ELECTRIC GENERAL RATE APPLICATION 2015

Manitoba Hydro Undertaking #29

Manitoba Hydro to determine whether or not it has considered other pacing of sustaining capital expenditure in terms of its IFF14 and CEF14.

Response:

Manitoba Hydro considered 3 alternatives in determining the appropriate target for sustaining capital for CEF14.

Alternative 1:
Maintain CEF13 forecast expenditure levels of approximately $10.4 billion over the 20 year forecast, $5.2 billion for the first 10 years and $5.2 billion for the future 10 years.

Alternative 2:
Incorporate additional capital investment of approximately $1 billion over CEF13 during the 20 year forecast period to address both the impacts of aging infrastructure as well as capacity constraints impacting system performance and customer growth.

Alternative 3:
Incorporate additional capital investment of approximately $2 billion over CEF13 during the 20 year forecast period to address both the impacts of aging infrastructure as well as capacity constraints impacting system performance and customer growth.

Following extensive discussions with Executive Committee, alternative 3 was selected in order to manage the risks of reliability, safety and load growth. As discussed in Tab 4 of the Application, some of Manitoba Hydro's assets are in poor condition with ages well beyond industry standards and significant investment is required to mitigate the negative impacts of aging infrastructure on the electrical system. The increased capital investment is supported by the findings from the Electric Infrastructure Condition Assessment Report. In addition, a number of areas in the province require investment in order to address higher than average load growth. Electric load in an increasing number of service areas has grown to the point where Manitoba Hydro may not be able to adequately supply load in the event of an outage despite contingency plans.

Of the $2 billion increase in capital investment, approximately $400 million was incorporated in the first 10 years of the forecast to address near term capacity issues. Recognizing the significant investment requirements in Major New Generation & Transmission facilities and the need to balance overall debt levels, the remaining $1.6 billion was allocated in the latter half of the forecast to address the impacts of aging infrastructure.