



“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

May 31st, 2023

Pages 2485 to 2575

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

2

3 THE CHAIRPERSON: Good morning,  
4 everyone. Mr. Hombach...?

5 MR. SVEN HOMBACH: Yes. Good morning,  
6 Mr. Chair, and good morning to everybody in the  
7 hearing room. Today is day 3 of the examination of  
8 Manitoba Hydro's Revenue Requirement Panel. The only  
9 remaining item on the agenda is the cross-examination  
10 by MIPUG's counsel, plus re-direct to the extent that  
11 Mr. Czarnecki may have any.

12 Before we started this morning, Mr.  
13 Czarnecki advised me that Manitoba Hydro would like to  
14 speak to a few undertakings it's ready to put on the  
15 record. So I would suggest we call on Mr. Czarnecki  
16 to do that, and then move on to Mr. Hacault.

17 THE CHAIRPERSON: Thank you. Mr.  
18 Czarnecki...?

19 MR. BRENT CZARNECKI: Thank you, Mr.  
20 Hombach, and good morning, Mr. Chair and Panel members  
21 and ladies and gentlemen.

22 This morning we filed Undertaking 22,  
23 and I would ask that that be marked as Manitoba Hydro  
24 Exhibit 43.

25

1 --- EXHIBIT NO. MH-43: Manitoba Hydro's response  
2 to Undertaking 22

3

4 MR. BRENT CZARNECKI: We also filed  
5 Undertakings 4 and 5 from the CSI session, and I'm  
6 told they should be marked as Manitoba Hydro CSI  
7 number 8.

8

9 --- EXHIBIT NO. MH-CSI-8: Manitoba Hydro's response  
10 to Undertakings 4 and 5  
11 from the CSI session

12

13 MR. BRENT CZARNECKI: And lastly, more  
14 of a housekeeping item from the past. On May 24th, we  
15 filed Undertakings 2 and 4, and I don't think we were  
16 on the record to mark those as Manitoba Hydro Exhibit  
17 36.

18

19 --- EXHIBIT NO. MH-36: Manitoba Hydro's response  
20 to Undertakings 2 and 4

21

22 MR. BRENT CZARNECKI: And if -- if you  
23 -- you will, Mr. Chair, Mr. Fogg would like to speak  
24 to Undertaking 22 very briefly this morning.

25

MR. ALASTAIR FOGG: Thank you. Good



1 morning.

2 THE CHAIRPERSON: Sorry. Thank you.

3 So go ahead.

4 MR. ALASTAIR FOGG: Thank you, Mr.

5 Chair, and good morning, Panel. So if we could bring

6 up Undertaking 22, I'd just like to speak to this

7 briefly.

8 What we've done is -- is -- and I

9 discussed this with Mr. Hombach on -- on Monday, this

10 is in relation to MFR-18, which was providing a view

11 of cumulative rate increases versus cumulative

12 Manitoba CPI.

13 What has been updated in this table are

14 -- is the last three (3) years of the information, and

15 that's the years 2022/'23, 2023/'24, and 2024/'25.

16 And we've updated the Manitoba CPI based on the

17 updated spring 2023 consensus forecast for Manitoba

18 CPI.

19 And so this was an item, like I said,

20 that we discussed on Monday. We also had some

21 discussion yesterday around cumulative rate increases

22 versus cumulative Manitoba CPI.

23 Although that was starting in the

24 2011/2012 year, this here is providing a twenty-five

25 (25) year history. What you'll note at the bottom is

1 the cumulative percent increase in rates to the end of  
2 the test years is now 75.6 percent, and cumulative  
3 Manitoba CPI is 78.08 percent.

4                   If we scroll to the next page, what  
5 we've also tried to provide is, just to -- to simply  
6 it, this is a graphical view of the monthly year-to-  
7 year percent change in Manitoba CPI with averages over  
8 different periods of time since sometimes it can be  
9 easier to view in graphical format versus a table  
10 format.

11

12                   (BRIEF PAUSE)

13

14                   THE CHAIRPERSON: Thank you, Mr. Fogg.  
15 Just further to my question yesterday, I notice how  
16 many years where CPI was less than 2 percent.

17                   MR. ALASTAIR FOGG: Yes, and certainly  
18 that is a -- a very good point, Mr. Chair, and there  
19 are years where that is certainly below 2 percent.

20                   We do have years where it's above 2  
21 percent, and I guess what we'd note is that that's  
22 part of -- there's periods of crossover time where CPI  
23 is lower, and that would impact rates that were --  
24 would be possible in the future, other years where it  
25 would be higher. So there would be some adjustment.

1                   What -- what we note is, as in that  
2 data table, they tend to -- they have reached some  
3 convergence at the end, but -- but there is that  
4 aspect where, in certain years, there's that  
5 disconnect, and -- and that heads both ways.

6                   THE CHAIRPERSON:   Okay.  Thank you.  
7 Certainly, Mr. Sy.

8                   BOARD MEMBER SY:   Mr. Fogg, thank you  
9 very much.  I just wanted some clarifications.  
10 Relative Manitoba CPI 2024/2025, is that like a  
11 forecast CPI?

12                  MR. ALASTAIR FOGG:   Correct.  Sorry.  
13 That's our updated forecast as of the -- this spring  
14 based on a consensus forecast of -- of CPI, yes, for  
15 '24/'25 year.

16                  BOARD MEMBER SY:   CPO, okay.  So  
17 sources are what?  Statistics Canada, or where is this  
18 coming from?

19                  MR. ALASTAIR FOGG:   I'll let Mr. Epp  
20 respond.

21                  MR. GREGORY EPP:   There was a slide in  
22 our direct evidence, Board Member Sy, that compared  
23 our latest spring forecast to what underpinned our --  
24 our filing.  And our consensus forecast is made up of  
25 all major Canadian banks and three (3) independent

1 forecasters that -- that we pay for. So that's how we  
2 derive that forecast, so it's a consensus, an  
3 averaging of those eleven (11).

4

5 (BRIEF PAUSE)

6

7 THE CHAIRPERSON: Thank you. M.  
8 Hacaault, can I just ask you at the beginning, I just  
9 want to make sure, you're down for one (1) hour. My  
10 understanding is it's an hour and a half.

11 Is that correct, or how long --

12 MR. ANTOINE HACAULT: Yes, that's --

13 THE CHAIRPERSON: Okay.

14 MR. ANTOINE HACAULT: -- it was hard  
15 for me to predict --

16 THE CHAIRPERSON: Sure.

17 MR. ANTOINE HACAULT: -- Mr. Chair,  
18 because I wasn't too sure how much of the subject  
19 matters I intended to cover were going to be covered  
20 by other counsel, being the last in line. And it  
21 turns out I think I have about an hour and a half.

22 THE CHAIRPERSON: Fine. Thank you.

23

24 CONTINUED MANITOBA HYDRO REVENUE REQUIREMENT PANEL:

25 SANDRA AMORIM DEW, Resumed

1 GREGORY EPP, Resumed

2 SUSAN STEPHEN, Resumed

3 AUREL TESS, Resumed

4 ALASTAIR FOGG, Resumed

5

6 CROSS-EXAMINATION BY MR. ANTOINE HACAULT

7 MR. ANTOINE HACAULT: Good morning,  
8 members of the panel. For those who don't know me, my  
9 name is Antoine Hacault, of TDS LLP. And we represent  
10 Manitoba Power Industrial Users Group.

11 In my cross-examination this morning,  
12 apart from some little cleanup things, I'll be dealing  
13 with the following five (5) or six (6) general  
14 categories.

15 First, a short discussion of where  
16 Manitoba Hydro thought it would be when it sought  
17 approval for construction of Keeyask and related  
18 transmission.

19 Secondly, existing and anticipated  
20 approval processes, including the newly identified  
21 Enterprises Investment Committee. That just shows up  
22 in IRs.

23 Uncertainty analysis and review of some  
24 planned future expenditures. Deferral accounts. And  
25 finally, some revenue assumptions.

1                   Just as a matter -- I'll call it -- of  
2 housekeeping, and I'm not asking any elaboration. Mr.  
3 Hombach, in his cross-examination, brought to the  
4 attention of this panel that the sinking fund  
5 provisions in the Act had been repealed.

6                   I would ask for an undertaking to re-  
7 file the chart on slide 41 of Manitoba Hydro Exhibit--

8                   MR. SVEN HOMBACH: I believe it's  
9 Exhibit 42.

10

11 CONTINUED BY MR. ANTOINE HACAULT:

12                   MR. ANTOINE HACAULT: -- 42. Can I  
13 have that undertaking, please?

14                   MS. SANDRA AMORIM DEW: With respect  
15 to that, we can provide the undertaking, but I would  
16 like to clarify.

17                   We do intend to maintain the sinking  
18 fund. So under the revisions, Section 42 was created,  
19 which allows for investments by Manitoba Hydro.  
20 Section 39, I believe, subject to check, speaks to the  
21 revenue requirement and it includes the debt servicing  
22 costs.

23                   So as per this forecast, we shall  
24 include the sinking fund investment as we've stated.  
25 Thank you.

1 MR. ANTOINE HACAULT: So probably -- I  
2 don't know whether you could re-file without the pink  
3 where it says, "Sinking fund contribution". Is that -  
4 - would that be appropriate? That's the undertaking  
5 I'm asking.

6 MS. SANDRA AMORIM DEW: We absolutely  
7 can re-file it without the sinking fund. But in --  
8 I'm just clarifying that in terms of our requirements,  
9 it still is a requirement of our Act to maintain  
10 coverage through rates of debt servicing costs, which  
11 includes principal repayment, which is equivalent here  
12 to the sinking fund contribution.

13

14 --- UNDERTAKING NO. 41: Manitoba Hydro to re-file  
15 chart on slide 41 of  
16 Manitoba Hydro Exhibit 42

17

18 CONTINUED BY MR. ANTOINE HACAULT:

19 MR. ANTOINE HACAULT: Thank you.  
20 There's one other matter that perhaps requires  
21 clarification, I'm not sure. I had sent, last night,  
22 some information with respect to the Province's  
23 mandate to Crown corporations -- quite frankly, I was  
24 on the University Board, Chair -- of cutting 15  
25 percent of management positions.

1 Did Manitoba Hydro also receive a  
2 similar mandate from the Province?

3 MR. AUREL TESS: Mr. Hacault, it's Mr.  
4 Tess speaking. I think the letter that we brought up  
5 yesterday that was in the counsels' book of documents  
6 spoke to the reduction the Provinces gave us through  
7 that mandate letter. And Manitoba Hydro has been able  
8 to maintain our management levels below the levels  
9 that were reduced at that time.

10 MR. ANTOINE HACAULT: But my question  
11 was a mandate letter preceding May 1 of 2016. Every  
12 institution received that from the Government.

13 If I can refer you to the KPMG report,  
14 which was an audit report that the Government  
15 commissioned to see whether its mandated reductions to  
16 Crown corporations were actually implemented by the  
17 Crown corporations from May 2016 going forward.

18 MR. AUREL TESS: You're referring to  
19 the mandate letter that was issued just -- just after  
20 the Government came in in 2016. Okay.

21 MR. ANTOINE HACAULT: Yes.

22 MR. AUREL TESS: Yeah. We can -- I  
23 believe we can get that for you.

24 MR. ANTOINE HACAULT: Okay. And can  
25 you confirm that the 15 percent reduction in senior



1 management positions was implemented as a result of  
2 that mandate letter, which was received prior to May  
3 1, 2016?

4 MR. AUREL TESS: That, we'd have to  
5 check on.

6 MR. ANTOINE HACAULT: Can you also  
7 then, please, produce the KPMG report -- I assume you  
8 have it on -- on file. I had sent it last night, but  
9 -- which is the Government request of KPMG to  
10 determine whether or not Manitoba Hydro complied with  
11 that mandate?

