrador
24 Hydro, as well.

25 DR. BYRON WILLIAMS: Okay. And, Ms.

1 Stephen, I didn't quite hear you, but I think what you
2 said is that, among the Crowns, there's also
3 Newfoundland and Labrador Hydro?

4 MS. SUSAN STEPHEN: Correct.

5 DR. BYRON WILLIAMS: Okay. My
6 apologies. I think it's me.

7 MS. SUSAN STEPHEN: I'm sure it's my
8 voice.

9 DR. BYRON WILLIAMS: If we go, Ms.
10 Stephen, to the next page under (b), what we see here
11 is Manitoba Hydro using the National Bank model to --
12 to look at the -- the 2022 data. Agreed?

13 MS. SUSAN STEPHEN: Agreed.

14 DR. BYRON WILLIAMS: Yeah. And in the
15 -- the middle one, I can't tell you what colour that
16 is, but it's updating for actual fiscal 2022 data, the
17 drought year, and low US opportunity sales volumes.

18 Agreed?

19 MS. SUSAN STEPHEN: Agreed.

20 DR. BYRON WILLIAMS: And the range
21 from that was a lower range of 3 percent for floating
22 and a higher range of 6 percent, agreed?

23 MS. SUSAN STEPHEN: Agreed.

24 DR. BYRON WILLIAMS: And if -- at the
25 bottom of that scenario, using the National Bank

1 model, Hydro updated for the fiscal 2022 data, but
2 adjusting for normal US opportunity sales volumes.

3 Agreed?

4 MS. SUSAN STEPHEN: Agreed.

5 DR. BYRON WILLIAMS: And the range
6 flowing from the model for that was 8 percent to 15
7 percent.

8 MS. SUSAN STEPHEN: That's correct.
9 Something I would like to note with respect to the
10 National Bank model -- and I have outlined this in our
11 rebuttal evidence -- is that there are some -- some
12 issues, some shortcomings of the model, the first
13 being is that their floating range did not consider
14 our debt maturities. It did not consider any interest
15 rate risk we would have on refinancings.

16 So, for example, the 1.1 billion on
17 average that we have maturing every year over the
18 course of the next decade was not considered. So when
19 I was making reference to the interest rate risk
20 profile, when Mr. Williams was walking us through the
21 pie charts, I was doing that with a specific purpose
22 in terms of we're looking at the interest rate risk
23 profile versus the figures that were coming out of our
24 model.

25 So when we saw figures of an interest

1 rate risk profile of 7 percent, I wouldn't -- I am
2 comparing that to the 8 percent which we see here in
3 green under the lower range. That lower range
4 represents that least risk, highest return in the --
5 in the floating rate, the optimal range. So that is
6 where we are targeting to be.

7 DR. BYRON WILLIAMS: And similarly,
8 when you had the 5 percent risk profile, you'd be
9 somewhat below that lower range, agreed?

10 MS. SUSAN STEPHEN: Agreed.

11 DR. BYRON WILLIAMS: And, Ms. Stephen,
12 Manitoba Hydro has not sought to update the -- the
13 National Bank model, agreed?

14 MS. SUSAN STEPHEN: For...?

15 DR. BYRON WILLIAMS: Well, to the
16 extent that it has methodology concerns with it,
17 you've not gone to the marketplace to up -- to upgrade
18 the model?

19 MS. SUSAN STEPHEN: We have not
20 updated it yet. We've had discussions about possibly
21 doing that.

22 DR. BYRON WILLIAMS: Thank you. I'd
23 like to turn to the Consumer Coalition Report, 2014
24 Annual Report of the -- excerpt from the Annual Report
25 of the Office of the Auditor General.

1 And I'll just let the Board know time-
2 wise that I think we're in good shape. We're aiming
3 for kind of -- depending again on Mr. Klassen, around
4 that quarter to -- quarter to 2:00 or two o'clock time
5 frame.

6 And, Mr. Fogg, I don't know if it's
7 you, but why not? And this document was provided to
8 you by your -- your legal counsel yesterday, I
9 presume?

10 MR. ALASTAIR FOGG: Yes, it was.

11 DR. BYRON WILLIAMS: Okay. And you
12 have not memorized it, sir, but you've had an
13 opportunity to familiarize yourself at a very high
14 level with it?

15 MR. ALASTAIR FOGG: Yes. I've had a
16 chance to familiarize myself with it.

17 DR. BYRON WILLIAMS: And -- and what
18 it is is a report from the Office of the Auditor
19 General of Ontario in terms of the Smart Metering
20 initiative, agreed?

21 MR. ALASTAIR FOGG: Agreed. My
22 understanding is that it's a 2014 report of the
23 Auditor General of Ontario related to the
24 implementation of Smart Metering in Ontario that had
25 started in April 2004.

1 DR. BYRON WILLIAMS: Okay. Thank you.
2 And whenever we look at an -- another jurisdiction, we
3 do have to be mindful, of course, of both the
4 similarities but the differences between the -- the
5 jurisdictions, agreed, sir?

6 MR. ALASTAIR FOGG: Agreed.

7 DR. BYRON WILLIAMS: And one (1) of
8 the -- the differences between Ontario and Manitoba
9 that we should be mindful of is that, at -- at the
10 time of the writing of this report, there were
11 seventy-three (73) local electric distribution
12 companies in -- in Ontario, agreed?

13 MR. ALASTAIR FOGG: I would agree
14 that's certainly one (1) of the major distinctions.

15 DR. BYRON WILLIAMS: Thank you. Sir,
16 just directing your attention to page 362 on the --
17 the left-hand side, yes, and just scroll -- scroll
18 down a little bit. That's perfect, Ms. Schubert.

19 Just at a very high level, the idea
20 between the -- the Smart Metering initiative at a high
21 level was to introduce what were then new Smart
22 electricity meters throughout the province to measure
23 both how much and when electricity was used, agreed?

24 MR. ALASTAIR FOGG: That's a fair
25 assessment, yeah.

1 DR. BYRON WILLIAMS: And the intent of
2 course was that the new meters would make it possible
3 to introduce time-of-use pricing with the purpose of
4 encouraging ratepayers to shift their electricity use
5 to times of lower demand, agreed?

6 MR. ALASTAIR FOGG: That's what the
7 report states, and I would note that that was a
8 particular focus of the Ontario implementation of AMI,
9 which -- which would differ, in some respects, to --
10 to our focus or potential benefits around AMI in
11 Manitoba.

12 DR. BYRON WILLIAMS: Okay. And we may
13 come back to that, sir. On page 363, going to the
14 Ontario purpose, again, on the left-hand side, and a
15 bit farther down that page, Ms. Schubert.

16 Again, looking at the -- Ontario was
17 looking to move con -- consumption from peak to off-
18 peak times. Agreed?

19 MR. ALASTAIR FOGG: Agreed.

20 DR. BYRON WILLIAMS: And, obviously,
21 to reduce consumption during peak times, as well?

22 MR. ALASTAIR FOGG: Agreed. Mr.
23 Williams, if it's possible to stay on this page for --
24 for one minute, just when we were talking about
25 differences. There is one here that I noted that I

1 thought was important, if --

2 DR. BYRON WILLIAMS: Yeah. Mr. Fogg,
3 you're being very co-operative. It's going to be two-
4 way on this conversation.

5 MR. ALASTAIR FOGG: No. I -- I
6 appreciate that. If we could just scroll up on the
7 page a little bit, as well, I think, and it was a --
8 it was a good note.

9 We -- we identified the local
10 distribution companies, of which there were seventy
11 three (73). I -- I think it's just important to note,
12 in Ontario, in this case, the independent electricity
13 system operator was the Smart metering entity. So,
14 they were, as you can see here, managing the data --
15 the meter data centre for all of those seventy-three
16 (73) local distribution companies.

17 So, there is different entities
18 managing the data versus managing the meters, which
19 would differ from a -- a utility like Manitoba Hydro
20 in -- in this situation here.

21 DR. BYRON WILLIAMS: Thank you and --
22 and thank you for sharing that. If we can go to page
23 366, again, on the left-hand side, around "decision to
24 mandate."

25 And one of the concerns raised by the

1 auditor -- Office of the Auditor General of Ontario,
2 of course, was that the decision to mandate Smart
3 metering was not supported by the appropriate cost
4 benefit study, sir.

5 MR. ALASTAIR FOGG: Yes. I see that.

6 DR. BYRON WILLIAMS: And, again,
7 without meaning to go into burdensome detail, if we go
8 to page 367, sir, and -- and, Ms. Schubert, scroll
9 down a bit.

10 Another concern raised by the Auditor -
11 - the Office of -- of the Auditor General of Ontario
12 was that peak demand reduction targets were not met.

13 Agreed?

14 MR. ALASTAIR FOGG: Yes. Agreed, and
15 I believe they also go on to speak to how that was
16 related to some of the -- which was beyond -- unique
17 to Ontario, this -- the global adjustment on time-of-
18 use rates. So, some disconnection around rates in
19 that regard.

20 DR. BYRON WILLIAMS: And, Mr. Fogg, I
21 don't intend to go or ask you to go into an intended
22 discussion of AMI. There's a lot on the record, but
23 you were hinting at it, sir, so, in fairness.

24 In terms of kind of high level the
25 objectives of AMI, I'm not asking for a speech, but,

1 you know, you were trying to distinguish between
2 Ontario and Manitoba, sir, so, here's your chance.

3 MR. ALASTAIR FOGG: No. I appreciate
4 that, Mr. Williams, and I -- I won't go on for -- for
5 too long on it.

6 I guess, in particular, what's noted
7 here is AMI was pursued from a demand response or a
8 time-of-use rate perspective in Ontario. AMI, today,
9 which is approximately 20 years from the time this was
10 implemented, is -- there's numerous potential
11 benefits, very much from an operational perspective,
12 for a utility like Manitoba Hydro.

13 It's automated meter reading has a
14 potential. It allows for remote disconnections and
15 reconnections of a meter and -- and may allow more
16 data for customers to use, in managing their
17 electricity, as well as more data for the utility.

18 Time-of-use rates is -- is certainly
19 one potential benefit. I would say initial
20 indications are it's not the -- the driver or the
21 driving reason for -- for benefit of AMI for Manitoba
22 Hydro, but, as we've said, we're still working on
23 finalizing that business case.

24 But, certainly, operationally, you
25 know, the opportunity to redirect FTEs that may be

1 going to read meters or roll -- vehicles rolling to do
2 disconnections is a major factor, as well as safety
3 from actual staff going to do disconnections is a
4 major factor for us.

5 DR. BYRON WILLIAMS: So, at this point
6 in time, recognizing that the business case is still
7 maturing, a primary objective of AMI in Manitoba is
8 not reducing peak demand, sir?

9 MR. ALASTAIR FOGG: What I could use
10 is it's not the driving factor of that business case,
11 from what we've seen right now. That's correct.

12 DR. BYRON WILLIAMS: Sir, when you do
13 look at a business case, or Manitoba Hydro looks at a
14 business case, does it expect a net -- a positive net
15 present value from its business cases?

16 MR. ALASTAIR FOGG: On a -- on a --
17 that model? Yes. You would look to have a positive
18 Net Present Value or NPV.

19 DR. BYRON WILLIAMS: Okay. Thank you.
20 I think I am turning over with -- unless I have a
21 followup question or two (2), with thanks to the
22 Manitoba Hydro panel -- panel, to my farmer (sic)
23 learned friend, Mr. Klassen.

24 MR. CHRIS KLASSEN: Thank you. I'm
25 okay here. Thank you, Mr. Williams. Good afternoon,

1 Mr. Chair, members of the panel. Good afternoon to
2 Manitoba Hydro witnesses.

3 Mr. Chair, for your benefit, my plans
4 came close to some of the work that was done by my
5 friend Ms. Guglielmin this morning, but I'm aware of
6 the questions that were asked and I've made efforts to
7 not redo what was done before. Thank you.

8

9 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

10 MR. CHRIS KLASSEN: Mr. Fogg, most of
11 my questions will be directed to you.

12 You're aware, sir, that in its
13 application, of course, Manitoba Hydro has made
14 reference to the COVID-19 pandemic as a driver of
15 distinct financial circumstances that Manitobans have
16 faced since early 2020 or so.

17 Is that correct, sir?

18 MR. ALASTAIR FOGG: Yes, that's
19 correct.

20 MR. CHRIS KLASSEN: And in your
21 discussion with my friend Ms. Guglielmin this morning,
22 yes, this morning, Mr. Fogg, you acknowledged that
23 Manitoba Hydro's customers are facing financial
24 hardship as a result of these circumstances.

25 Do you recall that, sir?

1 MR. ALASTAIR FOGG: I believe what we
2 discussed was the COVID -- it may be COVID-19 related,
3 but also that there's inflationary factors that
4 they're facing as well, currently.

5 MR. CHRIS KLASSEN: Sure, sir, and
6 thank you for that response.

7 And so, if I'm understanding you
8 correctly, you're identifying multiple sources of --
9 of compounding effects creating financial challenges
10 for Manitoba Hydro's customers. Is that fair?

11 MR. ALASTAIR FOGG: We were
12 acknowledging that customers face those challenges,
13 yes.

14 MR. CHRIS KLASSEN: Thank you. And in
15 fact, Mr. Fogg, Manitoba Hydro has observed the
16 effects of these challenges in the actions of its
17 customers in terms of bill payment. Is that correct?

18 MR. ALASTAIR FOGG: I believe as we've
19 discussed, that there are a number of accounts that
20 are -- that reach a level that we would term as
21 uncollectible and that -- that is an occurrence that
22 increased during COVID-19, but it's something we -- we
23 generally deal with all the time at Manitoba Hydro as
24 well.

25 MR. CHRIS KLASSEN: Understood. And I

1 -- and I thank you for that response, Mr. Fogg.

2 If I could ask Ms. Schubert to refer us
3 briefly to section 6.9.2 of the application, page 44
4 toward the end, getting into 45.

5

6 (BRIEF PAUSE)

7

8 MR. CHRIS KLASSEN: Thank you, Ms.
9 Schubert. Toward the bottom of this page. And, Mr.
10 Fogg, acknowledging that you've reviewed this
11 statement earlier today, I'm just presenting it to
12 textualize our -- our next few questions, sir.

13 But, you -- you see on the page that
14 Manitoba Hydro states that:

15 "Over the two (2) year period during
16 the pandemic, arrears longer than
17 ninety (90) days for electric
18 customers increased 80 percent, or
19 approximately \$23 million."

20 Do you see that, sir?

21 MR. ALASTAIR FOGG: I do see that, and
22 I think as we discussed this morning that certainly
23 there's that aspect of financial hardship.

24 We've also found generally there's a
25 relationship between disconnections and -- and the

1 growth of those uncollectible accounts, which during
2 the COVID-19 we were not -- there were no
3 disconnections, so there's that relationship there as
4 well.

5 MR. CHRIS KLASSEN: Certainly. And --
6 and I thank you for that, sir. And just to confirm
7 our understanding.

8 The -- the 80 percent or approximately
9 23 million that we see on -- on the screen there,
10 that's referring to the increase in the total amount
11 of money owed to Manitoba Hydro by its customers
12 that's overdue by ninety (90) days or more.

13 Is that -- is that a correct
14 description?

15 MR. ALASTAIR FOGG: Yes, that's a
16 correct description.

17 MR. CHRIS KLASSEN: And while in this
18 section Manitoba Hydro is referring to the total
19 amount of money owed rather than the number of
20 customers, Manitoba Hydro would infer from this
21 statement that the pandemic period exacerbated
22 financial pressures facing Manitobans, such that many
23 more Manitoba Hydro customers than usual were caused
24 to fall behind on their bill payments.

25 Is that fair?

1 MR. ALASTAIR FOGG: That's a fair
2 statement.

3 MR. CHRIS KLASSEN: Thank you. And,
4 Mr. Fogg, are you able to identify the approximate
5 share of -- of customer accounts in arrears that are
6 residential customers?

