

GSS/GSM undertakings from Manitoba Hydro’s 2015 cost of service methodology review proceeding

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Upon review of the transcripts record from the Manitoba Hydro (“MH”) cost of service (“COS”) workshop on June 23, 2016, London Economics International LLC (“LEI”) has acknowledged and addressed its assigned undertakings.

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1 GSS/GSM Undertaking #34

GSS/GSM to provide an identification of those assets that have been advanced for the purposes of opportunity exports.

Response:

It is submitted that opportunity exports played a role in advancing the operating Limestone and Wuskwatim generation stations as well as the development of Keeyask which is currently under construction. A summary of these generation stations is presented in Figure 1.

Figure 1. Summary of recent and upcoming in-service generation facilities

Plant Name	Installed Capacity	In-service year	Advanced (Yes/No)
Limestone	1,340 MW	1990	Yes
Wuskwatim Hydro Facility	200 MW	2012	Yes
Keeyask Project	695 MW	2019	Yes

Source: Manitoba Hydro.

Regarding Limestone, in a 1985 National Energy Board (“NEB”) decision in the matter of the Manitoba Hydro-Electric Board, Manitoba Hydro submitted a schedule of the planned capacity additions required to meet domestic load and to permit firm exports to the Northern States Power Company.¹ MH however makes an exception in the advancement of Limestone from 1992 to 1990 where the NEB states: “Although according to MH the firm export sale could be made with only a one-year advancement of the Limestone station, the Applicant plans a two-year advancement because it believes the **extra year of advancement would allow the profitable sale of additional interruptible energy.**”

In its response to PUB/MH-I-11, MH acknowledges that the Wuskwatim and Keeyask projects were pursued in advance of the need for new resources. With respect to Wuskwatim, MH states that “*advancement provided the opportunity to take advantage of export sales.*” This is also reflected in the 2005 Canadian Environmental Assessment Act comprehensive study report on the Wuskwatim generating project which states “*the reason stated for advancing the in-service date of the Project from 2020 to 2009 would be primarily to allow Manitoba Hydro and the Nisichawayasihk Cree Nation (“NCN”) to obtain additional export revenues and profits.*”² While Wuskwatim construction was completed in 2012 due to environmental licensing and construction delays, this still represents an 8-year advancement. It is worth noting that the distinction between dependable and opportunity exports was not made in qualifying this decision.

In the Needs For and Alternatives To (“NFAT”) of Manitoba Hydro’s Preferred Development Plan, the Public Utilities Board (“PUB”) Panel approved the advancement of the Keeyask project to proceed with an in-service date of 2019 ahead of its need by domestic customers after 2024.³ MH states in PUB/MH-I-11 that the advancement of the Keeyask project “*facilitates higher value export sales*” and provides the average annual split between firm and opportunity export sales for the 20 years post in-service of Keeyask (2020/21 - 2039/40), as seen in Figure 2 below.

¹ National Energy Board. *Reasons for Decision – The Manitoba Hydro-Electric Board EH-6-84*. February 1985.

² Fisheries and Oceans Canada. *Canadian Environmental Assessment Act – Comprehensive Study Report: Wuskwatim Generation Project*. October 2005.

³ Public Utilities Board. *Needs For And Alternatives To (NFAT) Review of Manitoba Hydro’s Preferred Development Plan – Final Report*. June 20, 2014.

It is worth noting that annual opportunity export revenues for this period account for 66% of total GWh volume of expected exports. It is therefore reasonable to conclude that opportunity exports have in fact played a role in the advancement of this facility.

Figure 2. Average annual split between firm and opportunity export sales for the 20 years post in-service of Keeyask (2020/21 - 2039/40)

	Average Annual Firm Exports	Average Annual Opportunity Exports	Average Annual Total
Energy (GWh @ Generation)	2690	5232	7922
Revenue (Millions of Current CDN Dollars)	241	408	648

Source: Manitoba Hydro. PUB/MH-I-11

Regardless of whether the specified generation assets are currently in the rate base, evidence suggests that advancing generation investment for the purpose of dependable and opportunity exports is standard practice in Manitoba. Such advancement means that it is appropriate that exports be assigned more of the fixed costs associated with these investments.