12 MR. AUREL TESS: We can undertake to  
13 get that for you. I -- I do recall a Meyers Norris  
14 Penny report that was -- that was done.

15 MR. ANTOINE HACAULT: Sorry, I made a  
16 mistake. It was M3yers Norris Penny.

17 MR. AUREL TESS: Yeah. And just one  
18 second. Let me consult with my colleagues here.

19

20 (BRIEF PAUSE)

21

22 MR. ANTOINE HACAULT: For the record,  
23 the MNP Report is dated November 9, 2018.

24 MR. AUREL TESS: Yes. That's --  
25 that's the report I was referring to. Yeah.

1 MR. ANTOINE HACAULT: And that's what  
2 you'll undertake to produce for the record?

3 MR. AUREL TESS: I believe it's  
4 public.

5 MR. ANTOINE HACAULT: But it's not  
6 part of the evidence unless it's --

7 MR. AUREL TESS: Oh, absolutely, we  
8 can -- we can submit it as part of the evidence. Yes.

9 MR. BRENT CZARNECKI: We -- we  
10 wouldn't object if you wanted to file it now as a --  
11 as your own exhibit.

12 MR. ANTOINE HACAULT: Well, I guess we  
13 can -- I -- I haven't provided it to Ms. Schubert, but  
14 we -- we could agree by consent that the email and  
15 attachment I sent to Manitoba Hydro yesterday, of the  
16 MNP, November 9, 2018 report entitled 'Audit of  
17 Management Staff Reductions to Select Crown  
18 Corporations' will be filed as our next exhibit.

19 THE CHAIRPERSON: Yeah.

20 MR. BRENT CZARNECKI: That's fine, the  
21 report. I'm not sure about the -- that email that you  
22 attached it is necessary for the record. But I'm just  
23 indicating we have no issue with it going on the  
24 public record and you have it in hand, you might as  
25 well file it as your own exhibit.

1 MR. ANTOINE HACAULT: Okay.

2 MR. BRENT CZARNECKI: Yeah. I think  
3 Ms. Amorim Dew has some colour to add to this.

4 MS. SANDRA AMORIM DEW: Thank you. I  
5 just thought I'd just add a little 'cause there are a  
6 few different events and I think we talked about  
7 different time lines.

8 But, what happened was in early May of  
9 2016, the new -- a new Board was appointed. Following  
10 that new Board appointment, a -- a review commenced,  
11 which not only looked at a management reduction but  
12 resulted in the entire voluntary departure reduction.

13 And when we announced our Voluntary  
14 Departure Program in early 2017, it was acknowledged  
15 by the province that we had already made our  
16 commitment for the management reductions. And then a  
17 year later is when this audit was produced for MNP  
18 that Mr. Hacault is referring to.

19 And then a year -- a few months later  
20 is when the mandate letter came out that we have on  
21 the record from April 2019.

22 MR. ANTOINE HACAULT: I identified in  
23 my email to other mandate letters, which the  
24 Corporation would have received in -- in my belief  
25 anyways. They aren't available in the archives

1 anymore. They probably were filed in previous  
2 proceedings.

3 Can I have -- I believe I have the  
4 undertaking to look for those earlier mandate letters  
5 and to file those.

6 MR. AUREL TESS: Yes, Mr. Hacault ---

7 MR. ANTOINE HACAULT: Thank you.

8 MR. AUREL TESS: --- we can undertake  
9 to do that.

10

11 --- UNDERTAKING NO. 42: Manitoba Hydro to provide  
12 earlier mandate letters.

13

14 CONTINUED BY MR. ANTOINE HACAULT:

15 MR. ANTOINE HACAULT: Thank you.

16 MR. AUREL TESS: And just to, I think  
17 there was a question yesterday from the -- from  
18 Chairman Gabor regarding the communication with  
19 government, prior to the -- the VDP being implemented.

20 And, when we checked our records, it  
21 was -- what we would refer to as standard briefing  
22 material that went to -- to government, updating them  
23 on the plans and -- and so on.

24 But, we couldn't find any record of any  
25 further direction or anything back to Manitoba Hydro.

1 THE CHAIRPERSON: Thank you. And --  
2 and we'll make a -- copies of the MNP Report at -- at  
3 the break.

4 MR. ANTOINE HACAULT: Okay. That will  
5 be marked as MIPUG at 14, according to Ms. Schubert.  
6 Thank you very much members of the panel.

7

8 --- EXHIBIT NO. MIPUG-14: MNP Report

9

10 CONTINUED BY MR. ANTOINE HACAULT:

11 MR. ANTOINE HACAULT: I'll start with  
12 the general areas that I had identified at the  
13 beginning of my presentation. But firstly, a short  
14 consideration of where Manitoba thought -- Manitoba  
15 Hydro thought it would be when it sought approval for  
16 the construction of Keeyask and related transmission.

17 If we can go to MIPUG Exhibit 6, which  
18 is Mr. Bowman's report at page 12 of 70 of the PDF  
19 page 9 of the report. There's a table.

20 First, are -- I haven't noted any  
21 corrections that Manitoba Hydro wanted to indicate to  
22 this table. Can we proceed based on the table  
23 reflecting previous data?

24 MR. ALASTAIR FOGG: Yes, we can  
25 proceed with the table.

1 MR. ANTOINE HACAULT: Okay. So, it  
2 starts chronologically and we do have a member who was  
3 part of NFAT. I was too.

4 So we see that in the negative net  
5 income -- and Mr. Rainkie who was -- who is now no  
6 longer with the Corporation was testifying at that  
7 time.

8 On the top table, negative net income,  
9 we were projecting, under that particular scenario,  
10 eight (8) years of losses, from 2015 to 2022.

11 Correct?

12 MR. GREGORY EPP: That's correct.

13 MR. ANTOINE HACAULT: And, then, as we  
14 progressed, there was Manitoba Hydro 14, that -- what  
15 we used to call IFF, instead of an integrated  
16 financial scenario and, again, under that Integrated  
17 Financial Forecast, there was eight (8) years of  
18 losses, this time, from 2018 to 2025. Correct?

19 MR. GREGORY EPP: Correct.

20 MR. ANTOINE HACAULT: And they  
21 totalled nearly a billion dollars worth of losses  
22 under that scenario?

23 MR. GREGORY EPP: Yes. That's what  
24 the table says.

25 MR. ANTOINE HACAULT: Okay. And I'm

1 not giving evidence, but I did one of those things to  
2 Mr. Rainkie. I said, well, you know, if you want NFAT  
3 and you're seeing all these years of losses, okay,  
4 don't come back in -- in GRAs and, then, say, when we  
5 see all these losses, oh, we've got to deal with these  
6 losses. It's a really bad thing.

7 In any event, we continue in this  
8 chronological forecast, Manitoba Hydro 15, showed on  
9 that 3.9 percent rate path, that we'd have three (3)  
10 years of losses.

11 That was a net improvement, at least in  
12 that scenario. Correct?

13 MR. GREGORY EPP: Correct.

14 MR. ANTOINE HACAULT: And then, an  
15 exhibit, which is referred to in this current filing,  
16 sometimes in an amended format, was Manitoba Hydro  
17 Exhibit 93, which was based on MH-16 and, in that  
18 scenario, we saw six (6) years of losses, for a total  
19 of about \$418 million from 2022 to 2026. Correct?

20 MR. GREGORY EPP: Yes.

21 MR. ANTOINE HACAULT: And then,  
22 finally, this is all the good news everybody was  
23 hoping for, the financial forecast scenario presented  
24 to this Board would have shown outside the 2021/2022  
25 drought, we would -- wouldn't have had any negative

1 net income. Correct?

2 MR. GREGORY EPP: Do you mean in the  
3 forecast years?

4 MR. ANTOINE HACAULT: At all. If we  
5 removed that adverse event, we were actually  
6 projecting net income in that particular year of the  
7 drought, were it not for the drought. Correct?

8 MR. GREGORY EPP: Yeah, based on the  
9 projection.

10 MR. ANTOINE HACAULT: Then, if we can  
11 go to Coalition Manitoba Hydro, 1st Round 27 --

12 THE CHAIRPERSON: Sor -- sorry to  
13 interrupt, Mr. Hacault. Did you want that last table  
14 in as an exhibit?

15 MR. ANTOINE HACAULT: Well, it is  
16 already part --

17 THE CHAIRPERSON: It is? Okay.

18 MR. ANTOINE HACAULT: It's part of Mr.  
19 Bowman's evidence. That's why I -- I --

20 THE CHAIRPERSON: Okay.

21 MR. ANTOINE HACAULT: -- specifically  
22 introduced --

23 THE CHAIRPERSON: Thank you.

24 MR. ANTOINE HACAULT: -- that table  
25 and by reference to his evidence.



1 THE CHAIRPERSON: Okay. Thank you.

2

3 CONTINUED BY MR. ANTOINE HACAULT:

4 MR. ANTOINE HACAULT: And this is a  
5 figure that was produced by Manitoba Hydro in response  
6 to an Information Request from Coalition. It was 1stt  
7 Round 27A and B. This is the larger version of what's  
8 on -- and we don't need to go there but, for the  
9 record, of Slide 27, in Manitoba Hydro Exhibit 42.

10 And this is a version, if we go to the  
11 top right-hand side, where Manitoba Hydro has restated  
12 Exhibit 93. Correct?

13 MR. GREG EPP: Yeah, just to be clear,  
14 we did not -- there's no change to the net income that  
15 was reported when MH Exhibit 93 was originally  
16 completed.

17 For comparability purposes, for what  
18 was requested in this IR, there were a lot of line  
19 item specific variances and comparisons that were  
20 needed. In order to do that, we had to restate where  
21 certain items showed up on both the income statement  
22 and on the cashflow statement for better  
23 comparability.

24 So, yes, it's denoted as restated and  
25 that's just where certain items, and they're included

1 in this response that were restated. But the net  
2 income, the net debt, the debt ratio are unchanged  
3 from what they were back in the '16/'17 GRA.

4 MR. ANTOINE HACAULT: Yeah. In any  
5 event, even as we stated, the Manitoba Hydro Exhibit  
6 still shows several years of -- Manitoba Exhibit 93,  
7 sorry. It shows several years of negative net income  
8 compared to the amended financial forecast scenario  
9 before this Board. Correct?

10 MR. GREGORY EPP: Yes.

11 MR. ANTOINE HACAULT: Then if we move  
12 to Board Book of Documents, Volume 4, Page 190.

13

14 (BRIEF PAUSE)

15

16 MR. ANTOINE HACAULT: This is a part  
17 in which Ms. Stephen drafted and addressed. It's --  
18 and just to confirm, this is an illustration of your  
19 testimony, Ms. Stephen, on May 29, at page 2,025 of  
20 the transcript, that there was nearly tripling of the  
21 debt compared to what we call pre-decade of  
22 investment, correct?

23 MS. SUSAN STEPHEN: Correct.

24 MR. ANTOINE HACAULT: And by the time  
25 the post-NFAT scenarios which I went through were

1 formulated, Conawapa was put on hold. Correct?

2 MS. SUSAN STEPHEN: Correct.

3 MR. ANTOINE HACAULT: And at that  
4 time, Conawapa had an estimated cost of some -- some  
5 \$10 billion or more, correct?

6 MS. SUSAN STEPHEN: Subject to check.

7 MR. ANTOINE HACAULT: Although there  
8 were many factors that contributed to the improved  
9 result, which we saw in the integrated financial  
10 scenario, would you agree that being able to finance  
11 Keeyask and the related projects at historically low  
12 interest rates was a significant factor in achieving  
13 this new positive result?

14 MS. SUSAN STEPHEN: I would agree.

15 MR. ANTOINE HACAULT: And if we look  
16 at the NFAT decision at page 200 of 206. There is in  
17 the third paragraph why this is so. As part of the  
18 background, is because Manitoba Hydro back in NFAT  
19 assumed long-term interest rates of 4.5 percent for  
20 2014 rising to 6.75 percent for 2019 onwards.