7 MR. ALASTAIR FOGG: And sorry, just to
8 clarify, do you mean currently?

9 MR. CHRIS KLASSEN: That's being
10 referred to in -- in the information on -- on the
11 screen.

12 So, the 80 percent increase or -- or
13 \$23 million value that Manitoba Hydro observed during
14 the pandemic, that spike, as it's described in your
15 application, could you approximate the proportion of
16 those accounts that are residential accounts?

17 MR. ALASTAIR FOGG: If you'll just me
18 one moment to check.

19

20 (BRIEF PAUSE)

21

22 MR. CHRIS KLASSEN: And I don't mean
23 for this to be a cumbersome request, Mr. Fogg.

24 MR. ALISTAIR FOGG: I don't believe I
25 have that amount right now.

1 MR. CHRIS KLASSEN: That's fine. For
2 our purposes this afternoon then, would you accept,
3 subject to check, that the vast majority of Manitoba
4 Hydro's customers are residential customers?

5 MR. ALISTAIR FOGG: I'll accept a
6 large portion are, yes.

7 MR. CHRIS KLASSEN: Mr. Fogg, on the
8 subject of Manitoba Hydro's customers experiencing
9 challenges paying their bills, I'll ask Ms. Schubert
10 to refer both of us, please, to the response to
11 Coalition/MH 1st Round Response 126B, attachment 1.

12 And on the -- thank you, Ms. Schubert.
13 And on the first page of this attachment, Mr. Fogg,
14 are you familiar with this document?

15 MR. ALISTAIR FOGG: I'm generally
16 familiar with it.

17 MR. CHRIS KLASSEN: And so, you're
18 aware, sir, that it's the report from a quarterly
19 customer satisfaction and perceptions tracking survey
20 that -- that Manitoba Hydro conducts.

21 And this particular report is from the
22 second quarter of fiscal year 2022/23?

23 MR. ALISTAIR FOGG: Yes. And I
24 believe it may have been discussed in part in the
25 Hearings last week.

1 MR. CHRIS KLASSEN: Thank you. And
2 Ms. Schubert, moving to page 10 of this attachment.

3 I'll give you a moment to -- to draw
4 your attention to this page, Mr. Fogg. And in
5 particular, we'll be looking at the fourth bullet down
6 on the left-hand side of the page.

7 And I'll ask you to confirm, sir, that
8 as of September of 2022, over one-third (1/3) or 34
9 percent of respondents to this survey, quote:

10 "still report that their household
11 is experiencing an energy burden."

12 Is that correct?

13 MR. ALISTAIR FOGG: Correct. That's
14 what it states.

15 MR. CHRIS KLASSEN: And can Manitoba
16 Hydro please confirm the definition of 'energy burden'
17 as it's used in this slide?

18 MR. ALISTAIR FOGG: Sorry, I don't --
19 I'm not familiar enough with this specific survey to --
20 - to be able to comment on the definition.

21 MR. CHRIS KLASSEN: Is the definition
22 of -- of energy burden something that Manitoba Hydro
23 could undertake to follow up with -- with the Board
24 on?

25 MR. BRENT CZARNECKI: I'm just trying

1 to recall if it was discussed specifically last week.

2 And maybe it was missed.

3 But those -- we could -- we could check
4 back with that panel to provide that information.

5 MR. CHRIS KLASSEN: That would be
6 very much appreciated, Mr. Czarnecki. My review of
7 the transcript suggested that -- that that information
8 was -- was not shared. And if that could be provided,
9 that would be --

10 MR. BRENT CZARNECKI: We'll do our
11 best on that.

12 MR. CHRIS KLASSEN: Thank you. And
13 so, just to confirm for the purposes of the record,
14 the undertaking, Mr. Czarnecki, is that Manitoba Hydro
15 will confirm the definition of the term 'energy
16 burden' as it's used on page 10 of 26 in attachment 1
17 to this Information Request.

18 MR. BRENT CZARNECKI: That's
19 acceptable.

20

21 --- UNDERTAKING NO. 35: Manitoba Hydro to confirm
22 definition of 'energy
23 burden'

24

25 CONTINUED BY MR. CHRIS KLASSEN:

1 MR. CHRIS KLASSEN: Thank you. Mr.
2 Fogg, in your discussion earlier today with my friend,
3 Ms. Guglielmin, you confirmed -- if you'll recall and
4 I'll ask you to confirm that -- that my recollection
5 was accurate -- that the spike that Manitoba Hydro
6 observed in customer arrears has -- to use your word --
7 - tempered. Is that accurate?

8 MR. ALISTAIR FOGG: Our analysis was
9 that it has -- I think I used the term 'tempered',
10 yes. And it -- since that COVID-19 period. Yes.

11 MR. CHRIS KLASSEN: Thank you. Ms.
12 Schubert, if I could ask you to turn us to Coalition
13 Manitoba Hydro Round 2 Request 11, please. And if we
14 could scroll down to the next page, please.

15 And drawing your attention to the chart
16 on the screen. Mr. Fogg, I believe this question will
17 be for you. Again, it's open to anyone to answer.

18 Could you confirm for the panel,
19 please, that we -- that this table is providing
20 information on fiscal years 2011/12 through 2021/22?

21 MR. ALISTAIR FOGG: That's correct.

22 MR. CHRIS KLASSEN: And we see that
23 information in the left-most column, sir?

24 MR. ALISTAIR FOGG: Yes.

25 MR. CHRIS KLASSEN: And moving column

1 by column to the right from there, the second column
2 displays the rate increase requested by Manitoba Hydro
3 for each row. And next to it is the final or interim
4 rate that was approved by this Board, is that correct?

5 MR. ALISTAIR FOGG: That's correct.

6 MR. CHRIS KLASSEN: And then, if we
7 jump a little bit -- I believe four (4) rows further
8 to the right, sir, we see a column titled 'Cumulative
9 Percentage Increase'?

10 MR. ALISTAIR FOGG: Correct.

11 MR. CHRIS KLASSEN: And that column
12 gives us information about the cumulative rate
13 increases approved by this Board from fiscal year
14 2011/12 through 2021/22, correct?

15 MR. ALISTAIR FOGG: That's correct.

16 MR. CHRIS KLASSEN: And so, sir, if
17 we go to the bottom of that column, the figure
18 presented is 42.16 percent.

19 Is that -- is that accurate?

20 MR. ALISTAIR FOGG: That's accurate.

21 MR. CHRIS KLASSEN: And sir, that
22 tells us that 42.16 percent is the cumulative total of
23 rate increases approved by this Board between 2011/12
24 and 2021/22?

25 MR. ALISTAIR FOGG: Correct.

1 MR. CHRIS KLASSEN: And sir,
2 recognizing that Manitoba Hydro, at times, requests
3 and, at times, is approved to impose differentiated
4 rate increases, on the far right of the table we see a
5 comparable figure, cumulative -- cumulative rate
6 increases specifically for the residential class.

7 MR. ALISTAIR FOGG: I see that, yes.

8 MR. CHRIS KLASSEN: And if we go again
9 to the bottom of that column, sir, we'll see that the
10 cumulative rate increases for the residential class
11 from fiscal years 2011/12 through '21/'22 is 43.32
12 percent?

13 MR. ALISTAIR FOGG: Yes.

14 MR. CHRIS KLASSEN: And sir, if we
15 draw our attention back to the middle of the table,
16 the centre of the page, we can compare those figures
17 to cumulative Manitoba CPI, or Consumer Price Index,
18 which, again, in the bottom row of the table, is 24.63
19 percent over the same time period?

20 MR. ALISTAIR FOGG: That's correct.

21 MR. CHRIS KLASSEN: Thank you, sir.
22 Subject to follow up from my colleague, Mr. Williams,
23 Mr. Chair, those are our questions for the Consumers
24 Coalition this afternoon.

25 DR. BYRON WILLIAMS: I can't -- I

1 can't talk, Mr. Klassen.

2 We did want to thank always the Board
3 counsel for their cross-examination, which certainly
4 shortened our work today. It's much appreciated.
5 Thank you.

6 THE CHAIRPERSON: Mr. Reimer, are we
7 going to do some switching. Let's take five (5)
8 minutes and we can move Mr. Reimer. Thank you.

9

10 (BRIEF PAUSE)

11

12 THE CHAIRPERSON: Mr. Reimer...?

13

14 CROSS-EXAMINATION BY MR. THOMAS REIMER:

15 MR. THOMAS REIMER: Thank you, Mr.
16 Chair. Good afternoon, members of the panel, to my
17 left and to my right.

18 I'm Thomas Reimer. I'm counsel for
19 GSS-GSM Coalition Interveners. Ms. Schubert, I'd ask
20 you to bring up Order 59-18 as a start.

21 And I'll -- I'll confess I don't think
22 I'm going to have any questions for Mr. Epp or Ms.
23 Stephen. So, it's nice to meet you, but I doubt we'll
24 be talking much this afternoon.

25 And -- and -- and as to the rest of

1 you, the three (3) of you, I'll -- I'll direct it to
2 you and you'll decide who the right person to respond
3 is.

4 So, I'm -- I'm looking at one page 142,
5 Ms. Schubert. And you see the -- at the bottom of the
6 first paragraph, there's a sentence that starts:

7 "The Utility's review of its
8 operations at a time of
9 restructuring and transition
10 presents an opportunity to find
11 further areas to reduce O&A costs."

12 You see that? And that may be for you
13 Mr. Tess, I've just -- you see that, Mr. Tess?

14 MR. AUREL TESS: I do.

15 MR. THOMAS REIMER: And that was
16 something that Manitoba Hydro had in the forefront of
17 its mind when it was preparing Strategy 2040.

18 MR. AUREL TESS: I -- I think that --
19 I think we've -- we've talked about this that when we
20 look annually at all of our expenditures, it's always
21 something that we have in mind.

22 Some of these cost containment expend -
23 - efforts here, like, voluntary departure program,
24 really put us in -- in, you know, a position where we
25 had probably the lowest FT level in -- in our history,

1 if I -- subject to check, but I believe that a 25
2 percent reduction was the impact of -- of that, plus
3 the government cost saving initiative.

4 So, we were in an area of pretty low --
5 low point.

6 MR. THOMAS REIMER: Right, but -- this
7 is a directive or -- or -- or direction, if I can use
8 that -- maybe a less formal term.

9 MR. AUREL TESS: Yeah.

10 MR. THOMAS REIMER: That -- that
11 you're receiving from the Board, right?

12 MR. AUREL TESS: Yeah.

13 MR. THOMAS REIMER: And you understand
14 that -- and -- and you intend to, as much as possible,
15 comply with the direction from the Board.

16 MR. AUREL TESS: Yes. And, maybe not
17 expressing this properly, but essentially I believe
18 what we've testified to in terms of our budgeting
19 process, our planning process and -- and looking at
20 all of our expenditures on an annual basis, as Ms.
21 Amorim Dew has testified to, that's something we do on
22 an ongoing basis.

23 MR. THOMAS REIMER: Right. And so my
24 question again was: When you were preparing Strategy
25 2040, did you have this direction from the Board in

1 the forefront of your mind?

2

3 (BRIEF PAUSE)

4

5 MR. AUREL TESS: Yeah, sorry. I'm
6 just -- my colleague here has indicated that we, you
7 know, we had Strategy 2040 was -- was post this Order.
8 So, I think it is something that we take into account
9 in everything we do in terms of planning and
10 budgeting.

11 MR. THOMAS REIMER: Right. And
12 Manitoba Hydro intends to comply with the direction --

13 MR. AUREL TESS: Intends to comply
14 with the -- with the Order and if you look at our five
15 (5) pillars, keeping costs as low as possible is -- is
16 one of those objectives.

17 MR. THOMAS REIMER: Okay, if you go up
18 to page 141. So, I'm in the -- the -- the last --
19 last paragraph of this and I'm looking four (4) lines
20 down:

21 "The Board directs Manitoba Hydro to
22 file with the next GRA the details
23 of its O&A expenditures with an
24 explanation of the operational plan
25 developed to continue running

1 operations, with a workforce that
2 has been reduced by 15 percent,
3 including any advice or
4 recommendations received from
5 external consultants retained by the
6 Utility to assist with the
7 restructuring and transition."

8 My question is: Was there any advice
9 or recommendations from external consultants, with
10 respect to restructuring and transition?

11

12 (BRIEF PAUSE)

13

14 MR. AUREL TESS: I can say it was
15 taken into account in the work we did in the business
16 model, which was later on in the process.

17 So, you know, the -- the business model
18 work commenced somewhere around 2019, I believe mid-
19 2019. And we did have consultants helping us at that
20 time.

21 MR. THOMAS REIMER: And -- and so
22 then, the question that I asked was whether -- sorry -
23 - sorry.

24 You have received advice and
25 recommendations, and have -- have you produced that

1 advice and recommendation to the Board, pursuant to
2 this directive?

3 'Cause I didn't see it in the -- in the
4 materials. So if it's there, I'd -- I'd like -- I'd
5 appreciate it if you could let me know and if it's
6 not, I -- I'd appreciate if you can undertake to
7 produce it.

8 MR. AUREL TESS: Just to clarify, it
9 wasn't specifically related to this directive. Our
10 advice on the business model work was, essentially,
11 the product of that is the business model
12 reorganization. So it -- it is referenced in our
13 application. If you look in tab 2, there's --
14 essentially, the -- the outcome of the business model
15 work.

16 MR. THOMAS REIMER: So, so what you're
17 saying is then that the documents that you've filed
18 comply with this directive because they're a summary
19 of the advice and recommendations you received.

20 Is that what I should understand?

21 MR. AUREL TESS: No. I -- I guess I'm
22 saying that the advice we received addresses what's in
23 this directive, but it was also part of the business
24 model work.

25 I'm just pointing out that it was part

1 of our normal business model work that we undertook
2 starting in '19.

3 MR. THOMAS REIMER: Right. And -- and
4 so, I'm just -- the simple question I'm asking is,
5 whether you have advice or recommendations from
6 external consultants and if you do, whether that has
7 been filed.

8 MR. AUREL TESS: I don't believe it
9 has been filed. I can take that as an undertaking.

10 MR. THOMAS REIMER: Thank you.

11

12 --- UNDERTAKING NO. 36: Manitoba Hydro to advise
13 if Manitoba Hydro has
14 advice or recommendations
15 from external consultants
16 and if so, to file same

17

18 CONTINUED BY MR. THOMAS REIMER:

19 MR. THOMAS REIMER: Ms. Schubert,
20 could you bring up Order 922 please. And I'm at page
21 2 -- sorry, no, I'm at page 34 of 96.

22 And, sorry, I'm working on two (2)
23 different screens here and I can see the wisdom in
24 some of my friends who have produced books with things
25 highlighted in them. So, bear with me for a moment.

1 So, about half way down, there's a line
2 that starts, 'The Board directs Manitoba Hydro' --
3 this is half way down the second paragraph:

4 "The Board directs Manitoba Hydro to
5 demonstrate the savings in O&A
6 expenses that are found by showing
7 the updated O&A expenses compared
8 [and then it go -- to the O&A
9 expenses] Proposed in this interim
10 proceeding, Manitoba Hydro should be
11 planning for the drought to continue
12 and it must, therefore, control its
13 O&A expenses to address the
14 financial impacts of the continuing
15 drought."

16 And, then this is the part I want to
17 emphasize:

18 "Although Manitoba Hydro is to
19 manage these expenses, regardless of
20 whether the water conditions recover
21 and the drought ends."

22 And -- and -- this would -- would have
23 been something that you considered as you were going -
24 - so Strategy 2040 would have been begun at the time
25 in this Order.

1 But I take it, in developing Strategy
2 2040, this is another portion of the Board's direction
3 that you would have had in the forefront of your mind?

4 MR. AUREL TESS: Yes, that's true.

5 MR. THOMAS REIMER: And you understood
6 the Board's direction that the O&A cost savings were
7 not considered temporary savings by the Board?

8 MR. AUREL TESS: I think the -- during
9 that interim hearing, we -- we did make it very clear
10 that some of the savings that had been incurred -- for
11 example, the government cost-saving initiative -- were
12 one (1) time savings. They weren't sustainable, and
13 that was something that we had made clear to
14 government as well, and -- and they accepted that.

