

1 **Undertaking 90**

Exhibit No. _____

2 Manitoba Hydro to determine and identify the question posed by Mr. Hacaault, which Manitoba
3 Hydro indicated may be CSI; and then to determine whether the response by Potomac is CSI;
4 and if it is not CSI, Potomac to provide the answer by way of undertaking (4746)

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6 **RESPONSE:**

7 At the April 1 hearing, the following dialogue occurred during cross-examination by Mr. Hacaault
8 of Dr. David Patton:

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10 19 MR. ANTOINE HACAULT: So that gets
11 20 back to our in -- initial discussion that there's ways
12 21 to manage risk. And you have Mr. Connie sitting in
13 22 the back row with Manitoba Hydro that does his best to
14 23 manage that risk in negotiating long-term contracts.
15 24 But to the extent that he's not able
16 25 to, I was trying to get a sense from you with respect
17 1 to the portion that's uncontracted, do I just flip a
18 2 coin to decide whether I'm going to be assuming this
19 3 substantial risk, or is there a greater likelihood
20 4 that if there's no contracts, I'm going to see that
21 5 substantial risk?

22 6 DR. DAVID PATTON: Well, I -- I think
23 7 it's slightly more complicated than that, because I
24 8 think there's -- there's -- it's not re -- it's not
25 9 really a question of just can you sign contracts of a
26 10 certain duration or can't you. It's how much of a
27 11 price concession do you have to make in order to get
28 12 the buyer to be willing to sign contracts that -- that
29 13 go out that far.
30 14 So if you -- if you set that aside and

31 15 you're talking about being -- having a significant
32 16 amount of time that's -- that's not contracted, yeah,
33 17 I think the -- the risk is high that you would not be
34 18 close to the long-run equilibrium price.

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36 Then at page 4516:

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38 MR. ANTOINE HACAULT: But what I was
39 16 trying to focus on, sir, is there's -- appears to be
40 17 not quite four (4) years, but a -- a window of another
41 18 three (3) and some years to negotiate contracts with
42 19 respect to the Conawapa output.
43 20 And it was in that context, sir, that I
44 21 was asking you, in the absence of contracting for
45 22 capacity for the successfulness of those negotiations,
46 23 does it continue to be the opinion of Potomac that the
47 24 absence of these contracts represents a substantial
48 25 risk for Manitoba Hydro that its capacity revenues may
49 1 be much lower than expected?

50 2 DR. DAVID PATTON: Yes.

51 3 MR. ANTOINE HACAULT: Okay. And I
52 4 said I was a stickler for adjectives. I don't know
53 5 whether you're able to give a sense on the public
54 6 record -- and that's always a hint for people in the
55 7 back, take your -- pregnant pause before you answer my
56 8 question.
57 9 Would the -- when you say, "much
58 10 lower," in your view could -- could you expand at all
59 11 on that adjective, 'much lower than expected'?

60 **RESPONSE:** By using the term "much lower than expected", Dr. Patton means
61 much lower [REDACTED].