21 Those -- those were the assumptions  
22 that we had made in NFAT, correct?

23 MS. SUSAN STEPHEN: That's correct.

24 MR. ANTOINE HACAULT: And then if we  
25 go to Board Book of Documents, Volume IV, sorry to

1 make you jump around, Ms. Schubert, at page 176.  
2 Keeping in mind just what we just said, 4.5 percent  
3 then 6.75 percent going forward.

4 That's what we were discussing in 2014.  
5 If we go on the left-hand side we see the chart 7,  
6 weighted average interest rate. Do you see that?

7 MS. SUSAN STEPHEN: I do.

8 MR. ANTOINE HACAULT: And if we go up  
9 from 2014, instead of going up to the 6.75 percent, we  
10 see that Manitoba Hydro was able to secure, through  
11 the Province, very fair -- favourable interest rates  
12 such that the weighted average interest rate continued  
13 to drop until about 2022, correct?

14 MS. SUSAN STEPHEN: Correct.

15 MR. ANTOINE HACAULT: And that covers  
16 this -- what I called it, was practically a mountain  
17 that we had to climb, of debt that we had to refinance  
18 for these projects.

19 And the other thing that happened, if  
20 we go to the right-hand side, and you explained this,  
21 Ms. Stephen, is that, if we look from 2014 in -- in  
22 the year 2013, we had a weighted average term to  
23 maturity -- and the acronym we use in the proceeding  
24 is WATM -- of some fifteen (15) years.

25 But there were incredibly, I'll call

1 it, good deals that were able to be secured on the  
2 market for longer-term instruments such as low  
3 interest rates, correct?

4 MS. SUSAN STEPHEN: Correct.

5 MR. ANTOINE HACAULT: Such that, as  
6 you explained in previous cross-examination, were now  
7 sitting around a WATM of around nineteen point five  
8 (19.5) years?

9 MS. SUSAN STEPHEN: Currently I  
10 believe it's nineteen point one (19.1), yes.

11 MR. ANTOINE HACAULT: Okay. And am I  
12 correct in understanding your testimony that this  
13 provides some stability in the interest rate cost  
14 component for Manitoba Hydro, correct?

15 MS. SUSAN STEPHEN: Yes, it does,  
16 particularly, given the fact that most of our debt is  
17 fixed-rate debt.

18 MR. ANTOINE HACAULT: And -- and just  
19 to clear that up so there's no confusion on the  
20 record, the term has nothing to do with whether it's  
21 fixed rate or variable rate.

22 You can have a five (5) year term that  
23 can be fixed or a five (5) year term that can be  
24 variable, correct?

25 MS. SUSAN STEPHEN: That's correct, M.

1 Hacault.

2 MR. ANTOINE HACAULT: I'll moved now  
3 to the second subject I said I would cover. It's the  
4 approval process, including the newly identified  
5 Enterprise Investment Committee.

6

7 (BRIEF PAUSE)

8

9 MR. ANTOINE HACAULT: If we go to  
10 Board book of documents, volume 4, at page 67, by way  
11 of context, if we go to section 39(5) and number 3 at  
12 the bottom of that page, the legislation which will be  
13 transitioning into effect on April 1 of 2025 provides  
14 that the regulator -- that would be the Public  
15 Utilities Board:

16 "...may not reduce, for rate-setting  
17 purposes, the amount required to  
18 support the Capital Expenditure  
19 Program approved by Treasury Board  
20 for the rate period."

21 Did I read that right, firstly? Okay.

22 So --

23 MR. AUREL TESS: That's correct.

24 MR. ANTOINE HACAULT: -- after April 1  
25 of 2025, the PUB will have restrictions on what it can

1 decide with respect to revenue requirements related to  
2 the Capital Expenditure Program, agreed?

3 MR. AUREL TESS: Agreed.

4 MR. ANTOINE HACAULT: And if we go to  
5 Coalition/Manitoba Hydro Round I, IR-161(c) -- and I  
6 apologize if there's a little bit of overlap here with  
7 previous questions. So Manitoba Hydro Round I, 161(c)  
8 as in Charlie. It's at page 3 of 6, the end of the  
9 second last paragraph.

10 There was an explanation that:

11 "Senior management reviews and  
12 approves the targets and Capital  
13 Expenditure Plan proceeds through  
14 Manitoba Hydro's governance model as  
15 described in Coalition/Manitoba  
16 Hydro Round I, 91(a), which includes  
17 approval by the Manitoba Hydro-  
18 Electric Board, the government, and  
19 the future targets will be reviewed  
20 and approved by the Enterprise  
21 Investment Committee."

22 And that same general response is also  
23 provided to MIPUG/Manitoba Hydro Round I, 174(a).

24 I couldn't find any other reference to  
25 Enterprise Investment Committee in the Application.

1 Did I miss that?

2 MR. AUREL TESS: I think that's  
3 correct. I'm not sure it's referenced anywhere else,  
4 Mr. Hacault, but I can tell you that this is part of a  
5 new governance framework that we're implementing at  
6 Manitoba Hydro.

7 There was -- I -- I may be wrong on the  
8 number here, but I think it was over twenty (20)  
9 committees that were in place at Manitoba Hydro.  
10 We've now reduced that down to five (5) and tried to  
11 implement more of a decision-making approval process  
12 at that level.

13 But some of the decisions that were  
14 made at these committees will proceed to the executive  
15 leadership team, depending on the type of decision  
16 that comes to them. So something like a capital plan,  
17 for example, would definitely go to our executive  
18 leadership team as well.

19 MR. ANTOINE HACAULT: Okay. Can we  
20 take it in little bites so I can understand?

21 Could you identify the senior  
22 management positions -- and I don't know if that's the  
23 right nomenclature -- who currently approved the  
24 targets and capital expenditure plans? Because that's  
25 what the answer says is they're senior management.



1                   What are the positions that currently  
2 review and set targets?

3

4                                   (BRIEF PAUSE)

5

6                   MR. AUREL TESS:     So we have the VP of  
7 AP&D, Hal Turner, who you've seen on a previous panel.  
8 We have Ian Fish, who's our VP of Digital and  
9 Technology, and myself, CFO.

10                   MR. ANTOINE HACAULT:    So in this  
11 answer which I've read to you, Coalition, Round I,  
12 161(c), those three (3) positions would be what is  
13 considered senior management in that response,  
14 correct?

15                   MR. AUREL TESS:     That's correct.

16                   MR. ANTOINE HACAULT:    Okay. Now,  
17 could you identify the positions of persons who are or  
18 will be on the new Enterprise Investment Committee?

19                   MR. AUREL TESS:     I can provide -- I  
20 can undertake to give you the exact names and  
21 positions.

22

23 --- UNDERTAKING NO. 43:     Manitoba Hydro to provide  
24                                   names and positions of  
25                                   members of the Enterprise

1 Investment Committee

2

3 MR. AUREL TESS: But to give you a  
4 sense, it's made up of -- of directors and VPs.

5

6 CONTINUED BY MR. ANTOINE HACAULT:

7 MR. ANTOINE HACAULT: So it's -- it's  
8 a wider group than the three (3) people in positions  
9 that you've currently identified?

10 MR. AUREL TESS: Absolutely. Yeah.  
11 Just to -- just to confirm, though, as I said earlier,  
12 these decisions, depending on the nature of the  
13 decision and the magnitude, could still proceed to --  
14 to the executive leadership team as a whole which is  
15 made up of VPs and the CEO.

16 MR. ANTOINE HACAULT: Okay. How does  
17 the new process differ than the previous process then?

18

19 (BRIEF PAUSE)

20

21 MR. AUREL TESS: So I think, Mr.  
22 Hacault, I can -- I can tell you that we're not  
23 changing the underlying delegated signing authorities  
24 and approval process -- CIJs, for example. That  
25 hasn't -- that won't change and hasn't changed.

1                   It may be improved and -- and, you  
2 know, made more efficient going forward as we go  
3 through our policy review, but essentially those stay  
4 the same.

5                   But the -- the purpose of the committee  
6 is really to give a broad, strategic view across the  
7 entire enterprise so that we're -- we're not making  
8 decisions in silos. And I think that's a common theme  
9 that -- that I've spoken about is to -- to bring  
10 everything together under enterprise strategic view.

11                   MR. ANTOINE HACAULT: Now, once that  
12 Enterprise Management committee has made its  
13 recommendations, does it still go to -- I'm going to  
14 call it your smaller group, Mr. Turner and Mr. Ian  
15 Fish and yourself, Mr. Tess?

16                   MR. AUREL TESS: Well, Mr. Fish would  
17 be chairing the Digital and Technology Committee, and  
18 -- and that then we have representation from AP&D on  
19 the Investment Committee. But we also have Mr. Turner  
20 who's sitting on the executive leadership team where  
21 this type of decision would go to -- for example, on  
22 capital planning.

23                   MR. ANTOINE HACAULT: Okay. So under  
24 this new process, am I correct in understanding that  
25 any recommendations of this Enterprise Investment

1 Committee will be submitted to the Manitoba Hydro  
2 Electric Board for its approval?

3 MR. AUREL TESS: Absolutely. That  
4 hasn't changed. Yeah.

5 MR. ANTOINE HACAULT: Okay. And then,  
6 next from there, as we saw in the Act, Treasury Board  
7 needs to be approving the decision. Correct?

8 MR. AUREL TESS: They -- they would  
9 approve the -- the budget, as I understand it, yeah,  
10 in the Act. Yeah.

11 The process surrounding that I think is  
12 yet to be determined but under -- even under the  
13 current process, our capital plans go to Treasury  
14 Board.

15 MR. ANTOINE HACAULT: Okay. And in  
16 previous discussions on the role of the Treasury  
17 Board, my reference is page 2149 of the May 29  
18 transcript, the review of Treasury Board and the  
19 submission to Treasury Board was more on a five (5)  
20 year horizon than the twenty (20) year forecast  
21 provided to the PUB. Is that correct?

22 MR. AUREL TESS: That's correct.

23 MR. ANTOINE HACAULT: And it is  
24 expected to continue to be the role of the Treasury  
25 Board and extent of review by the Treasury Board,

1 correct?

2 MR. AUREL TESS: That's my  
3 understanding. We -- we actually welcome that review  
4 in -- in many ways because it provides another pair of  
5 eyes and they ask some really good questions of us.  
6 And they come back and provide that rationale back to  
7 the Treasury Board analysts who primarily do that kind  
8 of work.

9 MR. ANTOINE HACAULT: And am I correct  
10 in understanding, based on a previous answer that you  
11 made, that those Treasury Board -- or that Treasury  
12 Board analysis is expected to be at a very high level  
13 review of value for money?

14 MR. AUREL TESS: I would say that's  
15 accurate. Again, they're probably more interested in  
16 exceptions when they look at this plan. For example,  
17 the projects that may be over budget and maybe under  
18 budget or potentially are delayed.

19 MR. ANTOINE HACAULT: Thank you. We  
20 move now to the Minister's letter dated November 24,  
21 2022, which was attached to Manitoba Hydro Exhibit  
22 number 2 (sic), so it's already part of the record.  
23 Manitoba Hydro Exhibit number 22.

24 Firstly, could we go to the letter of  
25 November 29, '22, which attaches this Ministerial

1 letter. And the second paragraph of that letter.

2

3

(BRIEF PAUSE)

4

5

MR. ANTOINE HACAULT: Now, the second

6

sentence -- or it's the third line of that second

7

paragraph -- indicates:

8

"Manitoba -- the Manitoba Government

9

directed Manitoba Hydro to apply for

10

-- apply the approximate amount of

11

savings of 190 million, resulting

12

from the reduction in these fees to

13

Manitoba Hydro debt, in efforts to

14

financially stabilize Manitoba

15

Hydro..."