15 MR. THOMAS REIMER: Sorry. And -- and
16 -- am I -- am I understanding you that your
17 understanding is that the Board accepted that as well?

18 MR. AUREL TESS: I can't say that for
19 sure. What I'm -- what I'm really saying is that
20 during the interim hearing, we laid out the -- the
21 evidence in terms of our reductions in O&A, and one
22 (1) of them was the government cost-saving initiative
23 which was one (1) time and not sustainable.

24 MR. THOMAS REIMER: In a slightly
25 different vein, you agree with me that a public

1 utility such as Manitoba Hydro should be just as
2 efficient and prudent with its money as an investor-
3 owned utility.

4 Is that fair?

5 MR. AUREL TESS: Yes.

6 MR. THOMAS REIMER: And -- and as you
7 point out in Strategy 2040, every dollar you spend is
8 your customers' dollar, correct?

9 MR. AUREL TESS: Correct.

10 MR. THOMAS REIMER: I'm going to move
11 to the rebuttal evidence, Ms. Schubert, please. And
12 I'm at page 9 of 131.

13

14 (BRIEF PAUSE)

15

16 MR. THOMAS REIMER: So this may be for
17 you, Ms. Amorim Dew. There's a reference to the
18 Trades Trainee Programs at line 20 of page 9 of 131.

19 Is that where I asked you to go, Ms.
20 Schubert? Yes. Thank you. Line 20.

21 And -- and you say in line 20:

22 "The increase in operations FTEs
23 will primarily be achieved through
24 Manitoba Hydro's existing Trades
25 Trainee Programs."

1 Right?

2 MS. SANDRA AMORIM DEW: Correct.

3 MR. THOMAS REIMER: And if I
4 understand correctly, there was a period of time, I
5 think during the COVID pandemic, where the trades
6 trainee -- intake into the Trades Trainee Program was
7 halted entirely.

8 Do I have that right?

9 MS. SANDRA AMORIM DEW: That is
10 correct, and also I showed in my direct evidence then
11 in tab 6 that, following the VDP, we had a slowdown in
12 the intake into the trainee program, and then it was
13 halted during the first year of the pandemic.

14 MR. THOMAS REIMER: And as I
15 understand it, you're in the process of rebuilding the
16 Trades Trainee Programs now?

17 MS. SANDRA AMORIM DEW: We are.

18 MR. THOMAS REIMER: And part of the
19 reason for that, as I understand, is that Manitoba
20 Hydro can't hire fully qualified candidates for many
21 of its specialized operational positions?

22 MS. SANDRA AMORIM DEW: That's
23 correct, and Mr. Patterson was here last week and he
24 described how, due to the specialized nature of some
25 of our roles, that it -- we are a training facility.

1 MR. THOMAS REIMER: I mean, as I
2 understand it, the Trades Trainee Programs take
3 between two (2) and four (4) years to complete.

4 Is that right?

5 MS. SANDRA AMORIM DEW: That is
6 correct.

7 MR. THOMAS REIMER: And you say here
8 at line 20 of the rebuttal evidence that I just
9 pointed you to that:

10 "The increase in operations FTEs
11 will primarily be achieved through
12 the Trades Trainee Programs."

13 Is that right?

14 MS. SANDRA AMORIM DEW: That is a big
15 component of them, yes. I do also want to highlight
16 that we do have fully qualified trainees that have
17 been sitting in our trainee pool for a while now, and
18 so they will be able to go into filling vacant
19 positions in our -- in our operations group now that
20 we are developing our trainee program further.

21 MR. THOMAS REIMER: So -- and maybe a
22 good way of getting at this would be to go to tab 6,
23 Ms. Schubert, at Figure 6.4. I've got it as page 12
24 of that tab.

25 And I think this is the chart or -- or

1 the information you were referring to a moment ago.

2 Now, Ms. Amorim Dew -- sorry --

3 MS. SANDRA AMORIM DEW: Yes, that is--

4 MR. THOMAS REIMER: And thank you.

5 MS. SANDRA AMORIM DEW: -- the one
6 related to the trades trainees, yes. And I just want
7 to indicate that that is based on head count and is by
8 calendar year because that is how our HR group
9 collects that data.

10 MR. THOMAS REIMER: So this is not by
11 FTE then. This is actual people?

12 MS. SANDRA AMORIM DEW: It is people,
13 and so if they come in at different points in time of
14 a fiscal year, it will reflect differently as an FTE.

15 MR. THOMAS REIMER: And are these --
16 are these new additions to the program, or is this the
17 total enrolment in any particular year?

18 MS. SANDRA AMORIM DEW: So Figure 6.4
19 in tab 6 is the number of trainees hired, so number of
20 individuals hired into the Trades Trainee Program, the
21 intake, the initial intake.

22 MR. THOMAS REIMER: Okay.

23 MS. SANDRA AMORIM DEW: So if you want
24 me to take you through an example, so if we have like
25 the Power Line Technician Trainee Program, which is a

1 four (4) year program, it goes by -- and subject to
2 check, but I -- if memory serves correct, there's five
3 (5) stages or five (5) levels before they become a
4 full apprentice -- or full journey person.

5 And intake into level A is what's
6 indicated in this chart, so the first level of the
7 trainee program.

8 MR. THOMAS REIMER: Okay. And so if
9 you look at 2021, for instance, it looks like there
10 were about eighty-five (85), give or take, new
11 trainees hired into the Trades Trainee Program, right?

12 MS. SANDRA AMORIM DEW: Yes, and we
13 have different intake periods throughout the year,
14 usually twice a year for most of these programs, and
15 they're staggered. So like for the Power Line
16 Technician Program, I believe it's spring and fall.

17 MR. THOMAS REIMER: And would I be
18 correct that if -- if a power line technician trainee
19 came in in 2021, that person would likely be ready to
20 enter Manitoba Hydro's regular workforce in 2025 or
21 so?

22 MS. SANDRA AMORIM DEW: They would be
23 deemed fully qualified. So they would have on-the-job
24 training and be part of the crew makeup and having to
25 work with qualified journey people, but they would be

1 deemed fully qualified by 2025.

2 MR. THOMAS REIMER: Okay. Would it be
3 possible to get actuals and forecast additions to the
4 program through to 2025, through the end of the test
5 years?

6 MS. SANDRA AMORIM DEW: By head count?
7 Just to confirm, you want to know that by intake?
8 'Cause the next figure, Figure 6.5 of tab 6, has the
9 planned recruitment for trades trainees, although I
10 will note that, because we wanted to try to match that
11 up to the budget, it is an FTE figure.

12 So if you're requesting number of
13 people, I can undertake to give you that information.

14 MR. THOMAS REIMER: Thank you.

15

16 --- UNDERTAKING NO. 37: Manitoba Hydro to provide
17 actuals and forecast
18 additions to the Trades
19 Trainee Program through to
20 2025

21

22 CONTINUED BY MR. THOMAS REIMER:

23 MR. THOMAS REIMER: And is -- is --
24 are these numbers -- back to six point four (6.4),
25 these are net of any -- like there's no vacancy rate

1 in these numbers. These are actual bums in seats, as
2 maybe you could say colloquially.

3 MS. SANDRA AMORIM DEW: So Figure 6.4
4 is based on the hires.

5 MR. THOMAS REIMER: Right.

6 MS. SANDRA AMORIM DEW: So individuals
7 may have left the program, though. We don't have
8 people staying 100 percent through. Either some
9 aren't successful or some choose -- they do not want
10 to proceed. So I cannot say that a hundred percent of
11 these hires are still with Manitoba Hydro.

12 MR. THOMAS REIMER: Now, if you go to
13 the rebuttal evidence -- and I'm looking at Figure 3
14 which is on page 8 of 131 -- I see that in Operation -
15 - the Operations line in Figure 3, it appears to me --
16 and you can -- subject to check.

17 Doing math with a group of accountants
18 is probably a manifestation of one (1) of my major
19 fears in life.

20 But the difference between 2021 -- so
21 that's the 2020 -- let me start again -- two thousand
22 two hundred and fifty-two (2,252) Operations FTEs in
23 that year, and then the following year, 2021 and '22,
24 goes up to two three eight six (2,386). So that is I
25 have here an increase of a hundred and thirty-four

1 (134).

2 Does that sound in the ballpark to you?

3 You -- are you with me on page 8 of 131?

4 MS. SANDRA AMORIM DEW: I am. If you
5 could just give me a moment, please.

6

7 (BRIEF PAUSE)

8

9 MS. SANDRA AMORIM DEW: All right, Mr.
10 Reimer. I just wanted to clarify. You were going
11 from 2020/'21 to '21/'22?

12 MR. THOMAS REIMER: Correct.

13 MS. SANDRA AMORIM DEW: Yeah. So,
14 subject to check, I'll accept your math.

15 I do just want to highlight that those
16 years were years in which we were -- we had two (2)
17 strikes in those two (2) years and, so, because FTEs
18 are based on total hours paid, I did provide a Figure
19 6.10, in tab 6, that shows that the effects of the
20 unpaid time had on the reduction of FTEs, which
21 further illustrates that while we are increasing FTE,
22 it isn't all related to just new staff.

23 MR. THOMAS REIMER: Fair enough. Is -
24 - so, the number, which I had as 134, is there any
25 relation between that and the 120 trainees that are

1 entering the trades -- trainee program in Figure 6.4,
2 where we were a moment ago?

3 MS. SANDRA AMORIM DEW: So, I would
4 actually say that -- so, you're going from '21/'22 to
5 '22/'23?

6 MR. THOMAS REIMER: Yeah. So -- so,
7 in 2022 and I -- I understand the dates may not match
8 up, in terms of when these numbers are -- are
9 tabulated, but it appears to me that 120 is close to
10 134, if you can accept that.

11 MS. SANDRA AMORIM DEW: If you could
12 just remind me which fiscal years you're comparing
13 right now?

14 MR. THOMAS REIMER: No. I -- I'm
15 looking at Figure 6.4, which is on tab 6, page 1247,
16 and it appears to me that you've got 121 or whatever
17 number that bar gives me in 2022.

18 And, then, if you look at -- and I've
19 got it in the rebuttal as Figure 3 of your rebuttal
20 evidence, the -- the increase there that I walked you
21 through was 134.

22 I'm wondering if there is a
23 relationship between the intake into the -- into the
24 Trades Trainee Program and the increase in FTEs for
25 operations.

1 MS. SANDRA AMORIM DEW: Yes. There
2 is.

3 MR. THOMAS REIMER: Okay, and, so, a
4 large number of that 134 increase in FTEs would be
5 related to the intake into the trades trainees.

6 MS. SANDRA AMORIM DEW: Yes.
7 Definitely.

8 MR. THOMAS REIMER: Thank you. Sorry.
9 That was a long way to go.

10 MS. SANDRA AMORIM DEW: Oh. Sorry. I
11 -- I -- I thought you were asking about the following
12 year as well.

13 MR. THOMAS REIMER: And just, maybe,
14 to tie a bow on this, I see that there's a 147
15 forecast -- this is a forecast in Figure 3 of the
16 rebuttal evidence of 2,533 FTEs in operations.

17 So, I'm calculating that as a
18 difference of a hundred -- 147, year over year, and I
19 don't know, I mean, you're going to give me the
20 information that you have available with respect to
21 intake into the Trades Trainee Programs, but would the
22 same hold true for the -- for that year?

23 You would expect the trades trainee
24 intake to be reflected in the forecast numbers or, in
25 fact, the actual numbers, when they're finalized?

1 MS. SANDRA AMORIM DEW: Yes, and, so,
2 if you go to Figure 6.5, it has the planned
3 recruitments and it shows the FTEs for 2023. It shows
4 89 FTEs.

5 MR. THOMAS REIMER: Thank you.

6 MS. SANDRA AMORIM DEW: That's 129 in
7 the following year, and that is FTEs.

8 MR. THOMAS REIMER: And is -- are you
9 in a position today to provide actuals of the
10 operations FTEs?

11 MS. SANDRA AMORIM DEW: For which
12 period?

13 MR. THOMAS REIMER: 2022 to '23.

14 MS. SANDRA AMORIM DEW: I can
15 undertake to provide that for you.

16

17 --- UNDERTAKING NO. 38: Manitoba Hydro to provide
18 the actuals of the
19 operations FTEs for 2022
20 to '23.

21

22 CONTINUED BY MR. THOMAS REIMER:

23 MR. THOMAS REIMER: Thank you. And
24 just on this trades trainee issue, I've got a couple
25 of requests for additional information for you to

1 consider. So, the first would be, would it be
2 possible to get a -- a -- a revised table of the data
3 in 6 -- Figure 6.4 that projects out to 2025? Maybe
4 that was something that I asked for already, actually,
5 now that I'm thinking about it.

6 MS. SANDRA AMORIM DEW: Yeah. I think
7 what we talked about was I think there was an
8 undertaking to provide the number of recruitments, as
9 far as head count, that relate to Figure 6.5, that
10 we'd provide that to you.

11 MR. THOMAS REIMER: And that's fair.
12 And, then, the last thing -- piece of information on
13 this point that I've -- I'm wondering if you can
14 provide, is -- is the -- maybe I'll just ask you
15 first, and, then, if you need to go back, you can.

16 But the operations numbers, is that --
17 that we looked at in Figure 3 of the rebuttal
18 evidence, is that net of vacancies?

19 MS. SANDRA AMORIM DEW: Yes. All of
20 the FT information for the forecast -- our preliminary
21 budget are net of vacancies.

22 MR. THOMAS REIMER: Thank you. So,
23 I'm going to talk a -- a bit about vacancy management
24 and I think I'm just going to stick with you, Ms.
25 Amorim Dew.

1 So, at page 17 of 131 of the rebuttal,
2 you -- I -- I expect it's -- it's you singular, as
3 well as you plural, have suggested that you and Mr.
4 Madsen are using vacancy rate differently.

5 Do I have that correct?

6 MS. SANDRA AMORIM DEW: We are and I
7 think when we went through the budgeting process we
8 have, we would, typically, if we were in a stable
9 organizational and staffing position, we would use
10 vacancy rates just for turnover.

11 Because we are still going through the
12 business model review changes, and we know that there
13 are positions that have to be filled and we pace the
14 level of bringing on those additional FTE, the vacancy
15 management was used in a bit of a different way, which
16 was to also assist and reduce that level of pacing to
17 align to the annual O&A forecast and budgets that we
18 put forward.

19 MR. THOMAS REIMER: So, if you look at
20 Line 15, there's a comment there:

21 "To align with top-down O&A budget
22 set by executive, the vacancy factor
23 reduced FTEs for both attribution
24 and to maintain FTE levels at an
25 agreed upon increase identified by

1 Manitoba Hydro's executive."

2 That's what you're referring to?

3 MS. SANDRA AMORIM DEW: That is, and
4 that was considering the total impacts to the
5 financial forecast, as well, and keeping in mind the
6 reliability impacts and customer service levels.

7 MR. THOMAS REIMER: Now, Mr. Madsen --
8 and we can go there, if you want -- in the Emrydia
9 report, at page 81, and I -- I take it you're quite
10 familiar with at least this -- this section that Mr.
11 Madsen deals with the FTEs. Is that fair?

12 MS. SANDRA AMORIM DEW: Yes. I've
13 reviewed it.

14 MR. THOMAS REIMER: Okay. And, so,
15 you're familiar with Mr. Madsen's contention that the
16 level of vacancies that Manitoba Hydro's forecast is
17 significant. You -- you -- you know the first --
18 first question, you know that's what he said?

19 MS. SANDRA AMORIM DEW: I do know that
20 is what he said.

21 MR. THOMAS REIMER: And -- and he
22 says:

23 "It's not an ordinary level of
24 vacancy, either for Manitoba Hydro,
25 historically, or for other Canadian

1 utilities, in general."

2 Is that a -- is that a comment that you
3 would agr -- agree with?

4 MS. SANDRA AMORIM DEW: As I just
5 previously stated, I would agree with that, if we were
6 at a level of FTEs that we intended to manage, but,
7 because we are building up the FTE and we are pacing
8 that level appropriately, I would say that it warrants
9 those higher vacancy managements.

