

1 As discussed below, the two above characteristics of Hydro's NFAT are linked.

### 2 **3.1.3 Major Resources versus Smaller Incremental Additions**

3 Traditional ongoing resource planning for utilities is typically an incremental exercise; that is, the vast  
4 majority of the utility's future requirements are addressed by existing supply and relatively modest  
5 changes to that supply mix. These changes are often to relatively flexible resources – such items as  
6 Independent Power Producers (“IPPs”) supply, DSM, customer generation, solar, small run-of-river hydro  
7 improvement or additions, thermal additions or new wind (referred to below as “Flexible” resources).  
8 These supply additions are flexible in that they are relatively quick to procure, small enough to be easily  
9 absorbed into the system, and often repeated at somewhat frequent intervals as required. In this  
10 manner, plans can be very adaptable to changing conditions year-to-year, and can reflect a relatively  
11 small commitment to the decisions required in each annual plan.

12 Only occasionally do utilities pursue procurement of very large new resources (a sort of “System Building  
13 Block”), such as major hydro sites or complexes, large inter-jurisdictional transmission, nuclear  
14 generation, etc. Such resources are entirely different than normal flexible utility resources:

- 15 1) They require planning well in advance of the in-service date.
- 16 2) They are often larger than the system requires at the date they are brought in to service.
- 17 3) They are extremely complex and require major (and somewhat speculative) investment well in  
18 advance of the development, to confirm the viability, cost, community support, etc.
- 19 4) They are relatively inflexible to adapt to changing conditions once commitments are made – for  
20 example, these projects may require combinations of counter-party support, outside investors,  
21 very long-lead equipment, very customized engineering, major early infrastructure, and multiple  
22 jurisdictional regulatory reviews.
- 23 5) Economics can be dependent on long-term perspectives as these resources are usually longer-  
24 lived and not the most cost-effective in the short-term.

25 Hydro's NFAT reflects a resource plan predicated on not one, but multiple “building block” type resources  
26 (Keyask, Conawapa, new cross border transmission, and major export relationships). It is among the  
27 most complicated and expansive power development proposals in Canada in recent decades<sup>33</sup>. The  
28 underlying scheme is in fact considerably more complicated than portrayed in the NFAT, as it includes

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<sup>33</sup> Included in this consideration are aspects of the project size in relation to the proponent utility, the underlying franchise area, the relative inflexibility of the plan to adapt to future conditions, and the requirement for multiple counterparties to be in support.

1 complementary decisions in respect of a number of aspects that are excluded from the PUB's scope as  
2 defined in the Terms of Reference regarding the NFAT review, most notably the development of Bipole  
3 III<sup>34</sup>.

#### 4 **3.1.4 Initial Decisions Relate To Vision**

5 At its core, the above distinction gives rise to issues of vision. There are effectively two potential distinct  
6 and incompatible visions that could be advanced for Manitoba's power sector at the present time. One of  
7 these visions is based strictly on "need" and one based on broader capture of "opportunities":

8 1) **Potential Vision #1: NEED BASED - Minimize Commitments - Focus on the pure**  
9 **traditional concept of "need":** The first possible vision is guided by priorities such as  
10 minimizing commitments and investment, avoiding future possible regret over today's actions,  
11 minimizing resource consumption, avoiding debt, and avoiding making large decisions in a period  
12 of uncertainty where smaller decisions are sufficient. Even if acknowledgement is made that  
13 attractive large new northern hydro resources are available as the next ideal building block  
14 resource at some point in the future, efforts would focus on determining how long a commitment  
15 to these resources can be avoided. A Need Based vision would likely incorporate the following  
16 aspects:

- 17 ○ **Load Forecast:** A Need Based approach would be consistent with an extensive  
18 assessment of the Manitoba load forecast, load forecast methodologies and alternative  
19 load forecast scenarios. Projects would tend to be designed around only the date of in-  
20 service required, with risk mitigation for possible unexpected load growth.
- 21 ○ **DSM:** The scope of electric power DSM could be approached aggressively and in its  
22 broadest sense – including non-traditional DSM activities that have economical Levelized  
23 Utility Costs ("LUC"s). The LUC is a measure of whether a given resource is cost-effective  
24 (kW.h) for the utility to procure given the costs required to be committed. This could  
25 include items such as buy back of customer generation at resource value (not linked to  
26 the rates paid by the customer), targeted subsidization of gas extensions, advocacy and  
27 financial incentives towards customer fuel switching initiatives<sup>35</sup>, or pursuit of energy  
28 efficiency measures that might substantially fail many of the combined or customer-

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<sup>34</sup> In particular, although Bipole III is framed as a reliability initiative by Hydro, it is clear that the development is complementary to the NFAT proposals. For example see OL10-2 provided as Exhibit MH#154 in the Hydro 2010/11 and 2011/12 GRA which notes at page 25 that absent Bipole III, 1500 MW of natural gas generation would be targeted for 2017 with an additional 500 MW by 2025. This compares to the current "All-Gas" option that requires only two 7FA SCGTs (or approximately 446 MW) in this same time frame, as per NFAT Chapter 8 page 20.

<sup>35</sup> PUB/MH I-253b.