16

And it doesn't end there. It says:

17

"And to keep electricity rates low

18

for customers."

19

Focusing on that last part, to keep

20

electricity rates low for customers, was it Manitoba

21

Hydro's understanding that that was also a purpose of

22

the reductions in the debt guarantee fee and water

23

rentals?

24

MR. AUREL TESS: I think the reduction

25

of expenditure naturally, through our -- our process,

1 of course, reduces our revenue requirements, so I  
2 think there was an understanding on the part of both  
3 parties that this would reduce rates in the present  
4 and the long term.

5 MR. ANTOINE HACAULT: And if we go to  
6 the last paragraph, that's more explicitly set out  
7 that by November 29, following receipt of the November  
8 24 letter, Manitoba Hydro is advising the Public  
9 Utilities Board -- it's still at the bottom of page 1  
10 of 2, Ms. Schubert -- that, given these new  
11 circumstances, Manitoba Hydro was now in a position to  
12 amend its application to reduce the proposed 3.5  
13 percent rate increase in each of 2023/24 and 2024/25  
14 to a 2 percent rate increase in each of those years.

15 Correct?

16 MR. AUREL TESS: Correct.

17 MR. ANTOINE HACAULT: Now, Mr. Hombach  
18 -- and we don't need to go there -- had referenced  
19 some Hansard discussions, which were dated November  
20 23, for transcript, that's book of documents volume 4,  
21 at page 63.

22 Chronologically, what happened is we  
23 had the Hansard, we have the November 24 letter, which  
24 is attached to this November 29 letter, and then  
25 finally the application gets filed. Correct?

1 MR. AUREL TESS: That's correct.

2 MR. ANTOINE HACAULT: And if we go,  
3 for a moment, to the November 24 letter by the  
4 Minister to the Manitoba Hydro Electric Board, in the  
5 second paragraph, the Government, at the end of that  
6 paragraph, is talking about record high inflation that  
7 households and businesses are experiencing today, and  
8 expressing the belief that working with the  
9 Government's assistance Hydro can do better for  
10 Manitobans.

11 Is that consistent with your  
12 understanding of what the Government was wishing Hydro  
13 to do?

14 MR. AUREL TESS: Yes.

15 MR. ANTOINE HACAULT: Page 2, the  
16 third paragraph, the Government is explaining, through  
17 its Minister, that these payment reductions represent  
18 a material impact on your 2022/2023. I'll stop there  
19 for a moment.

20 And that's because it was a retroactive  
21 reduction, correct?

22 MR. AUREL TESS: Well, I think it's  
23 both retroactive and forward looking that we thought  
24 it was material enough to resubmit our -- our  
25 application, yes.



1 MR. ANTOINE HACAULT: And the  
2 Government's expressing the view that, with these  
3 reductions, it was expecting that the reductions would  
4 warrant amendments to the November 15 General Rate  
5 Application filed with the Public Utilities Board.

6 Correct?

7 MR. AUREL TESS: Correct.

8 MR. ANTOINE HACAULT: Now, that's  
9 putting the Corporation in a rough spot. Files on the  
10 15th, Government announces on the 23rd, letter on the  
11 24th, and here we are today.

12 MR. AUREL TESS: That's the resilience  
13 I was speaking about in my opening comments, Mr.  
14 Hacault.

15 MR. ANTOINE HACAULT: So I'll now move  
16 to the next subject, uncertainty analysis and review  
17 of some planned future expenditures.

18 In the May 29 cross-examination by PUB  
19 counsel, there was a brief referenced to the lack of a  
20 probabilistic uncertainty analysis.

21 And Mr. Epp, I believe you indicated --  
22 this was transcript page 2057 -- we don't know -- need  
23 to go there -- but that you can confirm on behalf of  
24 the Corporation that an uncertainty analysis would be  
25 filed in the next GRA.

1 Does that continue to be the case?

2 MR. GREGORY EPP: We will do our best  
3 to do so. Yes.

4 MR. ANTOINE HACAULT: For the time  
5 being, Mr. Hombach went through the sensitivity  
6 analysis and the major risks identified in the  
7 sensitivity analysis are drought, correct, firstly?

8 MR. GREGORY EPP: That's correct.

9 MR. ANTOINE HACAULT: Another  
10 sensitivity is the average and below average water  
11 flows. Correct?

12 MR. GREGORY EPP: That's correct.

13 MR. ANTOINE HACAULT: Another  
14 sensitivity is the high and low export prices,  
15 correct?

16 MR. GREGORY EPP: Correct.

17 MR. ANTOINE HACAULT: And finally,  
18 another sensitivity is the high and low interest  
19 rates. Correct?

20 MR. GREGORY EPP: That's correct.

21 MR. ANTOINE HACAULT: And if we can go  
22 to NFAT, for the benefit of those who weren't part of  
23 that proceeding, at page 147.

24 When we talk about the probabilistic  
25 uncertainty analysis, in that Hearing, we had

1 identified energy prices firstly. Correct?

2 MR. GREGORY EPP: That's correct.

3 MR. ANTOINE HACAULT: Discount rate,  
4 which -- people like me means more like interest.  
5 Correct?

6 MR. GREGORY EPP: That's correct.

7 MR. ANTOINE HACAULT: Then finally,  
8 capital costs. Correct?

9 MR. GREGORY EPP: That's correct.  
10 This was for the economic analysis.

11 MR. ANTOINE HACAULT: But what we were  
12 assigning -- we just did a whole bunch of runs of all  
13 the water flows, assigning different weights as to  
14 whether or not a particular energy price should be  
15 given weight when it was high and this -- in this  
16 particular illustration, it was given a high weighting  
17 -- was 15 percent of the weighting in that analysis  
18 and that can change. Correct?

19 MR. ANTOINE HACAULT: Oh, your mic.

20 MR. GREG EPP: Just to be clear, there  
21 was no variation on water flows at the NFAT. It was  
22 all done at average water conditions.

23 So, under average conditions the energy  
24 prices were varied, based on a projection of reference  
25 high and low. And capital costs were adjusted and

1 then a discount rate was varied and those weightings  
2 were used to come up with a -- with a -- a weighted  
3 average.

4 MR. ANTOINE HACAULT: And if we go  
5 down further in this page, at the very bottom, it  
6 talks about -- we were seeing tables known as  
7 'probabilistic analyst -- analysis quilts'. Correct?

8 MR. GREG EPP: Yes.

9 MR. ANTOINE HACAULT: And an  
10 illustration of that is in the next page, I believe,  
11 148, where it was a quilt that gave us different  
12 scenarios and we looked at the probabilities of  
13 various things happening to help us make a decision.

14 Correct?

15 MR. GREG EPP: That's right. And,  
16 again, this is on -- on the economic analysis, not --  
17 not the financial analysis, so it's on incremental MPV  
18 basis.

19 MR. ANTOINE HACAULT: Thank you for  
20 that explanation.

21 Now, if we go back to -- this is an  
22 older order, but followed the NFAT, PUB Order 73 of  
23 '15 at page 55, so PUB Order 73 of '15 at page 55.

24 The last paragraph on that page, we  
25 will see that the Public Utilities Board in this

1 subsequent rate application reminded Manitoba Hydro of  
2 one of the issues of concern was to meet drought and  
3 other risks and referenced its Order in number 43 of  
4 '13. Correct?

5 MR. GREG EPP: That's correct.

6 MR. ANTOINE HACAULT: And if we go to  
7 the last part of the quote and then it will flip to  
8 the next page, the Board sees need to further examine  
9 and quantify the other risks that Manitoba Hydro faces  
10 at the next General Rate Application and determine  
11 whether these should be subject to separate reserve  
12 provisions.

13 The Board will require Manitoba Hydro  
14 to provide an analysis of risks on a quantitative and  
15 probabilistic basis at the next General Rate  
16 Application. That was a 2013 Order. Correct?

17 MR. GREG EPP: That's correct.

18 MR. ANTOINE HACAULT: And,  
19 notwithstanding, that previous expectation and the  
20 fact that we had seen some of this happen in NFAT,  
21 Manitoba Hydro could not provide the analysis in this  
22 particular application, but it did hire KPMG to  
23 provide that analysis. Correct?

24 MR. GREG EPP: Manitoba Hydro did  
25 retain KPMG to do a -- a study, but that done

1 subsequent to this Order.

2 MR. ANTOINE HACAULT: Oh, I --  
3 subsequent to the 2013 Order, but in fairness, Mr.  
4 Epp, I'm -- I'm not trying to lead you on -- down the  
5 wrong -- wrong garden path.

6 In Appendix 4.1 of the filing for the  
7 2015 Order, KPMG had its report. So, that's Appendix  
8 4.1 of that filing at page 115 -- or 114 of 156. We  
9 see --

10 MR. GREG EPP: Wasn't this filed in  
11 the '17/'18, '18/'19 GRA?

12 MR. ANTOINE HACAULT: If we go to the  
13 top, I think, it will tell us, '17/'18 correct.

14 So, by that time the probabilistic  
15 analysis considered the simultaneous impact of  
16 uncertainties across three (3) key output parameters  
17 and with respect to water flows?

18 MR. GREG EPP: Yes.

19 MR. ANTOINE HACAULT: And, there was  
20 an additional probabilistic analysis to consider the  
21 impact that changes in construction costs uncertainty  
22 would have on the distribution of outcomes under the  
23 full probabilistic analysis. Correct?

24 MR. GREG EPP: Yeah. That was one of  
25 the uncertainties.

1 MR. ANTOINE HACAULT: And, there was  
2 also an examination of specific water flow sequence to  
3 understand the potential impact of additional rate  
4 increases designed to offset the onset of drought  
5 conditions. Correct?

6 MR. GREG EPP: Yeah. Instead of  
7 running everything at average water flow conditions,  
8 we ran the full flow record in this analysis.

9 MR. ANTOINE HACAULT: Now, in this  
10 proceeding, and we're moving to a different exhibit  
11 now, Mr. Bowman filed direct evidence as MIPUG Exhibit  
12 6. And at page 49 -- oh sorry, 41 of footnote 37 --  
13 sorry, I didn't put the -- it was page 19 of his  
14 report, I believe.

15 There is a recommendation with respect  
16 to the uncertainty analysis, but there's reference at  
17 footnote 37 to a background paper C, to the evidence  
18 of Mr. Bowman, in the 2017 GRA. It was marked as  
19 Exhibit 15.

20 Do you remember seeing that, Mr. Epp,  
21 and have you read it as a part of this hearing?

22 MR. GREG EPP: Not part of this  
23 hearing.

24 MR. ANTOINE HACAULT: Not part of this  
25 hearing?

1 MR. GREG EPP: No.

2 MR. ANTOINE HACAULT: Then, I'll just  
3 briefly refer you to this exhibit, just to confirm a  
4 couple things. It's -- it was MIPUG Exhibit 15 in the  
5 2017/'18 GRA and it -- at page 49 of the PDF, when we  
6 get there, Mr. Bowman is talking -- so page 49. Maybe  
7 PDF -- looks like I have a different -- it was the  
8 variant introduction, Ms. Schubert. Thank you. It --  
9 it's background paper 'C', Uncertainty Analysis.

10

11 (BRIEF PAUSE)

12

13 MR. ANTOINE HACAULT: There. Perfect.  
14 And I'm not going to ask you generally questions about  
15 this. What I'm looking at is to have a better  
16 understanding of what can be done and what can be  
17 improved if you're able to file this probabilistic  
18 analysis at the next GRA.

19 One (1) of the things that this  
20 probabilistic analysis does is we deal with multiple  
21 overlapping risks, correct?

22 MR. GREGORY EPP: Are you speaking of  
23 what we filed at the last GRA or something that Mr. --

24 MR. ANTOINE HACAULT: No. Something --

25 MR. GREGORY EPP: -- Bowman --



1 MR. ANTOINE HACAULT: Well, this was  
2 Mr. Bowman commenting on KPMG's work. But what I'm  
3 trying to get is if Manitoba Hydro will be filing  
4 something in -- in the next GRA. I'm trying to  
5 identify things that can be done.