10 The alternative would have been not to
11 include those positions and not have a higher vacancy
12 management but, also, based on the way that our
13 budgeting process and our H.R. system works with our
14 finance system, it -- it -- it's kind of the result.

15 MR. THOMAS REIMER: Okay. And, then,
16 and I'm at -- at -- at Lines 8 to 12, and, maybe, in
17 fairness to you, it's easiest to just look at it.

18 So, he -- he says he has two (2)
19 concerns about the vacancy level being forecast. One,
20 that it's unusual and inord -- and -- and I think
21 you've acknowledged that it is unusual and you've
22 given the reasons why we're in this unusual situation.

23 And, then, his second -- I'm going to
24 break down his second concern into two (2) pieces.
25 Okay? The first is that this is a -- the high level

1 of vacancy appears to be largely driven by a forecast
2 increase in positions and, if I understood you
3 correctly, you actually agree with that as well?

4 MS. SANDRA AMORIM DEW: It is. It's
5 due -- also due to a forecast increase in positions,
6 which you see through the test years, that we are
7 growing our FTE.

8 MR. THOMAS REIMER: So, the thing that
9 you disagree with, then, I'm going to assume, is that
10 -- his comment that not all of the forecast positions
11 appear to be necessary?

12 MS. SANDRA AMORIM DEW: I do not agree
13 with that statement that he made.

14

15 (BRIEF PAUSE)

16

17 MR. THOMAS REIMER: If you look at
18 Figure 7 of the rebuttal evidence, and that is on page
19 14 of 131.

20 And, so, I -- I think I'm just going to
21 get you to confirm that I've now understood things
22 correctly, but, if you look at 2022/'23 forecast,
23 okay, and you look at the bottom.

24 So, you are calculating FTE normal
25 operating changes and other of just under 54 million.

1 Is that right?

2 MS. SANDRA AMORIM DEW: That is
3 correct.

4 MR. THOMAS REIMER: And -- and that --
5 am I right to believe that that's incremental, or may
6 -- maybe what I might say, more colloquially, is
7 that's new money that you're asking for, or that --
8 that you're including in this budget.

9 Is that right?

10

11 (BRIEF PAUSE)

12

13 MR. THOMAS REIMER: And I'll get to
14 the vacancy allowance in one (1) second.

15 MS. SANDRA AMORIM DEW: Yes, that is
16 correct if you look at it as a standalone without the
17 vacant --

18 MR. THOMAS REIMER: And so, you're
19 asking for 44 -- or you're not asking for. Okay.

20 You are projecting or forecasting 54
21 million and then you're backing out in the parent --
22 parenthetical number above that, just under 50 million
23 for the vacancy rate.

24 Is that right?

25 MS. SANDRA AMORIM DEW: That is

1 correct.

2 MR. THOMAS REIMER: And the following
3 year, the same holds true. You're forecasting an
4 increase in FTEs of just over 34 million and your --
5 and then you back out for the vacancy allowance about
6 20 -- just under 22 million?

7

8 (BRIEF PAUSE)

9

10 MS. SANDRA AMORIM DEW: I just wanted
11 to -- there's an additional comment regarding '23/'24
12 and we stated it in the rebuttal evidence as well.
13 But the one (1) thing to highlight is that in the
14 '22/'23 forecast, and you see that here, there was no
15 GWI -- no General Wage Increase provisions included in
16 the forecast.

17 And so then part of that 34 million in
18 the FTE normal operating changes and Other line will
19 also include additional back pagie (phonetic), WIs
20 that we are anticipating.

21 MR. THOMAS REIMER: So --

22 MS. SANDRA AMORIM DEW: Or are now
23 known.

24 MR. THOMAS REIMER: Okay. And just so
25 that I -- I just took -- make sure I understand that.

1 The -- the 34,326,000 includes a
2 portion of what would be in that box beside GWI and
3 provisions for GWI in '22/'23?

4 MS. SANDRA AMORIM DEW: Correct. So,
5 the line above that's the 5,724,000, that is for GWI
6 in that year. But because when we were preparing the
7 '22/'23 budget, all of our bargaining units were
8 without a contract and we're -- we were in
9 negotiations. And the decision was made to not
10 include any General Wage Increase provisions in that
11 forecast year.

12 MR. THOMAS REIMER: And I'm going -- I
13 am going to come back to that. I think I've got some
14 questions for Mr. Fogg on that.

15 But -- but I'm -- I'm going to suggest
16 to you, and -- and I understand you're not going to
17 agree with me, but I'm going to put it to you that --
18 I'm -- I'm going to argue, I expect, at the end of
19 this hearing, that the large vacancy rates that we're
20 identifying here suggest a lack of precision.

21 And I just want to give you an
22 opportunity to respond to that argument that I'm going
23 to make.

24 MS. SANDRA AMORIM DEW: So, I wouldn't
25 call it a lack of precision. We are going through a

1 lot of changes. We are trying to put in place a new
2 business model that is still evolving.

3 We've -- in my direct evidence I
4 highlighted on what Ms. Grewal presented on the first
5 day of this hearing, which was taking Strategy 2040
6 and looking at the three (3) year time horizon,
7 looking at the near term and prioritizing to the
8 strategic pillars and looking at our near term prior -
9 - priorities.

10 And Mr. Tess, early -- I think it was
11 yesterday, also referred to that and how we're going
12 to put processes in place. And a lot of the work
13 we're doing now is prioritizing -- prioritizing the
14 different initiatives that will be going on -- ongoing
15 or we will be undertaking.

16 And so, some of that further refinement
17 of where the position should be allocated and the FTEs
18 growing will be determined through that. Although,
19 through the test years, we have still maintained that
20 15 percent reduction from the Voluntary Departure
21 Program and are not growing beyond that.

22 MR. THOMAS REIMER: But if I -- is it
23 -- is it true that if I asked you to, and I -- I'm not
24 going to, because it would be a huge undertaking, but
25 if I asked you to identify what tasks all these FTEs

1 were going to be doing, you wouldn't be able to give
2 me a fulsome answer.

3 MS. SANDRA AMORIM DEW: I don't agree
4 with that statement.

5 MR. THOMAS REIMER: Okay.

6 MS. SANDRA AMORIM DEW: I could, but
7 it is a lot of work.

8 MR. THOMAS REIMER: Yes.

9 MS. SANDRA AMORIM DEW: So, I know we
10 present everything by business unit and division, but
11 we have four hundred (400) call centres and when we do
12 our operating budgets, we do it for each call centre.

13 And so, we're getting very granular and
14 we budget every single position. And every position
15 is -- we know what it is for and what the requirements
16 are.

17 And some of the decision that
18 management has to take is whether we have an immediate
19 need for those positions that are not currently
20 filled, or how we pace that.

21 So, we could definitely provide that.
22 It is a significant --

23 MR. THOMAS REIMER: Yeah, I want to
24 pause you there for a second now. You used the word
25 "position" and in my question I used the word "FTE".

1 And maybe let's just make sure that we're speaking the
2 same terms here.

3 My understanding of position is a --
4 you know, Mr. Fogg has a position, right? Now, my
5 guess is Mr. Fogg may be two (2) FTEs. Is that --

6 MS. SANDRA AMORIM DEW: Well, he works
7 the equivalent of two (2) FTES, but he is one (1) FTE
8 on our report.

9 THE CHAIRPERSON: Mr. Fogg wants to be
10 paid for two (2) FTEs.

11

12 CONTINUED BY MR. THOMAS REIMER:

13 MR. THOMAS REIMER: But -- okay. So -
14 - so, maybe my example wasn't right. We've got a one
15 (1) to one (1) here. But I think you pointed out in
16 your direct and in some responses to me that -- that
17 when we talk about FTEs and we talk about positions,
18 we're talking about different things potentially.

19 So, your answer was that you could --
20 it would take a lot of work and we're not going to get
21 you to do the work, but you could identify positions.
22 My question was: Could you do that for FTEs?

23 MS. SANDRA AMORIM DEW: Yeah. So, and
24 I...

25

1 (BRIEF PAUSE)

2

3 MS. SANDRA AMORIM DEW: Thank you, Mr.
4 Reimer. So -- and thank you, Mr. Reimer. So -- and I
5 think this is a fair question and one (1) that a lot
6 of people get confused on, so I think it's good to
7 walk through this one.

8 So, I -- I have my back row support
9 looking for the IR in which outlined this. But, we
10 provided how we do operating budgets, which is we
11 start with the positions that are in our HR system.

12 So, we start with positions. We end up
13 calculating FTEs, but it's based on positions, so we
14 bring in the positions. So, for example, if we're
15 budgeting for a summer student, we're not going to
16 budget them for the full year.

17 So a summer student might work four (4)
18 month, they're .33 of an FTE. So, that is the
19 distinction I would have between the positions and the
20 FTE.

21 And I just want to clarify that when I
22 described the pacing of FTE, it was the pacing of
23 bringing on or adding positions to maintain that level
24 of FTE that we've included in our budget to still
25 maintain the 15 percent reduction from the Voluntary

1 Departure Program.

2 MR. THOMAS REIMER: I think I followed
3 that. Thank you, Ms. Amorim Dew.

4 MS. SANDRA AMORIM DEW: And I just
5 wanted to say that the IR I was referring to was
6 GSS/GSM Round 2 3(c), that describes our budgeting
7 process.

8 MR. THOMAS REIMER: Thank you. I've
9 got three (3) questions, Mr. Chair, and then I'll be
10 at a natural breaking point if it suits the Board.

11 So, Mr. Madsen thinks that Manitoba
12 alre -- has opined that Mr. -- let me start that one
13 over.

14 Mr. Madsen has opined that Manitoba
15 Hydro is seeking to add FTEs at too rapid a pace.
16 First, I'm not going to ask if you agree, but just you
17 understand that that's his position?

18 MS. SANDRA AMORIM DEW: I do
19 understand that is his position.

20 MR. THOMAS REIMER: And -- and I
21 already know from -- from some of the evidence that
22 you've given, that your position -- your position is
23 that it's being appropriately paced and you don't
24 agree that it's going too quickly, right?

25 MS. SANDRA AMORIM DEW: That would be

1 correct.

2 MR. THOMAS REIMER: Now, would I be
3 right that -- and maybe this goes back to our earlier
4 discussion. So, if -- if circumstances were more
5 'normal', if I can use that word, you would likely be
6 forecasting a much lower vacancy rate.

7 Is that correct?

8 MS. SANDRA AMORIM DEW: We would
9 typically be budgeting a vacancy rate to deal with
10 turnover, correct.

11 MR. THOMAS REIMER: And -- and what is
12 that? Do you have a --

13 MS. SANDRA AMORIM DEW: Around 5
14 percent. Back in earlier years, say at least a decade
15 ago, before that, and a little after that we used to
16 budget a 2 to 3 percent vacancy factor. We're seeing
17 high levels -- higher levels of attrition though. So
18 5 percent is probably a more appropriate, averaged
19 out.

20 MR. THOMAS REIMER: And if -- and
21 would it be so -- would it be fair just -- if you'll
22 go with me here, okay?

23 If you assume that you did agree
24 somewhere -- not all the way to Mr. Madsen's position,
25 but if you move towards him and you said, Okay, we

1 could do this slower, okay. You would be projecting
2 fewer new FTEs and you would also have a much lower or
3 potentially, a correspondingly lower vacancy rate.

4 Is that right?

5 MS. SANDRA AMORIM DEW: Sorry, can you
6 repeat that again?

7 MR. THOMAS REIMER: So if you were
8 going to add these FTEs at a slower pace than you are,
9 you would be able to forecast a lower vacancy rate.

10 Can I ask it -- can I ask it a
11 different way maybe? The -- the pace -- I'm going to
12 call it rapid pace, but -- and we can disagree about
13 the adjective.

14 But the -- the pace at which you are
15 seeking to add these FTEs is the thing that is driving
16 the high vacancy rate.

17

18 (BRIEF PAUSE)

19

20 MS. SANDRA AMORIM DEW: I'm going to
21 try to answer this and if I'm not answering your
22 question correctly or the way you had asked it, then
23 please let me know.

24 So the function of our vacancy factor
25 is -- is due to the fact that we have set a top-down

1 target and we're only allowing a certain increase in
2 FTE on an annual basis.

3 If we were to pace it out over a four
4 (4) or five (5) year period instead, and still
5 maintain the 15 percent reduction, then, yes, in each
6 year you would have a lower vacancy factor.

7 Does that answer your question?

8 MR. THOMAS REIMER: It does. Thank
9 you. Okay. Last question on this topic. You -- you
10 mentioned significant attrition.

11 Have you identified any trends in
12 your exit interviews and -- and if there -- if it's in
13 the evidence, I apologize. I missed it. But what is
14 the reason that people are leaving Hydro, other than
15 for retirements or terminations?

16 MS. SANDRA AMORIM DEW: So on figure
17 6.11 in tab 6, we do show --

18 MR. THOMAS REIMER: Could you give a
19 page reference?

20 MS. SANDRA AMORIM DEW: Yeah. It's
21 page 20 of tab 6.

22 We do show the Manitoba Hydro employee
23 attrition between 2016 and 2021. And in a subsequent
24 IR, we did update this to include the '22 calendar
25 year as well.

1 But what this shows is the bottom
2 lighter blue bar is the retirement, the darker blue
3 bar is the voluntary -- so resignations -- the green
4 is involuntary, and the lighter lighter blue at the
5 top is job completion -- so if people were on term
6 positions, this is the -- the departure of those
7 employees.

8 And -- and so, what you see here is --
9 you'll notice that, in 2018, clearly, the retirements
10 were much larger due to the Voluntary Departure
11 Program. And that started in 2017.

12 MR. THOMAS REIMER: Okay. Let me ask
13 a more narrow question then.

14 With respect to the darker blue bar of
15 voluntary departures, I take it somebody resigns, I
16 assume there's an exit interview process, and one of
17 the questions is, Why are you leaving?

18 And I assume you then analyze that data
19 across the organization for that year and you say, Oh,
20 we're not paying enough, or, We've got a toxic work
21 environment. Right? These are reasons that could be
22 given. I don't like my boss. I got a better -- like,
23 what are the trends in -- in that band of -- of the
24 attrition scale that you've produced here?

25

1 (BRIEF PAUSE)

2

3 MS. SANDRA AMORIM DEW: So I know that
4 in my discussions with the Human Resources group on
5 this, they do request exit interviews. Sometimes they
6 happen; sometimes they don't. There have been trends
7 they've seen.

8 I don't have them with me right now. I
9 could look to see if there's something we could
10 provide, subject to Mr. Czarnecki thinking that's
11 appropriate.

12 MR. BRENT CZARNECKI: I'm going to
13 jump in, Mr. Chair. I'm not really seeing the
14 relevance of the specific reasons for the voluntary
15 departures.

16 Like, we could provide some general --
17 maybe we could look to provide some general reasons
18 for that. But you have the information in front of
19 you in terms of the numbers themselves which, I think,
20 obviously, is truly relevant to this proceeding.

21 Getting to the next step, which is some
22 personalized exit interview information is -- is
23 stretching the relevance, from my -- in our
24 submission.

25 THE CHAIRPERSON: Mr. Reimer...?

1 MR. THOMAS REIMER: So the relevance
2 as -- as -- in my submission would be one of the
3 things that Manitoba Hydro has said is that we're in a
4 very competitive work environment. We can't attract
5 people. We're not paying enough.

6 If one of the reasons that's been
7 identified as, I'm getting -- I can get more money in
8 the private sector or in another province, that goes
9 to their point that they need to pay higher
10 remuneration.

11 I suspect that Manitoba Hydro -- in
12 Manitoba anyway -- is very competitive when it comes
13 to compensation packages with the private sector. And
14 so, that's -- that's an area that I think is worth
15 exploring.

16 And that is why I think that if -- if
17 compensation -- maybe I can tailor it this way.

18 If compensation is a major trend that's
19 identified in these exit interviews, they can let us
20 know. If it's not, that's fine. We can -- we can
21 leave it.

