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December 4, 2013

Mr. H. Singh
The Public Utilities Board
400 - 330 Portage Avenue
WINNIPEG, Manitoba R3C 0C4

Dear Mr. Singh:

RE: MANITOBA HYDRO
NFAT SCHEDULE AND TIMELINES

Further to our letter of November 28, 2013 in which Manitoba Hydro provided estimates of time durations required to complete various portions of work arising from Information Requests (IRs), Independent Expert Consultants (IEC) informal meetings and requests and several PUB requests, Manitoba Hydro offers the following additional information.

As noted in our letter of November 28, 2013, if none of the requests currently posed are withdrawn, the resulting work required by Manitoba Hydro would require approximately to the end of 2014 to complete, with the best efforts of Manitoba Hydro staff. Even if half of the remaining IRs and all of the eight months of new cases (as outlined in our November 28, 2013 letter) were withdrawn by the PUB, IEC and Intervenors, the timelines in the current NFAT schedule would still be exceeded, and the PUB report could not then be available by the June 20, 2014 deadline established in the Terms of Reference. In order to meet the current timeline, serious consideration must be given to the level of detail necessary to complete the review required by the Terms of Reference within the time allotted, and to focus the inquiries and IRs on those matters which are strictly required in order to complete the review with due diligence.

As has been communicated extensively in the NFAT process, the June 2013 scheduled date for the PUB report provides for a July 2014 construction start for the Keeyask Generating Station, which start is necessary to enable a 2019 In-Service Date (ISD). Should the PUB report be delayed, this ISD is put at risk. In the event that the delay was approximately one month, Manitoba Hydro expects that it could protect the 2019 ISD provided that the Provincial approval follows shortly after the PUB report. The impact of a two month delay is uncertain due to factors such as weather. However, if the PUB report is not available until September 2014 or later, it is expected that the 2019 ISD would not be achievable. Due to the seasonality of the cofferdam construction, a delay in the order of three months in construction start would result in a 12 month delay of the Keeyask ISD. Such a three month delay in the PUB report is also likely to result in a delay of the 750 MW Interconnection to the USA and its associated import benefits.

As communicated previously, delay of the Keeyask ISD to 2020 will increase the in-service capital cost by \$250M - \$300M due to the additional escalation and interest costs, plus the additional one year of ongoing project process costs (including environmental monitoring, engineering, construction preparation, community participation and regulatory process costs). In addition to the increase in capital costs, there will be production cost increases due to the loss of one year energy production. However, such delay would not result in loss of the Minnesota Power and Wisconsin Public Service sales as the contracts provide for up to two years of regulatory delay in the construction of Keeyask.

As you may be aware, the Keeyask General Civil Contract (GCC) proposals are to be received in December and will be immediately analyzed with the intent of seeking Manitoba Hydro Electric Board approval of the successful bid and award in early 2014. The successful GCC contractor would then begin preparations to be in a position to mobilize and commence construction in July, 2014. Concurrently, Manitoba Hydro is in the process of completing the infrastructure and the construction preparations prior to July 2014. In the event that the PUB is unable to direct the level of detail in the inquiry such that the June 2014 date for the PUB's report is achievable, it is very important that this be known before the end of December 2013. This would permit Manitoba Hydro to make arrangements related to construction commencement activities to enable cost savings related to these activities, and would permit the NFAT schedule to be adjusted to reflect the revised timeline.

A critical element in this discussion is the estimate of the time required for Manitoba Hydro to complete the various PUB, Intervenor and IEC requests. Our November 28, 2014 letter indicates that the number of new cases requested and not withdrawn to date is equivalent to approximately 2½ times the number of cases Manitoba Hydro provided in the August 16, 2013 NFAT submission, which in itself was quite extensive. Attachment 1 to the letter provides a listing of the various Round I and II IRs and the estimate of the number of cases requested by those IRs. These estimates are based on a more detailed review of the IRs and indicate that the numbers of new economic and financial cases are approximately four times and three times respectively the number of cases in the August 16 submission.

Attachment 2 provides a brief explanation as to the individual steps and durations to undertake individual cases to assist parties in understanding the workload and time associated with such analysis.

In conclusion, Manitoba Hydro respectfully requests that the PUB give serious consideration to revisiting the NFAT process to determine a plan going forward which is focused on meeting the requirements of the Terms of Reference for the NFAT with both sufficient scrutiny to ensure due diligence and the June 2014 deadline recognizing the significant costs associated with delay of the ISD of Keeyask. With respect to the June 2014 deadline provided in the Terms of Reference, Manitoba Hydro requests that a conclusion as to the viability of that timeframe is arrived at expeditiously.

Manitoba Hydro looks forward to receiving clarification and guidance on these matters.

Yours truly,

MANITOBA HYDRO LAW DIVISION

Per:



for: **MARLA D. BOYD**
Barrister and Solicitor
MDB/

cc: R.F. Peters, Fillmore Riley LLP
Intervenors of Record