6 It doesn't mean you'll get to do them,  
7 but I'm at least trying to identify the things that  
8 can be done to assist this Board and, presumably,  
9 Manitoba Hydro in understanding risk.

10 So, are you willing to go with me on --  
11 on that basis?

12 MR. GREGORY EPP: Yeah, I'll -- I will  
13 -- I will join you.

14 MR. ANTOINE HACAULT: Okay.

15 MR. GREGORY EPP: Is there -- was  
16 there a question?

17 MR. ANTOINE HACAULT: No. I was  
18 trying to put -- trying to put the basis of our  
19 discussion.

20 Mr. Hombach asked some questions. It  
21 says:

22 "Well, there could be overlap  
23 between this sensitivity and the  
24 other sensitivity."

25 Well, the probabilistic uncertainty

1 analysis would help us because we would look at  
2 multiple overlapping risks, and not just the affect of  
3 single risks, but the combination of risk, correct?

4 MR. GREGORY EPP: For sure, yes. And  
5 -- and sometimes when you have large risks and you  
6 have multiple all thrown into the model at once and  
7 you shake it up and you get some results out, you  
8 don't know what necessarily is -- is overwhelming  
9 driving something and what is offsetting.

10 So, while -- while it's -- it's good to  
11 do -- and one (1) of the things we learned about the  
12 uncertainty analysis that we ran, you know, there's --  
13 you have to look at this thing in -- in -- through  
14 multiple lenses or through multiple analyses.

15 It's -- it's not just the combined one,  
16 but -- but peeling back the layers, so to speak, to --  
17 to understand what's driving the change and -- and  
18 what -- what that does.

19 So, we will -- and -- and we've heard  
20 you -- all of you loud and clear. You -- this is  
21 definitely of interest for you. It's definitely  
22 something of interest for us at Manitoba Hydro. And -  
23 - and it's something that -- that we're going to weave  
24 into our enterprise risk management. It's going to  
25 integral to that.

1                   So, there's a requirement there that we  
2 have to further investigate and understand how that  
3 fits in.

4                   And the other thing is understanding  
5 and -- and something was flashed up on there in Mr.  
6 Bowman's evidence to -- to identify other risks. And  
7 -- and that's one (1) of the things that we're  
8 undertaking, is to -- to understand what's coming out  
9 of the IRP and those emerging risks and how that might  
10 affect the uncertainty in our financial forecast going  
11 forward.

12                   So, I -- I just ask you all to be  
13 patient as we work through the analysis and the data.  
14 And -- and this pause that we're on right now is by no  
15 means we've shelved it and stopped it. We will be  
16 producing something in the future.

17                   MR. ANTOINE HACAULT:     And just a  
18 couple more questions to assist us all in  
19 understanding the additional things that this  
20 uncertainty analysis can do both for the Board and for  
21 Manitoba Hydro is, if we go to number 2 on this same  
22 page, instead of seeing, as we did in this Hearing,  
23 what happens if we have, you know, minus 1 percent or  
24 plus 1 percent on interest, we'll have a full  
25 probabilistic range, not just of one (1) scenario with

1 some weighting, as I've shown.

2 That can be possible, correct?

3 MR. GREGORY EPP: I mean, we -- we'll  
4 be able to give a range. Probabilities, in some  
5 cases, are -- are difficult. You know, we'll be able  
6 to say what number of -- of observations fall above or  
7 below a certain number in a given year or over a time  
8 period.

9 But to be able to pinpoint and say  
10 there's 'X' probability that this is going to occur,  
11 that's very difficult to -- to do with this analysis.  
12 So, I just caution -- caution you with that.

13 MR. ANTOINE HACAULT: There's some  
14 things that I suspect would be pretty easy. If I say,  
15 well, what's the probability that interest is going to  
16 be zero on your new debt issue, I think you -- your  
17 answer would be pretty simple, wouldn't it?

18 MR. GREGORY EPP: Still have to  
19 support that answer, Mr. Hacault, with something and  
20 just throw numbers like 10 percent out.

21 MR. ANTOINE HACAULT: But the other  
22 thing that this probabilistic uncertainty analysis  
23 could do is we -- we would do integrated modelling  
24 permit scenarios to be considered in their entirety  
25 rather just a single effect, correct?

1 MR. GREGORY EPP: Yes, for sure. I  
2 mean, you could easily combine any of the  
3 sensitivities that we filed to get a combined effect.

4 MR. ANTOINE HACAULT: And just as an  
5 example, and then I don't have very many more  
6 questions, I'll be moving on. If we go two (2) pages  
7 in to -- to this particular scheduled produced by Mr.  
8 Bowman, we see that there were twenty (20) -- there  
9 were various percentiles attached and probabilistic  
10 numbers attached.

11 So, at the top of this table, and this  
12 was what we saw in this 2017 filing, we plotted things  
13 that we thought had a probability of occurring 5  
14 percent, a probability of occurring 20 percent,  
15 probability of 50 percent, 80 percent, and 95 percent.

16 Those are thing that we can do,  
17 although they're subjective, correct?

18 MR. GREGORY EPP: Mr. Hacault, those  
19 are not probabilities. Those are percentiles, okay.  
20 So, that's telling you -- those box and whiskers are  
21 telling you how many observations fell above or below  
22 those lines denoted by the whiskers and -- and the  
23 bars. That's -- that's not a probability of  
24 occurring, okay.

25 So, the black line in a box means 50

1 percent of the observations fell above and 50 percent  
2 of those observations fell below the top of the box.  
3 Eighty percent of the observations fell below, 20  
4 percent fell above, okay, so got to be -- got to be  
5 careful how we interpret the results.

6 MR. ANTOINE HACAULT: And, in fact, in  
7 that Hearing, it ended up being useful for the PUB  
8 because it gauged the export revenue issue as to where  
9 it fell in -- if it -- what fell into the P50.

10 So, if we go to PUB Order 59 of '18,  
11 firstly, at page 24.

12

13 (BRIEF PAUSE)

14

15 MR. ANTOINE HACAULT: We see -- that's  
16 perfect, Ms. Schubert. The Board finds that Manitoba  
17 Hydro's export revenue forecast is conservative. We  
18 have those same issues in this Hearing. Export  
19 revenue forecast with the probabilistic goal of P50.  
20 That is the chance of 50 percent.

21 And this is where, sorry, I got my  
22 words wrong maybe, Mr. Epp, 50 percent chance of being  
23 higher and a 50 percent chance being lower would  
24 reduce Manitoba Hydro's level of request and projected  
25 rate increases.

1 Do you see that, sir?

2 MR. GREGORY EPP: Yes. And you are --  
3 you and I did not write that.

4 MR. ANTOINE HACAULT: But the point  
5 is, we had these probabilistic analysis done in the  
6 2017/'18 Hearing, but here all we know is that  
7 somebody has said that opportunity prices are  
8 conservative, but we don't know where it falls in that  
9 probabilistic analysis, correct?

10 MR. GREGORY EPP: Well, the -- the  
11 sensitivity analysis gives you an impact of, in  
12 isolation, what a low export price forecast would do  
13 to the amended financial forecast. So -- so too does  
14 a high export price forecast.

15 These -- having a -- a lower or higher  
16 export price forecast is significant. And that's what  
17 the un -- that's what the sensitivity analysis was  
18 intended to do.

19 Okay. There -- there are big numbers.  
20 When you go to those -- when you go to those tables  
21 and you look at the impact on retained earnings over a  
22 period of time, if you have lower than expected export  
23 prices it -- it adds up quickly.

24 MR. ANTOINE HACAULT: I think we're  
25 speaking at cross purposes, Mr. Epp, here, because the

1 analysis in 2017 was the probability of the export  
2 price being lower or higher and there was an analysis  
3 given that it was a conservative number.

4 The Board looked at a goal of P50  
5 versus the conservative number that Manitoba Hydro had  
6 put. So, I think we're talking at cross purposes.

7 This wasn't talking about the effect.  
8 It was talking about the conservative nature of the  
9 forecast and whether that conservative nature was  
10 actually at P50 or at another level. Understood?

11 MR. GREGORY EPP: Understood.

12 THE CHAIRPERSON: Mr. Hacault, I don't  
13 know how much further you want to go on this, but  
14 you've got a half hour left. So, I don't know what  
15 other topics you want to cover.

16 MR. ANTOINE HACAULT: I think I'm  
17 still on track, Mr. Chairman. Thank you for that.

18 MR. ALASTAIR FOGG: Mr. Hacault, if I  
19 could -- just -- just -- it's Mr. Fogg, just to add  
20 what Mr. Epp has been speaking. I think we -- we  
21 acknowledge that -- and Mr. Epp acknowledged the value  
22 of the uncertainty analysis, and certainly that will  
23 be work we'll be undertaking going forward.

24 What I just wanted to -- to highlight  
25 though is that -- and I believe it's in some of the



1 previous filings related to uncertainty is -- it's  
2 limited by the value of the assumptions that are input  
3 into the model, particularly. when you're talking  
4 about the integration or link between the different  
5 risks and how they may change.

6                   So, that's a particular focus for us  
7 going forward is to understand how that might be  
8 changing over time. Some of that will be informed by  
9 the Integrated Resource Plan to understand how that  
10 relationship or integrated nature of these items as  
11 they change, how one (1) changes versus the other.

12                   I just wanted to make sure that was  
13 clear. Thank you.

14

15 CONTINUED BY MR. ANTOINE HACAULT:

16                   MR. ANTOINE HACAULT: And -- and  
17 that's fair, and thank you for that explanation. And  
18 -- and if we have that filing, then parties can at  
19 least test the assumptions and the subjective  
20 decisions to see whether or not they are of a  
21 different view on weighting or on -- on the  
22 probability. So, that's a fair point, Mr. Fogg.

23                   I'll move to deferral accounts. This  
24 is the second last subject. If we go to PUB 18 -- or  
25 58 of '18, page 147.

1 (BRIEF PAUSE)

2

3 MR. ANTOINE HACAULT: This is when we  
4 were first discussing Conawapa costs and the  
5 recommendation on the thirty (30) year amortization.

6 So, we see at the first paragraph in  
7 that Order, the reference to Manitoba Hydro incurring  
8 approximately thirty (30) -- \$380 million in costs  
9 related to Conawapa, correct?

10 MR. ALASTAIR FOGG: Correct.

11 MR. ANTOINE HACAULT: Now, at page 148  
12 of this same document that -- at the end of the first  
13 paragraph of -- we see, it's the fourth line up:

14 "However, in the course of the oral  
15 GRA hearing, Manitoba Hydro  
16 indicated that as a decision was  
17 made to discontinue any further  
18 development of the station at this  
19 time. Utility anticipated its  
20 auditor would require that the costs  
21 would be written off in 2017/2018."

22 Was the Board right in indicating that  
23 the decision to discontinue any further development  
24 was made during the course of the oral portion of that  
25 GRA?

1 (BRIEF PAUSE)

2

3 MR. ALASTAIR FOGG: Mr. Hacault, I  
4 don't recall the specifics at that time, but -- but  
5 for the -- the findings it -- it does read as though  
6 the initial expectation from Manitoba Hydro is that  
7 that work could remain as construction work in  
8 progress until the end of fiscal 2018/'19.

9 For financial recording purposes,  
10 afterwards, there would be a requirement to write off  
11 those amounts. However, during the course of the oral  
12 hearing Manitoba Hydro indicated that that writeoff  
13 would have to occur in the 2017/'18 year.