22 THE CHAIRPERSON: I guess the question
23 -- I'm really concerned about getting too deep into
24 the weeds in this.

25 Mr. Czarnecki, is there a way to give

1 generic information -- sorry.

2 MS. SANDRA AMORIM DEW: Yeah. If I
3 can add -- it's Ms. Amorim Dew.

4 My excellent back row support reminded
5 me that we had an IR in which we provided an
6 explanation for the 2020 attrition levels at least, to
7 give some indication of that higher -- because aside
8 from the VDP era, 2020 was our highest level.

9 Ms. Schubert, if you could pull up
10 Coalition Round 1 73A, please.

11

12 (BRIEF PAUSE)

13

14 MS. SANDRA AMORIM DEW: So in here, if
15 you could go up to the question, if you don't mind.

16 It was:

17 "Please explain the factors that
18 Manitoba Hydro attributes to
19 historically high levels of
20 voluntary attrition to."

21 So we identified the two (2) factors
22 for the 2020 calendar year. One was Bill 43, which
23 was the Civil Service Superannuation Amendment Act
24 that was going to have impacts on the pension plan.
25 So we saw many people identifying that they wanted to

1 retire or resign prior to that Bill being passed in
2 October of 2020.

3 And then, the other one was, as we've
4 already discussed a few times, with the government
5 cost savings initiative in calendar year 2020, at the
6 start of the pandemic, we were initially being asked
7 to look at workforce reductions through layoffs. And
8 that was a very concerning time for our employees.
9 And that was one of the reasons also given -- was the
10 -- the possibility of being laid off and job
11 protection.

12 MR. THOMAS REIMER: Thank you. That -
13 - that's fair enough.

14 THE CHAIRPERSON: You're fine?

15 MR. THOMAS REIMER: I think I can make
16 the argument I want to make.

17 THE CHAIRPERSON: Okay. Okay.

18 Can we go -- sorry, I have a question.
19 Can we go back to the last screen, the last table, Ms.
20 Schubert. Right there.

21 I just want to make sure I understand.
22 The voluntary departure program, I'm looking -- it's
23 only the dark blue? It's not retirement?

24 MS. SANDRA AMORIM DEW: We used many
25 blues on this --

1 THE CHAIRPERSON: Sorry. Yeah. And I
2 have other charts, by the way, where you've got a
3 graph where you've got a light blue and a darker blue
4 and --

5 MS. SANDRA AMORIM DEW: I think it's
6 because blue is the Manitoba Hydro colour, so we use
7 it too much, right?

8 THE CHAIRPERSON: I know. You might
9 want to use red and blue. Because I -- I was sitting
10 at home, under a -- I thought I needed a flashlight to
11 try and figure out the two (2) different. But --

12 MS. SANDRA AMORIM DEW: Apologies.
13 It's the --

14 THE CHAIRPERSON: Yeah. No. Under
15 2018, you've got the -- you've got yellow or gold, the
16 light blue, green, and then a darker blue.

17 MS. SANDRA AMORIM DEW: Yes. So if
18 you start from the bottom up, so that larger bar is
19 the retirement bar.

20 THE CHAIRPERSON: Is that VDP?

21 MS. SANDRA AMORIM DEW: Most of it is
22 VDP ---

23 THE CHAIRPERSON: Okay. So, voluntary
24 -- voluntary, the next category over, is not --
25 doesn't fall within VDP?

1 MS. SANDRA AMORIM DEW: NO. And so a
2 lot of people through the Voluntary Departure Program,
3 chose to retire and so they were identified as a
4 retirement here.

5 THE CHAIRPERSON: And not as part of
6 VDP.

7 MS. SANDRA AMORIM DEW: Not as --
8 well, not as part -- as Voluntary, which is how our
9 Human Resources group defines it, which is
10 resignations.

11 So the differentiation is really,
12 retirements or resignations and many of our employees
13 that chose to take the Voluntary Departure Program
14 were eligible for retirement.

15 And we do have in tab 6, we have figure
16 6.14 on page 23.

17 THE CHAIRPERSON: Yeah.

18 MS. SANDRA AMORIM DEW: That shows the
19 retirement eligibility, and so, if we were to almost
20 take this back to the point in time of 2017, you would
21 have seen a similar chart where we had a large
22 eligibility of our workforce that could retire. And
23 so, many of those people chose to take that.

24 Yeah, and figure 6.13 on page 22, also
25 shows that. The retirement take-up rate. So what you

1 see is that on average we were around that 20 percent
2 and then in those two (2) VDP primary years, we had an
3 retirement uptake of 44 percent in 2017 and then a 49,
4 almost 49 percent uptake in 2018.

5 THE CHAIRPERSON: Okay. Can I just --
6 I -- I still have some questions, but I want to do the
7 timing.

8 Do you have any idea how -- how much
9 longer you will be?

10 MR. THOMAS REIMER: Well, Mr. Chair,
11 I've -- I've been an hour and fifteen (15) minutes. I
12 would be very appreciative of -- of an hour more --

13 THE CHAIRPERSON: Yeah.

14 MR. THOMAS REIMER: -- which would put
15 me fifteen (15) minutes longer than my projection.

16 THE CHAIRPERSON: Okay, well we're not
17 going to -- we won't finish at -- I was trying to
18 figure out if there was a chance of finishing this
19 afternoon. We won't.

20 So, I have another question for you, or
21 -- sorry, on -- on this point before we break.

22 One of the things you have been
23 pointing to is, when you're doing the comparisons for
24 the number of FTEs, don't go back a couple of years.
25 Go back to 2016 and '17. Right?

1 Am I correct in saying that your
2 position, just using general language is, we're making
3 catch-up?

4 MS. SANDRA AMORIM DEW: I would
5 suggest that we're making catch-up from the pandemic
6 year, where we had to reduce a further 10 percent.

7 We're maintaining the 15 percent
8 reduction that we saw through 2017, '18 and '19, but
9 in 2020 when we had to have a hiring freeze in place
10 in the effort to assist government in the cost savings
11 measures, and we halted our -- or further halted our
12 hiring into the trainee programs, it -- there is a
13 negative effect from that. Not just from the hiring
14 freeze at that point in time, but trying to catch up
15 from that, has taken a while.

16 And then, on top of that, there were
17 labour challenges in the marketplace that everybody
18 was exposed to.

19 THE CHAIRPERSON: Right. Voluntary
20 Departure Program, was that Manitoba Hydro's idea or
21 was there a directive from government to use it as a
22 way to reduce levels?

23 MR. AUREL TESS: And, Mr. Chair, I
24 believe there was a directive from government post of
25 the VDP that -- that talked about reducing management

1 levels.

2 THE CHAIRPERSON: Okay. So you had a
3 directive for 15 percent, you had the VDP and then you
4 had the pandemic.

5 MR. AUREL TESS: I think ---

6 THE CHAIRPERSON: As I understand it.

7 MS. SANDRA AMORIM DEW: It came first.

8 MR. AUREL TESS: VDP became first,
9 yeah, that's correct.

10 THE CHAIRPERSON: It became first.

11 MR. AUREL TESS: Correct.

12 MR. THOMAS REIMER: And Mr. Chair, I do
13 have a list of questions on the VDP.

14 THE CHAIRPERSON: Okay.

15 MR. THOMAS REIMER: Just go now?

16 THE CHAIRPERSON: --- falling, no.
17 No, we'll -- we'll break now and then I -- I didn't
18 know that. Sorry, I thought you were going to a
19 different area. So. Okay, that's -- that's fine.

20 Thank you very much. Okay, we're going
21 to break for fifteen (15) minutes. We'll be back at
22 2:50. Thank you.

23

24 --- Upon recessing at 2:35 p.m.

25 --- Upon resuming at 2:53 p.m.

1

2

THE CHAIRPERSON: Mr. Reimer...?

3

MR. THOMAS REIMER: Thank you, Mr.

4 Chair.

5

6 CONTINUED BY MR. THOMAS REIMER:

7

MR. THOMAS REIMER: So I am going to
8 spend a little bit of time, hopefully not too much, on
9 the Voluntary Departure Program.

10

My understanding from the rebuttal
11 evidence is that it was not a targeted program for
12 positions that were no longer required.

13

Is that correct?

14

MS. SANDRA AMORIM DEW: That is
15 correct.

16

MR. THOMAS REIMER: And so I -- I take
17 it there was no application process?

18

MS. SANDRA AMORIM DEW: No, there was
19 an application process, and the application process
20 were -- was for employees that were interested in the
21 program to indicate as such. And then there was an
22 approval -- a review and approval process of the
23 submissions.

24

MR. THOMAS REIMER: And was part of
25 that review and approval process a consideration of

1 whether the functions that that person was doing were
2 necessary to the enterprise?

3

4 (BRIEF PAUSE)

5

6 MS. SANDRA AMORIM DEW: So overall,
7 there was a review done, and through the review, there
8 was a particular part of the Company that was more
9 significantly impacted. And I want to make sure I
10 don't say anything I shouldn't say, but what we ended
11 up doing was, rather than having certain employees
12 that were more critical to the business, that we
13 couldn't afford to let go of such large numbers within
14 the time period leave the Company, there was allowance
15 to let them go over a longer time period to not impact
16 that part of the business as significantly.

17 MR. THOMAS REIMER: Was there anybody
18 that wanted to take the -- the VDP option that was
19 told they couldn't?

20 MS. SANDRA AMORIM DEW: I would
21 essentially have to check to make sure that I'm not
22 being factually incorrect. I know initially there
23 were some concerns with some of the applications due
24 to the magnitude in one (1) specific area, and there
25 may have been considerations whether or not they

1 should be approved. But I do believe most of them, if
2 not all, were approved, but I -- I can't confirm all
3 at this point.

4 MR. THOMAS REIMER: And would I be
5 correct to -- so --

6 MS. SANDRA AMORIM DEW: Sorry. If I
7 could --

8 MR. THOMAS REIMER: Yeah, go ahead.

9 MS. SANDRA AMORIM DEW: -- add, Mr.
10 Reimer. The numbers that I'm referring to are about
11 in the -- in the area of about twenty (20) to twenty-
12 five (25) out of the eight hundred and fifty'ish
13 (850'ish) positions that applied, on average,
14 approximately.

15 MR. THOMAS REIMER: And -- and I take
16 it there was a financial incentive to people who were
17 taking this option?

18 MS. SANDRA AMORIM DEW: There was.

19 MR. THOMAS REIMER: And would I be --
20 and -- and so was there consideration given by
21 Manitoba Hydro during this process that it would
22 potentially need to rehire people to fill in for -- or
23 to fill roles that were being taken out of the
24 enterprise by these people departing under the VDP?

25 MS. SANDRA AMORIM DEW: So there was

1 related to certain positions or classifications or
2 rules, but it was kind of offset with a reduction
3 somewhere else. So if an increase had to happen for a
4 particular type of work, then there had to be an
5 offsetting reduction.

6 So for instance if -- if there was an
7 area with an accountant and an analyst, if the
8 accountant chose to take the Voluntary Departure
9 Program and the group felt that they needed to fill
10 that accountant position, they had to wait till
11 another person in that group such as the analyst left.
12 And if -- they wouldn't fill the analyst's position,
13 they'd fill the accountant position, so it's a net
14 zero impact.

15 MR. THOMAS REIMER: But wouldn't the
16 accountant be making more money in that example?

17 MS. SANDRA AMORIM DEW: Potentially,
18 yes.

19 MR. THOMAS REIMER: So in that case,
20 it would be a net increase in expense.

21 MS. SANDRA AMORIM DEW: It could have
22 been. The -- the target was a workforce reduction
23 target, not a dollar target.

24 MR. THOMAS REIMER: And the outgoing
25 employees would have typically had more experience and

1 been more productive than the people that would be
2 hired to replace them?

3 MS. SANDRA AMORIM DEW: I would argue
4 for the most part, especially because most of them
5 were eligible for retirement, so would have
6 potentially had many years of service.

7 MR. THOMAS REIMER: Ms. Amorim Dew, is
8 it possible to provide a list by position or FTE of
9 people that left the enterprise as part of the VDP?

10 MS. SANDRA AMORIM DEW: Can I -- I
11 think I could probably get back to you on this later
12 today. I feel like we've already provided that --

13 MR. THOMAS REIMER: Okay.

14 MS. SANDRA AMORIM DEW: -- through
15 previous proceedings, but I will get back to you on
16 that.

17 MR. THOMAS REIMER: Thank you. And --
18 and then the follow-up I'd have is:

19 Are you also able to provide a list of
20 the types of positions or FTE functions that are now
21 being added into the enterprise?

22 MS. SANDRA AMORIM DEW: So that second
23 request is much more challenging, especially because
24 we are going through the business model and we've had
25 a complete restructure of the enterprise. And it

1 starts at the different business units and works its
2 way down. So that would be near impossible to do.

3 MR. THOMAS REIMER: Let me ask this
4 question then: How much crossover would there be
5 between the people that are now being added as FTEs
6 and the people that departed as FTEs under the VDP?

7 MS. SANDRA AMORIM DEW: Sorry,
8 crossover in what --

9 MR. THOMAS REIMER: How much overlap
10 maybe is a better word.

11 MS. SANDRA AMORIM DEW: Overlap of
12 time of when --

13 MR. THOMAS REIMER: Position -- no.
14 So I want to know if there are roles that are being
15 filled now that were vacated under the VDP.

16 MS. SANDRA AMORIM DEW: So I'd have to
17 check, but I think we've already responded. And I --
18 I think that even in public news releases or media
19 articles, we said that there were positions that we
20 would have to backfill, but we would not dip into the
21 reduction from the VPD at a workforce enterprise
22 level.

23 MR. THOMAS REIMER: But that's on --
24 that's -- we're talking numbers there, not
25 responsibilities or positions, right?

1 MS. SANDRA AMORIM DEW: Yes, but as
2 I've indicated, this wasn't a targeted position
3 reduction exercise. It was a workforce reduction
4 exercise. So we recognized that there were many
5 critical -- and I'll use an example.

6 Our accounts payable, half of the
7 department elected to leave. That put us in a -- in a
8 bit of a challenging position, and we had to build
9 back up from that. It wasn't that we didn't think we
10 needed half of our accounts payable group, but because
11 they were provided the opportunity to apply and had it
12 approved.

13 MR. THOMAS REIMER: Right. I guess
14 the thing I'm trying to get at, Ms. Amorim Dew, and --
15 and we can leave it after this, but if you're hiring
16 someone at a low level -- or, sorry. If somebody's
17 leaving at a high level position and you're having
18 someone come in at a lower level, that's a net benefit
19 to the enterprise from a -- from a financial
20 perspective, right?

21 Again, I know I'm talking to
22 accountants, so I'm -- if I look like a deer in the
23 headlight. But -- but by the same token, if you -- if
24 -- if you reverse that, okay, if somebody at a lower
25 level, like perhaps an accounts payable clerk is

1 leaving, but you're hiring someone at a higher salary
2 in some other place in the enterprise, maybe at double
3 the salary, that's a net negative from a financial
4 perspective, right?

5 So that's what I'm trying to get at.

6 MS. SANDRA AMORIM DEW: I think maybe
7 part of my response to this is going to be that where
8 you see that we're having a lot of our growth in our
9 FTE is with our trainees.

10 So that is at the lower entry level,
11 and the intent there is, you know, as I -- even -- I
12 think I mentioned it in my direct evidence -- a lot of
13 the panel members at this hearing started off as a
14 trainee at Manitoba Hydro. They worked their way up,
15 they developed experience, they understand the
16 business, and are providing great value.

17 So that is our main intake mechanism
18 right now and how we're building our FTEs. Could
19 there be some positions that are offset at a higher
20 salary? Possibly, but that is not our overall goal.

21 MR. THOMAS REIMER: I'm going to
22 switch gears and go back to the rebuttal evidence.
23 I'm at page 13 of 131.

24 MR. GREGORY EPP: Mr. Reimer, may I
25 ask to add something? Mr. Chairman Gabor asked a

1 question about VDP that -- so before you go off VDP, I
2 just wanted to provide some clarification.

3 So if we go to page -- Ms. Schubert, it
4 you could go to page 239 of Counsels' book of
5 documents.

6

7

(BRIEF PAUSE)

8

9 MR. AUREL TESS: On page 238, the date
10 of this letter is April 24th, 2019, and it's going to
11 the Chair of the electric -- Manitoba Hydroelectric
12 Board from the Minister of Crown Services. And the
13 direction received in this mandate letter is on page
14 239.

15 That -- that indicates they expect
16 Manitoba Hydro to reduce overall head count by 8
17 percent and overall management by over 15 percent,
18 conducted through a spans (phonetic) and layers
19 review. And that review was done by an independent
20 party, and Manitoba Hydro complied.

21 But I think the main thing I wanted to
22 also disclose is that VDP was -- was a Manitoba Hydro
23 initiative, and because it was a Hydro initiative, we
24 didn't -- we had already done this work essentially to
25 -- if you could call it work -- to -- to make these

1 reductions.

2 THE CHAIRPERSON: Thanks.

3 MR. AUREL TESS: I hope that clarifies
4 things.

5 THE CHAIRPERSON: Yeah. Thank you.
6 Ms. Bellringer has a question.

7 BOARD MEMBER BELLRINGER: Sorry. Just
8 as you close off on FTEs, and it's -- it's just a
9 quick question about whether -- do you provide the FTE
10 numbers to Treasury Board?

11 MR. AUREL TESS: Yes.

12 BOARD MEMBER BELLRINGER: And do -- do
13 they -- are they required to approve those?

14 MR. AUREL TESS: They do approve the
15 overall budget, Ms. -- Ms. Bellringer, but like we --
16 we go through a process with Treasury Board; that's
17 where the review -- the Treasury Board analysts will
18 review all of our materials, including our FTE levels.

19 I think they spent a lot of time more
20 recently on capital, the significant dollars in
21 capital, but not so much on the detail on the FTEs.
22 But they -- they do approve the overall O&A budget.

23 BOARD MEMBER BELLRINGER: Do they
24 actually approve the FTE number also separately? Like
25 the --

1 MR. AUREL TESS: As part of the
2 budget, not separately, no.

3 BOARD MEMBER BELLRINGER: Sorry. As
4 part of the budget, but specifically, the FTE? Like
5 if you -- well, I don't know --

6 MR. AUREL TESS: Yeah.

7 BOARD MEMBER BELLRINGER: -- how else
8 to ask the question.

9 MR. AUREL TESS: Well, I know in, you
10 know, years in -- spending years in government, they
11 do approve the actual number of FTEs. With Crown
12 corporations, my understanding is they -- they provide
13 the overall budget approval.

14 BOARD MEMBER BELLRINGER: And what --
15 the -- the most recent one that they would have
16 approved?

17 MR. AUREL TESS: '23/'24.

18 BOARD MEMBER BELLRINGER: '23/'24.

19 Okay. Thank you.

20 THE CHAIRPERSON: Sorry.

21 MS. SANDRA AMORIM DEW: And if I could
22 add --

23 THE CHAIRPERSON: Yeah.

24 MS. SANDRA AMORIM DEW: -- to that --
25 it's Ms. Amorim Dew. We do also provide the more FTEs

1 split out by management and non-management.

2 THE CHAIRPERSON: Sorry, just
3 followup. And I thank you for your -- your response,
4 Mr. Tess.

5 While VDP was a Hydro initiative, was
6 VDP reviewed by Government before -- before it went
7 ahead?

8 MR. AUREL TESS: I'm going to have to
9 take that as an undertaking. I wasn't part of the
10 Corporation side, so I'd have to --

11 THE CHAIRPERSON: Thank you.

12 MR. AUREL TESS: -- look into that.

13

14 --- UNDERTAKING NO. 39: Manitoba Hydro to confirm
15 if VDP was reviewed by
16 Government before it went
17 ahead

18

19 CONTINUED BY MR. THOMAS REIMER:

20 MR. THOMAS REIMER: So I'm going to
21 back to figure 7 on page 14 of 131. And if I
22 understand correctly, one of the things that Manitoba
23 Hydro is disagreeing with Mr. Madsen about is the fact
24 that it doesn't feel that he accounted for the -- the
25 block there that's empty for GWIN provisions for GWI.

1 Do you see where I'm looking?

2 MS. SANDRA AMORIM DEW: I do. The one
3 with the red box around it, under the '22/'23 column.
4 Yes, I see that.

5 MR. THOMAS REIMER: And -- and I just
6 want to understand a little bit better his statement.
7 So -- so if you go back a page to 13, and -- and you
8 explain here that on -- at line 8:

9 "As such, general wage increase
10 assumptions were not assumed in
11 2022/23 budget."

12 Right?

13 MS. SANDRA AMORIM DEW: That is
14 correct.

15 MR. THOMAS REIMER: And so -- and this
16 may be for Mr. Fogg. My understanding of the IFRS
17 requirements is that Manitoba Hydro is expected to
18 accrue for both known and expected liabilities.

19 Is that correct?

20 MR. ALISTAIR FOGG: Correct.

21 MR. THOMAS REIMER: And in this case,
22 Manitoba Hydro would have expected to pay a higher
23 general wage increase for 2022/23. Is that right?

24

25 (BRIEF PAUSE)

1 MR. ALISTAIR FOGG: Sorry, Mr. Reimer.
2 Can you repeat your question?

3 MR. THOMAS REIMER: Yeah. So I take
4 it Manitoba Hydro would have known that it was going
5 to pay GWI for 2022/23?

6 MR. ALISTAIR FOGG: I mean, at that
7 time, as that bargaining was occurring, that there was
8 a target that it would be a zero percent general wage
9 increase. And that -- that's why you don't see those
10 increases there.

11 MR. THOMAS REIMER: Okay. So you're -
12 - you're saying, We did not expect to pay anything --

13 MR. ALISTAIR FOGG: That was the
14 target in the negotiations at that time.

15 MR. THOMAS REIMER: I see. Okay.
16 Now, as my father used to say, this is going to hurt
17 me more than it's going to hurt you. I'm going to try
18 and -- and go through this with you, Mr. Fogg.

19 So one of -- and -- and I'll tell you
20 the reason why. I -- I believe there's some
21 disagreement with Mr. Madsen that he hasn't accounted
22 for certain things in his recommendations when it
23 comes to wages and salary, okay?

24 Are you -- in general, are you aware of
25 that disagreement?

1 MR. ALISTAIR FOGG: There is some
2 disagreement on that. I'll accept that, yeah.

3 MR. THOMAS REIMER: Okay. And -- and
4 so, the first thing I want to do is I want to --
5 subject to check -- I want to look at figure 7. And I
6 want you to get -- get you to agree with me that for
7 the GWI for 2023/'24 is 1.2 percent. And so, I get
8 that -- let me just try and do this, Mr. Fogg. Bear
9 with me.

10

11 (BRIEF PAUSE)

12

13 MR. THOMAS REIMER: Pardon me for a
14 second.

15

16 (BRIEF PAUSE)

17

18 MR. THOMAS REIMER: Okay. I think
19 I've lost the numerator here, but I'm going to -- I'm
20 going to try this. And you can tell me if I'm wrong,
21 okay?

22 The -- the equation that I've got here
23 is five-thousand-seven-hundred-and-twenty-four (5,724)
24 divided by four-hundred-and-fifty-eight-eight-o-three
25 (458,803) for 2023/24. Got it. Okay.

1 If you look at GWI for 2023/24, you
2 have fifty-seven-twenty-four (5,724). Do you see
3 that?

4 MR. ALISTAIR FOGG: Yes.

5 MR. THOMAS REIMER: And then, if you
6 take the prior year's balance of four-fifty-eight-
7 eight-o-three (458,803) and -- and you do the equation
8 there, that comes to 1.2 percent. Okay? With me?

9 MR. ALISTAIR FOGG: With you.

10 MR. THOMAS REIMER: Okay. That's a
11 relief.

12 And if you do the same thing for the
13 following year -- okay -- so seventy-five-ninety-three
14 (7,593) for GWI in '24/'25 over the previous year's
15 balance four-eighty-two-eight-three-eight (482,838),
16 you get 1.6 percent.

17 MR. ALISTAIR FOGG: I'll accept that.

18 MR. THOMAS REIMER: Okay. Now, on
19 page 19 of the -- sorry, page 14 of -- at lines 11 and
20 12. This is the -- this is, I think, the nub of the
21 dispute with Mr. Madsen. He's recommending a reduced
22 -- a reduction in labour costs of 7.7 and 11.1 million
23 for those two (2) years, right? Do you see that?

24 MR. ALISTAIR FOGG: Yes, I see that.

25 MR. THOMAS REIMER: And -- and your

1 response is based on a 1 percent -- I'm still in line
2 11 -- based on a 1 percent escalation of expenditures
3 in 2023, right?

4 And you're saying you don't support Mr.
5 Madsen's recommendation, based on that 1 percent
6 escalation. Is that right?

7 MR. ALISTAIR FOGG: I think what we
8 were trying to convey here was that my understanding
9 and recollection was Mr. Madsen used the 2022/23
10 budget to form that recommendation around the labour
11 cost reductions and the 1 percent escalation.

12 And what we were trying to highlight
13 was because in 2022/23 it didn't capture that DWI item
14 that we highlighted, that -- that would be -- that
15 would cause some -- some challenges in using that year
16 as the basis for a further escalation in O&A.

17 MR. THOMAS REIMER: Okay. So then,
18 let's look at table 9 of Mr. Madsen's evidence, at
19 page 83. Ms. Schubert, if that -- if you would be so
20 kind? Thank you.

21 Okay. So Mr. Madsen starts at the same
22 place as you, right, prior year balance, four-fifty-
23 eight-eight-o-three (458,803). You see that?

24 MR. ALISTAIR FOGG: Yes, I do.

25 MR. THOMAS REIMER: And -- and then,

1 he's recommending the same rate of GWI, okay. So we -
2 - we looked at that. It was 1.2 and 1.6 percent.
3 Okay?

4 And you can subject -- you can take
5 this subject to check. But I'm going to suggest to
6 you that he has -- he has recommended a GWI of the
7 same rate as Manitoba Hydro.

8 MS. SANDRA AMORIM DEW: I think -- I
9 just want to clarify here.

10 So when you look at the '23/'24
11 preliminary budget column in figure 7 of the rebuttal
12 evidence, on the line that says, GWI and provisions
13 for GWI, the five-million-seven-hundred-and-twenty-
14 four-thousand (5,724,000) was related to GWI for the
15 '23/'24 fiscal year.

16 We prepared this budget in
17 approximately the June to August 2022 time frame. We
18 have a requirement to provide our budget submissions
19 to Treasury Board by the fall. And before that, we
20 have to go through audit and finance, and our Manitoba
21 Hydro Electric Board. So we prepared that budget in
22 pretty much the summer of 2022.

23 And so, what we knew at that time was
24 that we had -- which was different from when we did
25 the '22/'23 budget -- we had finalized a collective

1 agreement with our AMHSSE, which is the Association of
2 Manitoba Hydro Staff and Supervisory Employees
3 bargaining unit.

4 We finalized our agreement with CUPE.
5 There had been some other salary increases known.

6 And so, when we did the 2023/'24
7 preliminary budget in the summer of 2022, we included
8 the amounts that would be allocated to the previous
9 fiscal year that hadn't been considered in the '22/'23
10 forecast when it was developed.

11 And so, that last line in the '23/'24
12 preliminary budget column of thirty-four-million-
13 three-hundred-and-twenty-six-thousand (34,326,000)
14 includes -- it's not just an FTE change. It's an FTE
15 change, plus other provisions which include the
16 previous general wage increases that became back-pay
17 in that year.

18 MR. THOMAS REIMER: And those -- when
19 -- it -- it -- like is there a reason why when you've
20 got your actual numbers, you can't put that back in
21 that red box?

22 MS. SANDRA AMORIM DEW: So, that --
23 that was the '22/'23 forecast was the budget
24 information that we had for that year.

25 MR. THOMAS REIMER: Yeah.

1 MS. SANDRA AMORIM DEW: It was not
2 updated.

3 MR. THOMAS REIMER: Is it possible to
4 get that table updated?

5 MS. SANDRA AMORIM DEW: Sorry. I
6 missed your question.

7 MR. THOMAS REIMER: Is it possible to
8 get the table updated with the red box filled in and
9 the adjustment to the FTE normal operating changes and
10 other in '23/'24?

11 MS. SANDRA AMORIM DEW: So, we are
12 still finalizing our '22/'23 actuals.

13 MR. THOMAS REIMER: Okay. Okay. So
14 the answer is no.

15 MS. SANDRA AMORIM DEW: No, we won't
16 have that ready.

17 MR. THOMAS REIMER: Okay.

18 MS. SANDRA AMORIM DEW: It's going to
19 our Board at the end of July.

20 MR. THOMAS REIMER: Fair enough.

21 MS. SANDRA AMORIM DEW: Sure.

22 MR. THOMAS REIMER: Okay. So -- so
23 I'll just sort of put -- finish off this line by -- by
24 suggesting to you that Mr. Madsen's increase is
25 actually more like 3 1/2 percent higher from '22 to --

1 '22/'23 to '23/'24? Okay. It's not 1 percent. In --
2 in total -- in total recommended wages and salaries,
3 the increase to that line is more like 3.5 percent.

4 And that's just a function of four
5 seventy-five (475) million in the recommendation,
6 versus prior to year balance four fifty-eight (458).

7 MS. SANDRA AMORIM DEW: Sorry. Can
8 you repeat your question?

9 MR. THOMAS REIMER: Yeah. So, I'm
10 just looking at the increase is 3.5 percent between
11 prior year balance and recommended wages and salaries.
12 And you can do that subject to check.

13 MS. SANDRA AMORIM DEW: Subject to
14 check.

15 MR. THOMAS REIMER: Okay, and then for
16 the next year, it's an increase of just under 4
17 percent. Subject to check.

18 MS. SANDRA AMORIM DEW: Subject to
19 check. And in our application we do talk about how
20 our average annual increases -- salary increases are
21 in the range of 3 to 4 percent.

22 MR. THOMAS REIMER: Okay. Is it --
23 so, I -- I recognize that your financials are -- are
24 going to go to -- oh, sorry, Ms. Amorim Dew.

25 MS. SANDRA AMORIM DEW: My apologies.

1 Go ahead.

2 MR. THOMAS REIMER: No. I realize
3 that you -- you -- I'm cognizant of that, but do you
4 have any updated number when it comes to the forecasts
5 and what you -- what your actual for wages and
6 salaries in 2023/'20 or 2022/'23 is, or -- or is that
7 all coming in July and -- and that's the best we can
8 do?

9 (BRIEF PAUSE)

10

11 MS. SANDRA AMORIM DEW: Ms. Schubert,
12 if you could please pull up PUB-IR Round I 74-(a)
13 please, I think that might help answer this question.

14 So, this was a response that we
15 provided with actual results for the end of the -- the
16 third quarter of '22/'23. If you could scroll down
17 and there is an outlook, so this might provide a -- a
18 bit more indication.

19 So, if we scroll right to, you might
20 have to minimize that a bit. So, what we have here is
21 -- we have -- we have four (4) column sections, if we
22 look at the third, which says '22/'23 forecast at the
23 top, you see that the wages and salary line had a
24 total of four hundred and fifty-eight (458) million
25 and the '22/'23 actuals to Q3 and the Q4 outlook in

1 the next cluster of columns, indicates that wages and
2 salaries are going up by about three (3) million.

3 And so, these aren't the final numbers.

4 It was the outlook at the time because we still do
5 have IBEW under negotiations. And so there would, as
6 you had referenced earlier, there would be a provision
7 made for potential general wage increases that would
8 impact this fiscal year that we would book.

9 MR. THOMAS REIMER: Okay. Thank you.
10 That's helpful.

11 I'm -- I'm going to look at HR and
12 safety and health and environment business units now
13 and so I think I'm sticking with you, Ms. Amorim Dew.
14 So, I'm at 11 of 131 of the Rebuttal and looking at
15 figure 5.