14 MR. ANTOINE HACAULT: Well, I'm -- and  
15 I -- I guess I could bring you to specific transcripts  
16 and stuff, but I'm suggesting further, because I had  
17 cross-examined on that point there were further -- in  
18 the capital expenditure plans, further expenses that  
19 were projected, and I said -- I said, well, why are  
20 you doing that? We had NFAT. We're supposed to  
21 discontinue. Aren't you guys discontinuing?

22 And that came out in the hearing as  
23 recorded by the Board, yes, Mr. Hacault, we are  
24 discontinuing expenses on Conawapa.

25 And I'm putting to this panel as to

1 whether or not the Board's indication that there was a  
2 -- an oral commitment during that hearing to  
3 discontinue further development of the station at this  
4 time was -- occurred during that hearing.

5 THE CHAIRPERSON: Sorry, I'm a little  
6 confused, Mr. Hacault. Is the question that the  
7 statement was made during the hearing or the decision  
8 was made during the hearing, because I thought earlier  
9 you were going to -- that the decision was made during  
10 the hearing, but now I'm hearing the statement was  
11 made during the hearing.

12 Those are two (2) different things and  
13 the way I read this sentence, it was the statement was  
14 made. In the course of the hearing they indicated  
15 that as a decision was made.

16 So, is your question to them the  
17 statement was made during the hearing, or that the  
18 decision to discontinue was made during the hearing?

19

20 CONTINUED BY MR. ANTOINE HACAULT:

21 MR. ANTOINE HACAULT: I'll put the  
22 question: Was the statement made during the hearing  
23 that Manitoba Hydro would discontinue any further  
24 development at the station at this time?

25 MR. ALASTAIR FOGG: Mr. Hacault, I'm

1 not familiar with that particular area of the  
2 transcript, I'd have to check. Subject to check, I  
3 can agree that that statement was made, but I can also  
4 advise is we did record that writeoff in the 2017/'18  
5 year in our financial statement.

6 MR. ANTOINE HACAULT: Yeah. Thank  
7 you. Does it continue to be accurate that Conawapa is  
8 not being put as a capacity resource for the next  
9 twenty (20) years?

10

11 (BRIEF PAUSE)

12

13 MR. ALASTAIR FOGG: I'm not familiar  
14 with the exact specifics of all of the scenarios that  
15 have come out through the IRP. I suspect Hydro  
16 Electric Resources may -- are considered as part of  
17 that, as all resources are considered.

18 From what I have seen, and I wouldn't  
19 expect that it would -- Conawapa specifically would be  
20 identified in any proposed resource plan at this point  
21 in time, based on the economics.

22 MR. ANTOINE HACAULT: Thank you. And  
23 it certainly isn't shown to this Board in the  
24 integrated financial forecast scenario. Correct?

25 MR. ALASTAIR FOGG: That's correct.

1 It is not included anywhere in the financial forecast  
2 presented in our Application.

3 MR. ANTOINE HACAULT: My next question  
4 then, because back in 2018 it was considered -- 'it'  
5 being Conawapa -- was considered a stranded asset.

6 Does it continue to be considered  
7 stranded asset?

8 MR. ALASTAIR FOGG: Conawapa was  
9 written off in 2017/'18 from a financial perspective,  
10 so it would -- was removed in -- as an asset.  
11 However, it does exist from a regulatory deferral  
12 asset perspective still, currently.

13 MR. ANTOINE HACAULT: I maybe used the  
14 incorrect terms, as this is a lawyer trying to ask  
15 questions to accountants.

16 I'd -- and by being a stranded asset,  
17 it's an asset that's not being used, like Selkirk that  
18 has been de -- decommissioned?

19 MR. ALASTAIR FOGG: There's no  
20 physical aspect to Conawapa in comparison to something  
21 like Selkirk that would be considered stranded, if you  
22 will, from a physical perspective.

23 MR. ANTOINE HACAULT: Okay. But for  
24 the costs that were incurred, those were put into a  
25 deferral account, and that is because there was a

1 decision to discontinue any further development of the  
2 station?

3 MR. ALASTAIR FOGG: So I believe if we  
4 went through kind of the -- the ordering of those  
5 decisions, it was first that, since we weren't  
6 continuing with Conawapa and there would be a  
7 requirement to -- to write those costs off, the 380  
8 million, that could immediately go against the income  
9 statement in that period of time.

10 And then the recommendation and its  
11 outline as we go down these pages was to establish a  
12 regulatory deferral to recognize those costs over time  
13 versus immediately in the income statement.

14 MR. ANTOINE HACAULT: And to put that  
15 into context, when that decision was being made -- and  
16 I went through this earlier in my discussion with Ms.  
17 Stephen -- we were going to be getting a huge hit when  
18 Bipole, Keeyask, and related infrastructure was going  
19 to hit the books, correct?

20 MR. ALASTAIR FOGG: I think it's fair  
21 to say, as what we reviewed this morning, the  
22 financial picture was different when that decision was  
23 made than it is today. That's fair.

24 MR. ANTOINE HACAULT: And during that  
25 2017 GRA, there was no indication that the Provincial

1 Government would follow recommendations that had been  
2 made in NFAT to provide some government relief,  
3 correct?

4 MR. ALASTAIR FOGG: To my knowledge, I  
5 don't believe there were any such indications at that  
6 time.

7 MR. ANTOINE HACAULT: In fact, it  
8 probably came as a surprise to most people that we get  
9 a favourable government relief of some 180 million to  
10 \$190 million per year, correct?

11 MR. ALASTAIR FOGG: It's certainly  
12 been bene -- beneficial from a financial perspective,  
13 correct.

14

15 (BRIEF PAUSE)

16

17 MR. ANTOINE HACAULT: And if we go to  
18 the Board findings in that decision -- sorry, I don't  
19 have the reference for you, Ms. Schubert. I think  
20 it's page 149. Oh. Page 149.

21 The Board findings on that issue in --  
22 in the 2018 rate hearing and are set before us, that  
23 the Board accepted Manitoba Hydro's proposed treatment  
24 of Conawapa costs at thirty (30) year amortization.

25 Correct?



1 MR. ALASTAIR FOGG: Correct.

2 MR. ANTOINE HACAULT: And it explained  
3 that it was appropriate because there was a decision  
4 to discontinue Conawapa and, further, that the  
5 approach smooth out the impact of this one (1) time  
6 cost on consumers, correct?

7 MR. ALASTAIR FOGG: Correct.

8 MR. ANTOINE HACAULT: Now moving to  
9 this filing, 2023/2024, tab 10 -- it's MFR-16, Figure  
10 1.

11 This is what shows us how this  
12 accounting magic occurs, correct?

13 MR. ALASTAIR FOGG: This figure is  
14 showing how the net movement line item for the income  
15 statement is treating the different regulatory  
16 deferral accounts, and how that would -- how those  
17 balances change over time from 2017/'18 to the --  
18 through the test period in 2024/'25.

19 MR. ANTOINE HACAULT: So we've just  
20 seen that, in the 2018 decision, the Board authorized  
21 Conawapa to be put in this regulatory deferral  
22 account. And if we go about six (6) lines down, we  
23 see the heading 'Conawapa'.

24 Do you see that, sir?

25 MR. ALASTAIR FOGG: I do see it, yes.

1 MR. ANTOINE HACAULT: And as we move  
2 right across that line, we see the three hundred and  
3 seventy-five (375) -- or seventy-nine two hundred and  
4 four thousand (79,204,000) number?

5 MR. ALASTAIR FOGG: Correct. So  
6 that's the opening balance for Conawapa in the  
7 2018/'19 year.

8 MR. ANTOINE HACAULT: And then we see  
9 it decrease in each year, and to understand what's  
10 happening there, we'll have to go further down in the  
11 table, correct?

12 MR. ALASTAIR FOGG: Correct. That  
13 line is showing the opening balance of that account in  
14 each year. As we go down through the table, it would  
15 show the -- how that is changing.

16 MR. ANTOINE HACAULT: Okay. So by  
17 2024/2025, if we stay at the top line, and go -- move  
18 right to the right under the heading '2024/2025  
19 Preliminary Budget', we see that that deferral account  
20 will have been reduced to three hundred and three  
21 million four hundred and forty-four -- or forty-two  
22 thousand (303,442,000). Thank you.

23 MR. ALASTAIR FOGG: Correct, yes.

24 MR. ANTOINE HACAULT: Okay. So  
25 considering that we'll have had five (5) years of that

1 deferral account, there'll be another twenty-five (25)  
2 years or so to amortize out, correct?

3 MR. ALASTAIR FOGG: Correct.

4 MR. ANTOINE HACAULT: And do you agree  
5 that the government charge relief was a significant  
6 annual relief?

7 MR. ALASTAIR FOGG: The reductions in  
8 the payments to government has a significant annual  
9 impact, yes.

10 MR. ANTOINE HACAULT: In fact, if we  
11 look at that three-o-three (303) number, it's less  
12 than two (2) years of government charge relief,  
13 correct?

14 MR. ALASTAIR FOGG: That's correct.

15 MR. ANTOINE HACAULT: And then we see,  
16 looking down on the second set, further down in the  
17 table, amortization of regulatory deferral accounts.  
18 We find Conawapa six (6) lines down.

19 Mathematically, what has occurred is  
20 we're recognizing twelve million six hundred and  
21 twenty-seven thousand (12,627,000) each year.

22 MR. ALASTAIR FOGG: That's correct.

23 MR. ANTOINE HACAULT: And that was a  
24 mathematical calculation by dividing that initial  
25 number of three ninety-seven (397) by thirty (30),

1 correct?

2 MR. ALASTAIR FOGG: Correct.

3 MR. ANTOINE HACAULT: Now, if we go  
4 to...

5

6 (BRIEF PAUSE)

7

8 MR. ANTOINE HACAULT: If that expense  
9 was taken against net income, or against the income,  
10 net income would be increased annually in the future  
11 by a corresponding amount?

12 Does that make sense? We won't have  
13 that 12 million applied, so in each year, if we apply  
14 the whole deferral account in one (1) year, subsequent  
15 years, we actually see our net income increased by 12  
16 million by -- for a financial perspective?

17 MR. ALASTAIR FOGG: That's correct.  
18 So if -- if there is a change in the amortization  
19 period of the -- such that you would recognize the  
20 existing balance in one (1) year, and in future years  
21 you would not see that \$12.6 million reduction to net  
22 income in those subsequent years that we would be  
23 discussing.

24 The -- the only thing to note is -- is  
25 again, this -- this is purely -- or this is a non-cash

1 item, so that -- that would impact net income and  
2 retained earnings. There's no cash impact related to  
3 this item.

4 MR. ANTOINE HACAULT: And one (1) more  
5 question on that before I'll finish my last questions.

6 The -- does Manitoba Hydro agree that  
7 these costs which are presently in the deferred  
8 account have no ongoing benefits to future ratepayers?

9 In other words, I want to know what my  
10 grandchildren are getting in twenty (20), twenty-five  
11 (25) years from now.

12

13 (BRIEF PAUSE)

14

15 MR. ALISTAIR FOGG: I think, Mr.  
16 Hacaault, there's -- because we've just -- operations  
17 at Conawapa or on Conawapa were discontinued, there's  
18 not necessarily an enduring benefit.

19 I would just add that the decision at  
20 the time was related to smoothing the impact of -- of  
21 those costs over that period of time.

22 That was really the premise of the  
23 decision was an impact -- rate impact smoothing  
24 exercises. But I -- I would say -- I would agree  
25 there's no enduring benefit at this point.

1 MR. ANTOINE HACAULT: No enduring  
2 benefit, is that -- sorry, my hearing --

3 MR. ALISTAIR FOGG: Sorry, that's what  
4 I said. Yes.

5 MR. ANTOINE HACAULT: Thank you. I'll  
6 move to another -- tje last subject, revenue  
7 assumptions. Appendix 5.1, page 20 of 77.

8 Now, the last sentence on page 20. Now  
9 we've seen this before. It's in a Board book of  
10 documents also.

11 The indication, just before the graph,  
12 is that the primary driver of residential base growth  
13 is population, which is forecast to grow over 1.1  
14 percent per year over the next twenty (20) years. And  
15 we see the graph.