16 Is -- is this net of vacancies, Ms.
17 Amorim Dew, for 2022/'23?

18 MS. SANDRA AMORIM DEW: That is net of
19 vacancies. That is the forecast net of vacancies.

20 MR. THOMAS REIMER: And is that answer
21 going to be the same for all these forecasts?

22 MS. SANDRA AMORIM DEW: For the last
23 three (3) columns, correct.

24 MR. THOMAS REIMER: Okay. So, for the
25 additional safety, health and environment FTEs, and --

1 and I'm -- I'm breaking this out because I think your
2 rebuttal evidence spoke to how there's essentially two
3 (2) portions and they're identified here in table --
4 in figure 5.

5 So, for -- I'm focusing you on the
6 safety, health and environment FTEs. What incremental
7 work are those FTEs expected to perform?

8 MS. SANDRA AMORIM DEW: So, I wouldn't
9 be able to provide each position, but the general work
10 that's going to happen with that increase is, we have
11 seen a decrease in our safety group. And with the
12 increase of our trainees, there are extra requirements
13 on the safety side as well.

14 But, there is also an obligation that
15 requires us to -- there's a significant amount of work
16 on safe work procedures that we have to undertake and
17 that has an extensive resource requirement that
18 requires the development of that and maintaining that,
19 so that is a -- a portion of that, in addition to
20 safety officers that were required to be added.

21 MR. THOMAS REIMER: And these are not
22 things that you -- Manitoba Hydro feels that the
23 existing FTEs can do?

24 MS. SANDRA AMORIM DEW: No, it's been
25 determined that we need to increase our resources

1 there.

2 MR. THOMAS REIMER: And then for Human
3 Resources FTEs, what incremental work are the
4 additional forecast FTEs expected to perform?

5 MS. SANDRA AMORIM DEW: So, I should -
6 - maybe, go back a little bit and it applies to the
7 whole business unit as it does with all of our
8 business units.

9 But the HR and Safety and Health and
10 Environment Business Unit was one of the last to go
11 through the extensive business model review with a --
12 a third party to determine what was the -- the
13 appropriate realignment of -- of groups there. And
14 there's been quite a bit of work and they are ongoing
15 and one of the last business units to go through this.
16 And that's why there are some of these increases
17 you're seeing here.

18 But, some of them are for recruitment.
19 Some of them are in -- in Employee Learning and
20 Development and our -- our Total Rewards group.

21 MR. THOMAS REIMER: And -- and so it
22 appears, well it -- let's be honest, it appears to Mr.
23 Madsen and, as a result, to me, that the Human
24 Resources staff appears to be increasing at a level
25 outpacing the overall growth of the Company.

1 Do you agree with that, subject to
2 check?

3 MS. SANDRA AMORIM DEW: It may appear
4 that way, but I would also say that it -- it is
5 because they're going through their business model
6 review later now.

7 And I'd also like to add that employee
8 culture is a big focus right now of -- of the work
9 that we're undertaking and part of the requirements to
10 increase our Human Resources is to provide for that
11 focus.

12 MR. THOMAS REIMER: Okay. Cloud
13 computing arrangement costs. Mr. Chair, I've lost
14 track of the -- of the time after the break that I
15 have remaining.

16 I suspect I'll be able to fill whatever
17 time you're prepared to give me, but obviously I'm at
18 your -- I'm in your hands and -- and in terms of a --
19 a end time for the day, you -- you tell me.

20 THE CHAIRPERSON: I'd say that that's
21 -- I'd say you have about a half an hour.

22 MR. THOMAS REIMER: Okay. That's more
23 than fair. Thank you.

24

25 CONTINUED BY MR. THOMAS REIMER:

1 MR. THOMAS REIMER: So I'm looking at
2 PDF page 20 of the -- of the rebuttal evidence. So,
3 it's 15 of 131. I'm looking at Lines 12 to 19. This
4 might be for Mr. Fogg, but I'll let you decide.

5 So, the rebuttal evidence here --
6 Manitoba Hydro is explaining that O&A expenses include
7 cloud computing arrangement costs and that any costs
8 that are proposed to be subject to deferral account
9 treatment are deferred in the net movement line.

10 Do I have that right?

11 MR. ALASTAIR FOGG: That's correct.

12 MR. THOMAS REIMER: And, Mr. Madsen,
13 in his evidence, at page 83, I'm looking at Figure 1,
14 -- sorry, Figure 10, my apologies, at a breakdown of
15 consulting services costs.

16 And I believe that -- that they're --
17 part of what I just referred you to in the rebuttal is
18 as a result of a -- a disagreement or -- or maybe
19 you're clarifying information that Mr. Madsen may not
20 have had when he prepared his evidence. Is that fair?

21 MR. ALASTAIR FOGG: I -- I think
22 that's fair. We were trying to address -- if you go
23 back to the rebuttal evidence, on page 15, at the top,
24 and starting in Line 1, Mr. Madsen outlines certain
25 assumptions in his calculations related to how those

1 cloud computing costs, particularly SAP S/4, have been
2 treated, assuming that they had already been removed
3 and deferred.

4 And what we were trying to highlight
5 was that those costs remain in the consulting line
6 item, and, financially, they were moved through net
7 movement, but, when he would be conducting his
8 calculations, those costs would still be in the -- the
9 consulting line item that he was looking at in the O&A
10 expenses.

11 MR. THOMAS REIMER: Right, and, if you
12 look at page 86 of Mr. Madsen's report, please, Ms.
13 Schubert.

14 Here is where he -- I believe it's
15 Number 2, these are two (2) assumptions that he's made
16 and he's saying, look, I've assumed -- have I -- have
17 I just -- have I jumped something here -- is this the
18 assumption that you're referring to, Mr. Fogg?

19 MR. ALASTAIR FOGG: And, maybe, the
20 best example is from -- to -- to try and describe
21 where -- where I'm going is in our direct evidence in
22 this regard? Just give me one second. I'll find the
23 slide.

24 On Slide 44 of our direct evidence, we
25 were speaking of this item, as it comes up here. So,

1 when we look at the Operating & Administrative
2 expenses, costs related to something, and we use SAP
3 S/4 in this example, are included within the O&A line
4 item.

5 When we provide the breakdown of
6 Operating & Admin expenses that we would provided
7 through a Information Request that Mr. Madsen used,
8 the SAP S/4 costs remain within those costs, in that
9 line item.

10 So, when he was doing his calculations,
11 all of the SAP S/4 costs were in his calculation
12 because they aren't removed until that -- they get to
13 that net movement to regulatory deferral line item
14 with the assumption of the regulatory deferral.

15 MR. THOMAS REIMER: And -- and, just
16 to sort of tie a bow on that.

17 When you look at the assumption that I
18 just asked you to, he says:

19 "I'm assuming all SAP S/4HANA costs
20 relating to consulting have already
21 been removed and deferred from the
22 consulting fees."

23 And you're saying that assumption is
24 actually incorrect?

25 MR. ALASTAIR FOGG: That's right. I'm

1 saying his assumption was incorrect.

2 MR. THOMAS REIMER: Now -- and, sorry,
3 I missed this, Ms. Schubert, but I -- could -- could -
4 - is it possible to bring up PUB Manitoba Hydro IR 1-
5 62? I don't think that was on the list of things I
6 gave you. So, I apologize.

7 And I'm loo -- I believe I'm looking at
8 -- if you keep scrolling -- yes, that's I -- I believe
9 what -- pardon me -- I'm just going to take a quick
10 look at my document.

11

12 (BRIEF PAUSE)

13

14 MR. THOMAS REIMER: Okay. So, I am,
15 indeed, in the right place. So, am I correct to
16 believe then, Mr. Fogg, that this table includes the
17 cloud computing arrangement costs that are proposed to
18 be deferred by Manitoba Hydro?

19 MR. ALASTAIR FOGG: That's correct.
20 And just to confirm further, that's following the
21 standards, the accounting standards. It's -- it's
22 included and kind of the technical term would be
23 'above the line' and then they're removed below the
24 line.

25 So, we include all of those costs that

1 we propose to defer when we're looking at this line,
2 like operating administrative costs and then they're
3 removed afterward through net movement.

4 MR. THOMAS REIMER: And is it possible
5 to break that out? Like, can you -- can you provide
6 an update of this table that breaks those numbers out
7 and -- and -- so that we can where they're accounted
8 for in this table?

9 MR. ALASTAIR FOGG: Yes, we could
10 provide that.

11

12 (BRIEF PAUSE)

13

14 MS. SANDRA AMORIM DEW: Sorry, Mr.
15 Reimer --

16 MR. THOMAS REIMER: Yes?

17 MS. SANDRA AMORIM DEW: -- I -- I
18 think that we already have a response to this in an
19 IR.

20 MR. THOMAS REIMER: Okay.

21 MS. SANDRA AMORIM DEW: Ms. Schubert,
22 if you could pull up Coalition Round 1 40(e), please.

23

24 (BRIEF PAUSE)

25

1 MS. SANDRA AMORIM DEW: So, in here it
2 -- it shows an -- kind of an excerpt of what Mr. Fogg
3 had included in his slide in the direct evidence. But
4 what you see at the top of this is -- starting in the
5 2022/'23 fiscal year, you see net income before the
6 CCA costs.

7 And -- so, in that year there's nothing
8 related to SAP S/4HANA under O&A, but if you move over
9 to the next fiscal year, you see net income before CCA
10 costs is 483 million, and you see the 13 million for
11 the SAP S/4HANA.

12 You see the small software systems O&A
13 costs and other expenses. So, it includes the CCA
14 included in O&A and other expenses. Then you see the
15 net income before the cloud computing arrangements,
16 regulatory deferral.

17 And then you see the deferral of SAP
18 included next, which shows CCA included in net
19 movement, and then the net income included --
20 including CCA costs and deferral, which is four sixty-
21 nine (469).

22 MR. THOMAS REIMER: That's helpful.
23 Thank you. So, no need for the undertaking.

24

25

(BRIEF PAUSE)

1 MR. ALASTAIR FOGG: And, Mr. Reimer,
2 just as for assistance if this -- if you were talking
3 to Mr. Madsen, he can -- he can look at the specific
4 line of the -- those deferral of SAP S/4 costs in
5 relation to this CCA to understand where those costs
6 would be removed from the O&A expenditures.

7 MR. THOMAS REIMER: You're suggesting
8 I can't do that, Mr. Fogg?

9 MR. ALASTAIR FOGG: I'm just providing
10 some assistance.

11 MR. THOMAS REIMER: I'm going to
12 switch gears to page 20 -- it's PDF page 23, page 18
13 of Manitoba Hydro's rebuttal evidence.

14

15 (BRIEF PAUSE)

16

17 MR. THOMAS REIMER: I'm looking at
18 lines 11 to 20, if I didn't say that already.

19 So, Manitoba Hydro is explaining here
20 that there are not only increases in O&A with moving
21 certain costs that were previously deemed a capital
22 expenditure to O&A, but expenditures relating to
23 cloud-based services such as subscription costs are
24 increasing significantly, right?

25 MS. SANDRA AMORIM DEW: Sorry, which

1 line is that on?

2 MR. THOMAS REIMER: Oh, I'm -- pardon
3 me, I'm at page -- I thought I was at page 18 of 131.
4 And I was at line 11, but maybe I have a bad citation.
5 Okay. Okay.

6 So, are we on the same page here,
7 folks? Yeah? Okay. And -- and then Manitoba Hydro
8 goes on to provide figure 8, with respect to computer
9 services there. Do you see that?

10 MS. SANDRA AMORIM DEW: Yes, we do.

11 MR. THOMAS REIMER: And so, if I
12 understand your position correctly, costs are
13 increasing in this area both because of some capital
14 expenditures being converted to O&A, and then also
15 because the overall costs are increasing separately?

16 MS. SANDRA AMORIM DEW: Agreed. So
17 the first part of it is the fact that now it's an
18 operating expense, and now that it is an operating
19 expense, there are cost increases for existing, and
20 we're also adding new -- similar to what we would do
21 if it was under the capital budget.

22 MR. THOMAS REIMER: Okay. And so --
23 and -- and that first component -- so the capital
24 costs I understand -- and -- and you've talked about
25 that at some length, the second part of this in terms

1 of overall costs -- that's both the volumes of costs
2 and the rates for those volumes.

3 Is that right?

4 MS. SANDRA AMORIM DEW: That is
5 correct.

6 MR. THOMAS REIMER: And Figure 8
7 doesn't break down the cost increases by these three
8 (3) drivers, right?

9 MS. SANDRA AMORIM DEW: No. Figure 8
10 provides the total for computer services.

11 MR. THOMAS REIMER: Is it possible to
12 -- to break it down to -- to that level to -- to say
13 these are things attributable to the new capital cost
14 allowance rules, these are the things attributable to
15 the increase in prices?

16

17 (BRIEF PAUSE)

18

19 MS. SANDRA AMORIM DEW: We can
20 undertake to provide that to you.

21 MR. THOMAS REIMER: Thank you.

22

23 --- UNDERTAKING NO. 40: Manitoba Hydro to advise
24 which costs for items in
25 Figure 8 are attributable

1 to new capital cost
2 allowance rules and which
3 are attributable to
4 increase in prices

5

6 CONTINUED BY MR. THOMAS REIMER:

7 MR. THOMAS REIMER: I think I might
8 land a plane in the -- in the runway I've got left to
9 me. So I'm going to switch gears now and talk about
10 the Enterprise Excellence Division. And I'm going to
11 turn your attention, with the assistance of Ms.
12 Schubert, to page 10 of 131, Figure 4, please.

13 So this is -- no, no. So Mr. -- Mr.
14 Madsen highlighted the increase in the -- the CEO and
15 president division, right? And --

16 MS. SANDRA AMORIM DEW: He did, yes.

17 MR. THOMAS REIMER: -- and the role of
18 this division is identified in your evid -- rebuttal
19 evidence at page 10 at I believe line 20.

20 So the focus is on embedding change
21 management, continuous evaluation and improvement, and
22 alignment to strategy across the Corporation, right?

23 MS. SANDRA AMORIM DEW: That is
24 correct.

25 MR. THOMAS REIMER: And is this

1 incremental work, is this new work?

2 MS. SANDRA AMORIM DEW: Well, I'll --
3 and Mr. Tess may want to add in from an enterprise
4 level, but a lot of this work was being done, but it's
5 been heightened with the focus on continuous
6 improvement and evaluation and change management at an
7 enterprise level.

8 We've always had some form of change
9 management, but it's been elevated.

10 MR. THOMAS REIMER: Okay. And so can
11 you give me in -- in as much detail as you can -- what
12 is the additional work that's being done by these
13 people?

14 MR. AUREL TESS: So Ms. Amorim Dew
15 mentioned change management, and there is a
16 significant amount of change happening within Manitoba
17 Hydro. The projects we've been talking about, for
18 example, SAP, potentially AMI, these projects that are
19 ongoing, the business model work, the culture work
20 that we've been talking about.

21 These are all significant changes for
22 the Organization, so the -- you know, it's really
23 expansion of existing change management work.

24 MR. THOMAS REIMER: Has there been a
25 decrease in FTEs anywhere else to offset work that's

1 now being done in this more centralized location?

2 MR. AUREL TESS: I think we took that
3 as an undertaking. I don't know if we have that
4 information yet, but some of the staffing here did
5 come from other areas of the organization, so we can
6 get that to you.

7 MR. THOMAS REIMER: Sorry, I missed
8 that if it was. Thank you, Mr. Tess. And -- and, I
9 mean, I think you've answered the question, but I'll
10 just make sure that I understand.

11 The work that's being done by this --
12 is it a -- a division or a unit? -- the work that's
13 being done by this unit was already -- already being
14 done at either a unit or a division level previously?

15 MR. AUREL TESS: Well, in terms of
16 change management, yes. I would say coordination of
17 all the strategy work across the Company, that --
18 that's not something that was -- was happening prior
19 to this unit being brought in, though.