16 If we go to page 2 of 77, on that  
17 table, we see the assumptions in this scenario that's  
18 been provided to the Board for rate-setting purposes,  
19 that there's an assumption that the percentage of  
20 electric space heat for this residential category is  
21 at about 40 percent. Do you see that? Top right-hand  
22 side. Is that Mr. Epp answering?

23 MR. GREGORY EPP: Yes, I see that.

24 MR. ANTOINE HACAULT: And also, for  
25 residences, the percentage of electric water heat is

1 at 50.1 percent, and that's for the fiscal year  
2 2020/21. Correct?

3 MR. GREGORY EPP: That's correct.

4 MR. ANTOINE HACAULT: And then, we had  
5 seen in the previous line of questioning and back to  
6 page 20, at the bottom of the page, the blue line is  
7 the forecasted demand. Correct?

8 MR. GREGORY EPP: That's correct.

9 MR. ANTOINE HACAULT: And the green  
10 line is once we implement DSM, correct?

11 MR. GREGORY EPP: Yeah. Forecast DSM.

12 MR. ANTOINE HACAULT: Now, if we go  
13 back to page 22 of 77, am I correct in suggesting to  
14 you, if I go from 2020 down to the very bottom of this  
15 table, which is 2040, there is an assumption that  
16 there would be no increase in decarbonization of gas  
17 heating to electric heat. Correct?

18 MR. GREGORY EPP: That's correct. The  
19 -- there's probably some minor change for new  
20 customers, but nothing with existing customers  
21 changing their energy source for space heat.

22 MR. ANTOINE HACAULT: And the same  
23 thing generally holds true for water heating, we've  
24 looked at 2040, both have just moved by 1 or 2 percent  
25 over that twenty (20) year time frame?

1 MR. GREGORY EPP: That's correct.

2 MR. ANTOINE HACAULT: Now, so if there  
3 were incentives by the federal Government or another  
4 Government to convert it to electrical heating, for  
5 example, by ground source or air source heat pumps,  
6 this scenario does not consider that. Correct?

7 MR. GREGORY EPP: That's correct.

8 MR. ANTOINE HACAULT: And this  
9 scenario would also give little weight to the  
10 transition of residential consumers to electric  
11 vehicles, correct?

12 MR. GREGORY EPP: Can you repeat that  
13 question?

14 MR. ANTOINE HACAULT: This table would  
15 also not give much weight to consumers transitioning  
16 to electric vehicles.

17 Or is that a different analysis?

18 MR. GREGORY EPP: Can you scroll up so  
19 I can just see the headers first? This is just  
20 talking about electric heat customers.

21 I'm going to -- I'm going to assume  
22 this is just related to heating load. There is an  
23 assumption in -- in the '21 load forecast scenario  
24 that -- that includes EV uptake.

25 MR. ANTOINE HACAULT: Now, if we look



1 in the middle of the table, non-electrical heat  
2 billed, that -- those are consumers that aren't on  
3 electric heating. Correct?

4 MR. GREGORY EPP: That's my  
5 understanding, yes.

6 MR. ANTOINE HACAULT: And if we move  
7 down to 2040 and start with the three-hundred-o-two  
8 (302) number down to the three-sixty-five (365),  
9 that's why I had brought you first to the beginning of  
10 all this data, saying that the growth at 1.1 percent  
11 was basically a residential population growth as  
12 opposed to other factors.

13 MR. GREGORY EPP: I believe that's  
14 what the writeup said above.

15 MR. ANTOINE HACAULT: So are you  
16 saying that there's a huge take up of electric  
17 vehicles built into these numbers on the table we're  
18 looking at at page 22 of 77?

19 MR. GREGORY EPP: Again, the -- I  
20 believe the load forecast was out of scope for this.  
21 I'm doing my best, Mr. Hacault.

22 If this is -- if this table is to  
23 represent all energy demand for residential customers,  
24 then it would, in fact, include electric vehicle load.

25 MR. ANTOINE HACAULT: Okay. Thank

1 you. As part of this forecast scenario, you're  
2 assuming low opportunity sales to replace firm sales  
3 when the NSP contract ends, correct?

4 MR. GREGORY EPP: Can you repeat the  
5 question?

6 MR. ANTOINE HACAULT: When -- after  
7 the end of the NSP sale, at the beginning of  
8 2025/2026, the Corporation is assuming low opportunity  
9 -- low price opportunity sales will replace the firm  
10 sales of that contract. Correct?

11 MR. GREGORY EPP: The -- the  
12 opportunity prices forecasted at that time are lower  
13 than -- than what that NSP sale was.

14 If you scroll up, you can see how that  
15 -- that demand line goes from kind of flat to upward  
16 sloping. And that starts to eat away at the  
17 opportunity energy sales. And -- and it becomes sold  
18 domestically as opposed to in the export market at the  
19 domestic rate.

20 MR. ANTOINE HACAULT: So what I'm  
21 suggesting to you is that if your scenario is  
22 incorrect with respect to residential consumers who  
23 represent a large part of your revenue base, the  
24 higher priced revenue sales will, in fact, replace the  
25 low price opportunity sales. Correct?

1 MR. GREGORY EPP: Yeah. And that's  
2 factored into the amended financial forecast scenario.  
3 As the load grows by customer class, the forecasted  
4 rates for domestic are assumed and a smaller volume is  
5 sold in the export market at that assumed price.

6 MR. ANTOINE HACAULT: My point --  
7 perhaps my question wasn't clear -- is that if there's  
8 a quicker increase in residential sales than you've  
9 assumed in this forecast scenario, in fact, you will  
10 be getting more revenue as a result of a higher uptake  
11 on residential consumption. Correct?

12 MR. GREGORY EPP: Yeah. That's true.  
13 It's the differential between -- for example, if the  
14 residential customer is paying nine (9) cents a  
15 kilowatt hour and the opportunity price is five (5)  
16 cents a kilowatt hour, the differential being four (4)  
17 for the -- those electrons as they -- as they are sold  
18 in Manitoba versus on the export market.

19 It's -- it's the differential in the  
20 prices. And that's factored into the modelling.

21 So definitely a sensitivity. If -- if  
22 electric vehicle penetration should -- should occur  
23 quicker in Manitoba, then that would be the case. And  
24 -- and the same would hold true if -- if it's not as  
25 quick, if it doesn't ramp up as fast.

1 MR. ANTOINE HACAULT: A couple of last  
2 questions. I think Mr. Fogg might be able to answer  
3 them, I'm not too sure.

4 It was Board book of documents, volume  
5 3, page 5 of 78. Just a clarification.

6 On this table, a sustainment heading is  
7 'Repair and maintenance' of capital assets?

8 MR. ALASTAIR FOGG: Yes, it's capital  
9 investments to maintain our existing asset base.

10 MR. ANTOINE HACAULT: And that's  
11 different than what we call capacity and growth, which  
12 is investments to provide future -- for future load  
13 growth, such as transmission lines?

14 MR. ALASTAIR FOGG: Capacity and  
15 growth would be addressing system requirements or  
16 areas where that growth was exceeding what our system  
17 could provide for, you know, for example, areas around  
18 the Portage area where -- where the -- the city and  
19 the load has been growing out of -- outside of what we  
20 can provide with the existing system and an asset --  
21 asset investment is required to meet that.

22 MR. ANTOINE HACAULT: When the table,  
23 at slide 41 is re-filed, could the allocation of this  
24 previous table that I've just shown on Business  
25 Operation Capital, be also shown, perhaps as a

1 separate figure, showing the proportions allocated to  
2 business operation capitals and major capital, related  
3 to -- I'm sorry -- I'll try to re-frame that question.

4                   Firstly, we have slide 41 from Exhibit  
5 42, we're going to get it -- that re-filed with  
6 respect to the issue of sinking fund contribution.

7                   Secondly, of what I'd like to see, if  
8 it's possible, with respect to Business Operation  
9 Capital which includes three (3) categories:  
10 sustainment, capacity growth and business operation  
11 support, to show the allocation of those amounts on  
12 that slide. Is that possible?

13                   MR. AUREL TESS: Just a clarification,  
14 Mr. Hacault, were -- would you -- are you looking for  
15 that to be separated, each category on the slide, or  
16 just the total -- total capital investment?

17                   MR. ANTOINE HACAULT: I would -- the  
18 blue category at the bottom, on slide --

19                   MR. ALASTAIR FOGG: Mr. Hacault, I  
20 just wonder if we could bring that slide up that -- to  
21 be --

22                   MR. ANTOINE HACAULT: Yeah. The blue  
23 bottom of the slide 41, the light blue, as I  
24 understand it, is Business Operations Capital.

25                   Do I have that right?

1 MS. SUSAN STEPHEN: Yeah.

2 MR. ANTOINE HACAULT: So, when I  
3 looked at the next table, that I referred you to,  
4 which had the three (3) categories: sustainment and -  
5 - could there be a breakdown of that Business  
6 Operations Capital, into the three (3) categories that  
7 I identified. Is that possible?

8 MS. SUSAN STEPHEN: We can provide a  
9 breakdown of the three (3) different categories. Just  
10 -- just to confirm, though, in -- in discussions with  
11 a rating agency recently, the expectation would be to  
12 have all three (3) categories in Business Operations  
13 Capital covered through internally generated funds.  
14 But we can break it down for you.

15

16 --- UNDERTAKING NO. 44: Manitoba Hydro to provide  
17 breakdown of that Business  
18 Operations Capital which  
19 includes three (3)  
20 categories: sustainment,  
21 capacity growth and  
22 business operation  
23 support.

24

25 CONTINUED BY MR. ANTOINE HACAULT:

1 MR. ANTOINE HACAULT: So that,  
2 presumably, hopefully it's not a whole bunch of  
3 different blues because my eyes will -- I'm not too  
4 sure. Maybe it can be lines or something that --

5 MS. SUSAN STEPHEN: What colour would  
6 you prefer?

7 MR. ALASTAIR FOGG: And, Mr. Hacault,  
8 if we went to slide 32 of -- of our direct evidence  
9 presentation, it will essentially be an overlay of  
10 what you see here versus the solid blue that you had  
11 in the other graph that we were on.

12 MR. ANTOINE HACAULT: Okay. That's  
13 good. Mr. -- Mr. Chairman, I think I've exhausted my  
14 time, so I thank the Board very much for its patience  
15 and I thank the panel for doing its best to answer my  
16 questions. I really appreciate it and have a great  
17 day.

18 THE CHAIRPERSON: Thank you. So,  
19 we're at the point where we could take a break or we  
20 could conclude. I know Vice Chair Kapitany has a  
21 question. I don't know if other panel members have a  
22 question.

23 The question I had Mr. -- for Mr.  
24 Czarnecki is to whether he has re-direct, because if  
25 he does, then we'll take a break.

1 MR. BRENT CZARNECKI: Mr. Chairman, I  
2 can indicate we do not have any re-direct.

3 THE CHAIRPERSON: Okay. Thank you.  
4 Then what I -- I think we're going to -- do you have -  
5 - I have been instructed we're going to break for five  
6 (5) minutes.

7 And then -- and then we'll resume -- I  
8 don't know if the panel, other than Ms. Kapitany has -  
9 - has a question, so. Right? I -- I think Mr. Sy  
10 has a question too. So, we'll -- we'll break for --  
11 for five (5) minutes.

12

13 --- Upon recessing at 10:45 a.m.

14 --- Upon resuming at 10:54 a.m.

15

16 THE CHAIRPERSON: Okay. There's --  
17 there are some questions from the Panel, and we'll  
18 start with Vice Chair Kapitany.

19 VICE CHAIR KAPITANY: Thank you, Mr.  
20 Chair. Ms. Schubert, could you bring up slide 19 from  
21 the evidence from Monday?