20 MR. THOMAS REIMER: Strategy work
21 across the Company was not being done?

22 MR. AUREL TESS: I'd say the
23 coordination of all of it. Like it was done more or
24 less in a -- on an individual business unit basis, but
25 now we're looking at a centralized approach to this

1 and tying in all the business unit work together into
2 one (1) unit that oversees that -- that kind of work.

3 MR. THOMAS REIMER: You say in the --
4 in Table -- or Figure 4 that for the enterprise enter
5 -- the Enterprise Excellent -- Excellence Division,
6 there are forecast to be nine (9) FTEs.

7 Is that what -- do you know, sitting
8 here now, how many people are actually -- can we talk
9 about positions? How many positions? How many people
10 are in those roles?

11 MR. AUREL TESS: Let's see if we have
12 that.

13

14 (BRIEF PAUSE)

15

16 MS. SANDRA AMORIM DEW: If we could
17 turn, Ms. Schubert, please, to PUB Round II 27(a), we
18 provided the actual FTEs to the end of February. And
19 so what you can see under the president and CEO group
20 to the end of February of 2023 is that there were
21 sixteen (16) FTEs, so it would have been six (6) of
22 those nine (9).

23 MR. THOMAS REIMER: Sorry, how do you
24 get there?

25 MS. SANDRA AMORIM DEW: Sorry. Sorry.

1 If you look at the first line for president and CEO --

2 MR. THOMAS REIMER: Yes.

3 MS. SANDRA AMORIM DEW: -- there are
4 sixteen (16) FTEs under the 'Actual' column for year
5 to date versus the forecast of nineteen (19). So
6 there's a variance of three (3) FTE.

7 MR. THOMAS REIMER: And -- and you're
8 saying ten (10) would relate to the admin -- the admin
9 division within the president/CEO's unit?

10 MS. SANDRA AMORIM DEW: Yes. So that
11 -- the president and CEO business unit was always for
12 the president and the executive and administration in
13 that office.

14 And now that this function has been
15 elevated, and with the creation of the Enterprise
16 Excellence Group, it's a new division under that
17 business unit which had the forecast -- I believe it
18 was nine (9) for the '22/'23 year.

19 MR. THOMAS REIMER: Okay. And before
20 we were talking about how these forecasts were net of
21 vacancies. In this case, though, that's not the case?

22 MS. SANDRA AMORIM DEW: No. The
23 forecast would still be net of vacancy. We -- and it
24 would be subject to check, but these six (6) FTEs in
25 the Enterprise Excellence Group may have been there

1 the full year.

2 MR. THOMAS REIMER: But you've
3 projected nine (9)?

4 MS. SANDRA AMORIM DEW: Yes.

5 MR. THOMAS REIMER: All right. What
6 am I missing?

7 MS. SANDRA AMORIM DEW: We may have
8 pro -- I think we projected nine (9) to be there for
9 the whole year, but that would subject to check.

10 MR. THOMAS REIMER: Okay. So in other
11 words, you forecast on the basis of filled FTEs, and
12 it just so happened in reality that you only had six
13 (6) instead of nine (9)?

14 MS. SANDRA AMORIM DEW: Exactly, and
15 it is a small group. We may have made the assumption
16 of no turnover or -- and this is once again subject to
17 check -- we may have added -- 'cause I know in the
18 '24/'25 year, we haven't increased.

19 Ms. Schubert, do you mind going to the
20 other -- sorry. I just don't have it in front of me
21 right now.

22 So -- yeah. So we have a preliminary -
23 - so what you see in the -- in Figure 4 here is that,
24 in the '22/'23 forecast, we have nine (9) FTE -- that
25 is net of vacancy -- and then in '23/'24 and '24/'25,

1 we have eleven (11) FTE for the Enterprise Excellence
2 Group.

3 So what I don't know off the top of my
4 head right now, but I could provide this, is whether
5 the nine (9) FTE includes the two (2) in the future
6 years but assumes they come in later on or not.

7 MR. THOMAS REIMER: And do you know
8 how many of these people were recruited from within
9 Manitoba Hydro? All of them?

10 MS. SANDRA AMORIM DEW: So that was
11 the undertaking that Mr. Tess said we have.

12 MR. AUREL TESS: Mr. Reimer, I might
13 be able to help you out more with your -- your
14 question about the function of the unit. So if you go
15 to tab 2, Ms. Schubert. Page -- page 20 I believe is
16 where it starts.

17 And so the first part, we talk about
18 culture and continuous improvement and enhancing our
19 change management capability. And the benefits there,
20 managing change more efficiently, leading to reducing
21 costs and process time.

22 And as I mentioned, there's lots of
23 change happening, and it always consists of people,
24 process, technology. So you can't just change out a -
25 - an information system and -- and not change process,

1 for example.

2 The unit is also focused on consistency
3 and efficiency, so -- so lots of good benefits there.
4 Continuous improvement capability and culture is being
5 built.

6 And -- and enterprise alignment
7 capability, in terms of strategic alignment, we -- we
8 have initiatives underway. And we want to make sure
9 everything is -- is happening in a cohesive way. And
10 each business unit is -- is -- in terms of
11 coordination and integration of those initiatives.

12 So that's really what I meant by
13 strategy integration. So it doesn't happen in a
14 siloed way. You're welcome.

15 MR. THOMAS REIMER: Last few questions
16 and -- and then I will be done.

17 So I'm going to talk about SAP S/4HANA
18 for a moment. I'm going to try not to trot on the
19 ground that Mr. -- or re-till the ground Mr. Williams
20 already tilled.

21 So -- and I don't know if this is for
22 you, Mr. Fogg. But my understanding is that the --
23 one of the drivers for the phase zero of -- of the SAP
24 S/4HANA project is that, in 2027, it will no longer be
25 supported by SAP. Is that correct?

1 MR. ALISTAIR FOGG: One of the drivers
2 is that that support ends by SAP. Yes, that's
3 correct.

4 MR. THOMAS REIMER: And am I right to
5 believe that that has been known for several years?

6 MR. ALISTAIR FOGG: I don't know the
7 exact time it's been known, but that may have been
8 known for some time.

9 MR. THOMAS REIMER: So -- so my
10 understanding from extensive Google searching last
11 night is that, originally, there was a deadline of
12 2025 and that that was pushed back to 2027.

13 Are you familiar with that at all?

14

15 (BRIEF PAUSE)

16

17 MR. ALISTAIR FOGG: I believe that's
18 accurate, yes.

19 MR. THOMAS REIMER: And so, it's not
20 news to -- like, Manitoba Hydro would have known and
21 would have been tracking the fact that its existing
22 system was no longer going to be supported at some
23 point in the relatively near future.

24 And -- and you can tell me, when did it
25 become aware of that? I'm -- I'm guessing it was

1 probably four (4) or five (5) years ago. Is that
2 fair?

3 MR. ALISTAIR FOGG: I don't know that
4 specifically. I can't comment on the exact timing, but
5 we -- we may have known before and we've endeavoured
6 to put together a business case now for that
7 transition, knowing that that support would end --
8 would be ending. But also recognizing that we're
9 working with an SAP that's approximately twenty (20)
10 years old right now.

11 MR. THOMAS REIMER: And -- and you're
12 aware that Mr. Madsen has raised concerns in his
13 evidence about the potential for large cost overruns?

14 MR. ALISTAIR FOGG: I'm aware of that,
15 yes.

16 MR. THOMAS REIMER: And is that a
17 concern that you share?

18 MR. ALISTAIR FOGG: Certainly, it's a
19 concern with any large project and large IT project
20 that you would have to manage costs and cost risk,
21 yes.

22 MR. THOMAS REIMER: And you're
23 familiar, for example, with what's happening at MPI
24 with --

25 MR. ALISTAIR FOGG: I'm aware of it,

1 yes.

2 MR. THOMAS REIMER: And -- and that, I
3 assume, is something that you would like to avoid at
4 Manitoba Hydro?

5 MR. ALISTAIR FOGG: Absolutely. And
6 really, that's why we're talking about doing a
7 business case before conducting any further work of
8 that and making that fully informed decision.

9 MS. SANDRA AMORIM DEW: And if I may
10 add this. Ms. Amorim Dew.

11 What we're also doing to avoid any of
12 those potential issues is, similar to what we
13 described with our capital planning and process, is we
14 have stage gates. So we're not just saying we're
15 doing the business case and jumping into S/4.

16 We're going to -- we have stages and
17 there will be touch points to determine if it's still
18 the right approach to take.

19 MR. THOMAS REIMER: And is the PUB
20 going to have an opportunity to look at the business
21 case before you make a decision? Or are you expecting
22 to make a decision and then come to the PUB and tell
23 them what you've done?

24

25

(BRIEF PAUSE)

1 MR. ALISTAIR FOGG: So I -- I think
2 from a process, that perspective, the first step will
3 be to complete that business case. We -- we would
4 have some work to do to discuss this with -- with our
5 Board.

6 I think similar to other -- other
7 capital projects that have been executed, there --
8 there's an opportunity to keep the Board updated on --
9 on what decisions we may be reaching in regards to SAP
10 S/4 and what those next steps may look like.

11 MR. THOMAS REIMER: Because this is --
12 I'm going to -- I'm very close to the end and I know
13 Mr. Williams -- or Dr. Williams asked you about this.

14 But you're asking for approximately
15 12.5 million for SAP S/4HANA in '23/'24. And
16 approximately 22.9 million in '24/'25. Right?

17 MR. ALISTAIR FOGG: Those are the
18 approximate amounts, yes.

19 MR. THOMAS REIMER: And you haven't
20 presented a business case to the Board?

21 MR. ALISTAIR FOGG: No, what -- what
22 we've tried to do is forecast anticipated spending.
23 Because we've been asked to provide a -- and we -- we
24 are providing a long-term forecast, we have to include
25 what we anticipate to spend. And that's what we've

1 done here.

2 And highlighted that SAP S/4 is
3 included in that forecast.

4 MR. THOMAS REIMER: And would I be
5 correct to understand that once -- so once you pass
6 phase zero, you have the blueprinting or design phase
7 that you referenced yesterday. Right?

8 MR. ALISTAIR FOGG: That's the
9 proposed next phase of the project, yes.

10 MR. THOMAS REIMER: And -- and once
11 you've made -- so that's after you've made the
12 decision to adopt SAP S/4?

13 MR. ALISTAIR FOGG: If we made the
14 decision to proceed past the business case phase,
15 blueprinting would be mapping out how that would
16 proceed from a more -- in a more detailed fashion
17 before full implementation of the software itself.

18 MR. THOMAS REIMER: And this is a
19 year's long process, correct?

20 MR. ALISTAIR FOGG: Approximately,
21 yes.

22 MR. THOMAS REIMER: And my
23 understanding is that there may be limited numbers of
24 consultants available who can assist with this type of
25 transition?

1 MR. AUREL TESS: In talking to our --
2 our VP of Digital and Technology, there is a -- a
3 demand -- a high demand for SAP consultants for
4 implementation --

5 MR. THOMAS REIMER: Because everybody
6 that's got -- everybody that's got the old system --

7 MR. AUREL TESS: Yes.

8 MR. THOMAS REIMER: -- is facing the
9 same deadline as you, right?

10 MR. AUREL TESS: Correct. Yeah.

11 MR. THOMAS REIMER: And so -- and so,
12 I'm going to suggest this to you and I'm just going to
13 invite you to respond. And I think this is my last
14 question.

15 But it seems to me as though you have
16 brought a very large potential project to the Board
17 that has quite a tight deadline, that has very limited
18 information for the Board to consider, it's asking for
19 a lot of money in the test years, and you're asking
20 the Board to make a decision now, in that environment.

21 And so, my question to you is: Do you
22 feel that you have given the Board sufficient
23 information about this that can permit it to make a
24 decision about your request for SAP S/4HANA costs at
25 this moment?

1 MR. AUREL TESS: Well, I think, first
2 of all, we've given you the best information we have,
3 given the timing of the rate application. And we've
4 been completely transparent with everyone, I believe,
5 in terms of where we are at in the business case
6 process.

7 We've also committed to coming back and
8 -- and reporting on this. I think Mr. Fogg referenced
9 the deferral that is also included in the SAP costs,
10 which essentially, reduces the revenue requirement for
11 the test years; not completely, but reduces it.
12 Because I believe it's amortized over ten (10) years,
13 subject to check.

14 So -- so the impact on -- on the test
15 years is not as material as the 156 million.

16 So I guess, framing it as what we're
17 asking for I would kind of look at it as the impact on
18 the -- on the revenue requirement is -- and I mean,
19 the other project that you haven't mentioned, but I --
20 you know, Mr. Williams mentioned, is AMI.

21 And I think the same goes for that
22 project. It's material. We take it very seriously.
23 You know, we're going to do everything we can to keep
24 everyone informed as we go along.

25 MR. ALISTAIR FOGG: I think, Mr.

1 Reimer, just to add, we -- we viewed it as more
2 appropriate to include those times and -- and show
3 that to the Board so that they're aware those are
4 upcoming versus coming later after a business case
5 decision may have already been made. We wanted to
6 include those in the forecast now.

7 MR. AUREL TESS: We saw it as
8 appropriate to start the conversation given where
9 we're at in the -- in the process. But I -- I think
10 you might be asking us why we didn't include those
11 numbers in the forecast if we hadn't included them.

12 MR. THOMAS REIMER: I'm a lawyer, Mr.
13 Tess. Thank you to the panel for your candour and --
14 and your answers. Thank you, Mr. Chair. Those are my
15 questions for today.

16 THE CHAIRPERSON: Thank you, Mr.
17 Reimer. I've -- I've got a couple of follow-ups.
18 Sorry.

19 Is there a stage 8 document now? Or is
20 it just going to be formulated as part of the business
21 case?

22 MS. SANDRA AMORIM DEW: It will be
23 formulated as part of the business case.

24 But what I indicated was we'll follow
25 the same process we do with a capital project.

1 THE CHAIRPERSON: Right. Okay.

2 MS. SANDRA AMORIM DEW: Even though
3 it's an operating --

4 THE CHAIRPERSON: Secondly, what
5 happens if the Board says no? What's -- what's --
6 sorry, what's the fallback position?

7 MR. ALASTAIR FOGG: Mr. Chair, I
8 guess the fallback position if it's a no is, I think
9 we talked about briefly there, there are alternatives
10 we'd have to consider around third-party support for
11 the existing SAP, in terms of the operational side of
12 it, but you -- you might be asking about the financial
13 forecast, you know what I mean.

14 THE CHAIRPERSON: Yeah, but for -- for
15 third support of SAP, I -- I know from before SAP was
16 a very -- the -- the company did not like other people
17 playing with its system.

18 And my -- my understanding before was,
19 you either use SAP, an upgraded SAP, or you use
20 somebody else's system.

21 Are -- are you saying that there could
22 be third-party support of the existing SAP system?

23 MR. AUREL TESS: We've been told
24 that's a possibility, Mr. Chair, but -- I -- I think
25 to answer your question more -- more fulsomely, I

1 think the -- the alternatives that will be presented
2 in the business case might be -- provide the answer to
3 you, so.

4 THE CHAIRPERSON: Yeah.

5 MR. AUREL TESS: If third-party
6 support, for example, is an alternative to -- to
7 implementation of -- of the -- of the new HANA S4,
8 (sic) then that would be explored in the business case
9 for sure.

10 And, you know, it -- it -- there is
11 risk here, that if we continue on with -- without
12 replacing it even longer that, you know, we do have
13 this technology debt that we're dealing with and --
14 and inefficiencies -- more inefficiencies may come
15 into play but we'll leave that to the business case to
16 -- to explain that.

17 THE CHAIRPERSON: Yeah.

18 MR. AUREL TESS: Once we get there.

19 THE CHAIRPERSON: Thank you very much,
20 Mr. Tess.

21 It's been another long day. Thank you
22 all. We will reconvene at 9:00 a.m. tomorrow morning.
23 Thank you.

24

25 --- Upon adjourning at 3:57 p.m.

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3 Certified Correct,

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8 _____

9 Wendy Woodworth, Ms.

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