22 And, Mr. Fogg, I believe you presented  
23 this on Monday, which seems like a long time ago,  
24 though not as long ago as the NFAT hearing. And  
25 merci, M. Hacault, for that reminder, yeah.



1                   So I've been thinking about this since  
2 you presented the slide, and I believe you said that  
3 this is the confirmation of the 3.6 percent interim  
4 rate, and that this is currently in customer rates?

5                   MR. ALASTAIR FOGG:    I -- I believe  
6 that's what I said is we're -- it's currently included  
7 in what we're collecting in rates right now.

8                   VICE CHAIR KAPITANY:   Okay.  So then,  
9 Ms. Schubert, could you go to Appendix 4.4, amended  
10 from the -- so this is the sensitivity analysis that  
11 you presented.  So it shows the sensitivity where the  
12 interim rate is not confirmed.

13                   And so does this sensitivity refund  
14 then that money that's been collected in rates?  Does  
15 that -- is it refunded to ratepayers?

16                   MR. GREGORY EPP:    No.  The rate would  
17 be rolled back on September 1 of '23; that was the  
18 assumption.  So instead of granting a 2 percent rate  
19 increase, the rates would be rolled back to what they  
20 were on December 31st of 2022.

21                   VICE CHAIR KAPITANY:    So that would be  
22 one mechanism, but are there other mechanisms Manitoba  
23 Hydro would have to refund that revenue that, as Mr.  
24 Fogg said, has been collected from ratepayers to  
25 refund that revenue?

1 MR. GREGORY EPP: To refund the  
2 revenue collected between January 1 and say September  
3 1?

4 VICE CHAIR KAPITANY: Correct.

5 MR. GREGORY EPP: I mean, if -- if  
6 that was the decision, I can think of two (2) options.  
7 One would be like a credit, a bill credit, or if you  
8 were going to refund that over a period of time, like  
9 a rate rider, that would -- that would be in effect  
10 for a little -- for a certain amount of time and then  
11 fall off.

12 VICE CHAIR KAPITANY: Okay. Thank you.

13 THE CHAIRPERSON: Mr. Sy...?

14 BOARD MEMBER SY: Thank you very much.  
15 I just wanted to go back to the bad debt expense which  
16 was estimated to be \$6 million in 2021/2022.

17 Is that -- is that correct? It was  
18 mentioned in AMC/MH-138.

19

20 (BRIEF PAUSE)

21

22 MR. ALASTAIR FOGG: Section A are the  
23 late payment charges collected from customers.

24 BOARD MEMBER SY: Which was -- it  
25 wasn't this one. It was section 30(a).

1 MR. ALASTAIR FOGG: If we scroll down,  
2 there -- there be a (c). Those are accounts.

3 BOARD MEMBER SY: We're talking about  
4 credit allowance has increased by approximately \$8  
5 million, and then it says, "But that expense was 6  
6 million in 2021" --

7 MR. ALASTAIR FOGG: I -- I believe  
8 it's in tab -- tab 6 of our Application. We may have  
9 noted that the -- our expected credit loss had  
10 increased by that amount. I -- I can try and find the  
11 exact page.

12 BOARD MEMBER SY: Please.

13 MR. GREGORY EPP: 6.9.2.

14

15 (BRIEF PAUSE)

16

17 MR. GREGORY EPP: Scroll down one (1)  
18 more page, please, to the top of page 45.

19 BOARD MEMBER SY: Yeah, yeah, yeah.

20 On line 2.

21

22 (BRIEF PAUSE)

23

24 BOARD MEMBER SY: Is this correct?

25 MR. ALASTAIR FOGG: That's correct.

1 BOARD MEMBER SY: Okay. Any idea what  
2 is the bad debt for 2022 and 2023?

3

4 (BRIEF PAUSE)

5

6 MR. ALASTAIR FOGG: So I believe  
7 you're asking about the bad debt expense. I can just  
8 confirm that, I guess. For -- for the electric  
9 segment, it's approximately nine (9) -- 9 million for  
10 '22/'23.

11 BOARD MEMBER SY: In 2022/2023?

12 MR. ALASTAIR FOGG: Yes.

13 BOARD MEMBER SY: I guess we  
14 economists we love sensitivity analysis. So do we --  
15 do you guys have done some sensitivity analysis in  
16 terms of rate hike in relation to -- or the impact --  
17 impact of rate hike on bad debt?

18 MR. ALASTAIR FOGG: Most of our  
19 analysis follows an -- an accounting approach that  
20 looks at rolling history. We haven't done that  
21 forward-looking analysis around bad debt versus rate  
22 increases.

23 BOARD MEMBER SY: So it -- it is not  
24 clear to you the impact of 1 percent increase on -- on  
25 the bad debt based on the histories that you guys

1 have? You haven't done some projections?

2 MR. ALASTAIR FOGG: No, we don't have  
3 that information.

4 BOARD MEMBER SY: You don't have that  
5 visibility. And -- and the last question is: The 6  
6 percent represents about 33 percent of -- of sort of  
7 like a rate increase.

8 For example, if you go 2 percent rate  
9 increase, that's about \$36 million, right, for  
10 residential?

11 MR. ALASTAIR FOGG: Approximately,  
12 yes, okay.

13 BOARD MEMBER SY: Yeah. So 6 percent  
14 of that is about 33 percent.

15 MR. ALASTAIR FOGG: Okay.

16 BOARD MEMBER SY: Yeah. So when we  
17 talk about rate hike, 2 percent in this case, is the 2  
18 percent nominal or net?

19

20 (BRIEF PAUSE)

21

22 MR. ALASTAIR FOGG: It's -- it's  
23 gross. However, we do -- so the -- the bad debt  
24 expense has -- in these cases, we've had an allowance  
25 through that expected credit loss allowance amount

1 where that is not -- I guess the 2 percent increase is  
2 gross, but we do have an allowance in the O&A expenses  
3 for these losses that we've seen, if I were to put it  
4 that way.

5 MR. AUREL TESS: So just to add to  
6 that, so we would show the revenue from the customers  
7 in the -- in the revenue line for residential, and  
8 then the expense part of it would be shown in the O&A  
9 expenses. So they're not netted together in terms of  
10 the revenue requirement.

11 BOARD MEMBER SY: So I -- I stay on  
12 the 2 percent. So then if it is a nominal, so the net  
13 net then would be 1.67 percent.

14 Is that fair to say?

15 MR. AUREL TESS: Approximately, yeah.

16 BOARD MEMBER SY: Okay. Thank you.

17 THE CHAIRPERSON: Ms. Bellringer...?

18 BOARD MEMBER BELLRINGER: Thanks.

19 Sorry. And I haven't been thinking about this one  
20 since Monday, so I'm -- it may not come out exactly  
21 right.

22 I'm thinking through the impact of the  
23 approximately 190 million every year from the  
24 reduction in the water rental fees and the debt  
25 guarantee fees. And what happens to the long-term

1 forecast if that line changes?

2                   So it was a historical rate for a long,  
3 long time, which has now been changed. And I don't  
4 think I'm missing something by saying it's been built  
5 into the forecast at that reduced rate for the full  
6 forecast period.

7                   Is there consideration to or how are  
8 you accounting for the sensitivity around the fact  
9 that, over time, that could possibly change?

10                   MR. AUREL TESS: I can -- I can start  
11 out, Mr. Bellringer, and maybe others can -- can chime  
12 in. But essentially, the 3 1/2 percent rate path that  
13 we presented in the initial submission would have been  
14 without the -- so you can see the impact there. It's  
15 significant at 1 1/2 percent.

16                   We haven't performed an actual  
17 sensitivity analysis, and I'll ask my colleagues to  
18 confirm that, but I don't believe we have in terms of  
19 what would happen if, you know, something were to  
20 occur, where -- where that would have been withdrawn.

21                   I think Chairman Gabor was asking about  
22 that as well.

23                   I think there's -- there's factors that  
24 affect that though beyond government policy, in terms  
25 of -- I think Mr. Gabor said we were number 2 in the

1 country still. So our -- our rates are still quite  
2 high.

3 So from a Government policy  
4 perspective, they would have to, I would think, take  
5 that into account as well in terms of the amount of  
6 transfer going to the -- to the Province.

7 Does that help somewhat?

8 MR. GREGORY EPP: I can perhaps add,  
9 one of the sensitivities we did run in Appendix 44 was  
10 keeping the rate path at 2 percent and then rolling  
11 the fees back up to what they were. And that's --  
12 again, we -- we talked a lot about what -- what the --  
13 what the impact of going from a 50 percent reduction  
14 to about \$4 billion. When you include financing of  
15 that 4 billion, it equates to six (6).

16 So with a -- with the rates capped --  
17 or the rate cap at inflation and a forecast of 2  
18 percent, if those fees do go up, the Act is, in fact,  
19 in trouble in terms of being able to comply with both  
20 components.

21 So, you know, the Government holds the  
22 strings on that and -- and they would -- they would  
23 have to balance the impact of that with the Act.

24 MS. SUSAN STEPHEN: Susan Stephen  
25 here. I'd also like to add that it is in the



1 Government's interest as well to leave the fees as is  
2 at the lower rate.

3           Should we be faced with a situation of  
4 having the fees the way they were before at this  
5 current rate path, that would make Manitoba Hydro not  
6 self supported. And if that were to be the case, then  
7 it could potentially have credit risk impacts for the  
8 Province.

9           So by -- they're not changing the whole  
10 provincial pie. But by shifting that debt load over  
11 to the Province, it's reducing the contingent  
12 liability that Manitoba Hydro is to the Province.

13           So it's in their interest to maintain  
14 it as is.

15           MR. AUREL TESS: And then, something  
16 just to add to that is during the drought, for  
17 example, we had a cash flow deficiency from operations  
18 of approximately \$350 million. So we had to borrow  
19 for the drought.

20           But we, at the same time, transferred  
21 approximately 500 million to the Province during the  
22 drought year. So you know, it's something that we  
23 have pointed out to decision makers, that that's not  
24 something that is probably practical for the Utility.

25           THE CHAIRPERSON: Mr. Bass...?

1 BOARD MEMBER BASS: Thank you. Mr.  
2 Epp, just wanted to follow up on the -- Vice Chair  
3 Kapitany's question. And you had mentioned, in the  
4 hypothetical situation, if Manitoba Hydro had to  
5 refund some rate, you'd used the words 'rate rider'.

6 Could you explain that a bit and how it  
7 works, please?

8 MR. GREGORY EPP: A rate rider is a  
9 temporary, you know, higher rate, or in some cases,  
10 lower rate. It's common on the gas side to collect  
11 costs for timing differences.

12 So you would collect some costs for a  
13 certain period of time. If -- if you're going to  
14 refund so many millions of dollars over a six (6)  
15 month period or a four (4) months period, that rider  
16 would appear on your bill for that time until the --  
17 until the revenue is refunded or collected. And then,  
18 it would -- it would be removed.

19 BOARD MEMBER BASS: Okay. Thank you.

20 THE CHAIRPERSON: Sorry, just one  
21 final question. Mr. Tess alluded to it.

22 Am I correct in thinking, Mr. Tess,  
23 that if the Government had not reduced the fees that,  
24 under Bill 36, you wouldn't have been able to make the  
25 targets?

1 MR. AUREL TESS: That's correct. I  
2 think we stated that in the initial -- there's an  
3 incongruence there between the -- the rate cap and the  
4 targets.

5 THE CHAIRPERSON: Okay. Thank you.  
6 That concludes this panel. Thank you very much. And  
7 we will adjourn until 9:00 a.m. tomorrow morning.  
8 Thank you.

9

10 (PANEL STANDS DOWN)

11

12 --- Upon adjourning at 11:09 a.m.

13

14

15 Certified Correct,

16

17

18 \_\_\_\_\_

19 Wendy Woodworth, Ms.

20

21

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