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November 29, 2022

THE PUBLIC UTILITIES BOARD OF MANITOBA
400-330 Portage Avenue
Winnipeg, Manitoba
R3C 0C4

ATTENTION: Dr. D. Christle, Board Secretary and Executive Director

Dear Dr. Christle:

RE: MANITOBA HYDRO'S 2023/24 & 2024/25 GENERAL RATE APPLICATION AMENDMENTS

On November 15, 2022, Manitoba Hydro filed its 2023/24 & 2024/25 General Rate Application ("GRA" or "Application") with the Public Utilities Board of Manitoba ("PUB") requesting confirmation of the 3.6% interim rate increase approved effective January 1, 2022, and approval of a 3.5% rate increase effective September 1, 2023, and approval of a further rate increase of 3.5% increase effective April 1, 2024.

On November 23, 2022, the Manitoba Government announced that it will reduce the payments it collects from Manitoba Hydro from the provincial debt guarantee and water rental fees by half, retroactive to April 1, 2022. The Manitoba Government directed Manitoba Hydro to apply the approximate amount of savings of \$190 million resulting from the reductions in these fees to Manitoba Hydro's debt in efforts to financially stabilize Manitoba Hydro and to keep electricity rates low for customers. A letter from the Minister of Finance to the Chair of the Manitoba Hydro-Electric Board on the reduction of provincial debt guarantee and water rental fees is provided as Attachment 1 to this letter.

This reduction is great news for customers and Manitoba Hydro, in relation to addressing Manitoba Hydro's debt, reducing interest charges, and allowing for lower rate increases. More specifically with respect to the GRA, Manitoba Hydro will continue to request confirmation of the 3.6% interim rate increase effective January 1, 2022 and is now in a position to amend its application to reduce the proposed 3.5% rate increase in each of 2023/24 and 2024/25 to a 2.0% rate increase in each of these years.

The reduction in provincial debt guarantee and water rental fees are a substantial change in circumstance since the Application was filed on November 15, 2022. Amendments to certain Application materials, including the financial forecast scenario and approximately 30 responses to Minimum Filing Requirements ("MFRs"), are now required.

Attachment 2 to this letter includes a detailed listing of the materials from the Application that Manitoba Hydro expects to amend, on or before December 9, 2022.

Manitoba Hydro notes that a large portion of the Application will remain the same despite the announcement and direction from the Province of Manitoba. As such, parties to the proceeding can continue to review Tabs 2, 5, 6, 7 and 9, as well as the MFR responses not identified in Attachment 2 to this letter.

Manitoba Hydro intends on updating the PUB with its progress on providing the amended Application materials and any related impacts to the timetable for the proceeding at the first Pre-Hearing Conference on December 5, 2022.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3257.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



Brent A. Czarnecki
Senior Counsel

Att.



**MINISTER OF
FINANCE**

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

NOV 24 2022

Mr. Edward Kennedy, Chair
The Manitoba Hydro Electric Board
Manitoba Hydro Place
360 Portage Avenue
Winnipeg, MB R3C 0G8

Dear Mr. Kennedy:

Re: Reduction of the Water Use Rental Rate and the Provincial Guarantee Fee

As you know, the November 15 Speech from the Throne stated that “our Government will financially stabilize Hydro” and that “additional announcement will be made to ensure Hydro continues to be affordable for Manitoba ratepayers.” Now is the time to act for a number of reasons, including rising interest rates, the high level of debt from major capital projects, and the impact of Bill 36, The Manitoba Hydro Amendment and the Public Utilities Board Amendment Act.

As Hydro indicated in its November 15 General Rate Application with the PUB, reaching Bill 36 debt:equity targets will be challenging with the 3.5% GRAs requested for 2023 and 2024. Following a 2.9% effective December 2020 and the 3.6% interim rate approved by the PUB effective January 2022, and the record high inflation that households and businesses are experiencing today, we believe that working with the Government’s assistance, Hydro can do better for Manitobans.

In this regard, I can confirm that our Government has approved the following changes to better support Hydro and its ratepayers.

Under *The Water Power Act* (the Act) and accompanying Water Power Regulation 25/88, Hydro currently pays rent for the use of water at the rate of \$20.32. We have approved an amendment to reduce the water power rental from \$20.32 to \$10.16 retroactive to April 1, 2022. Once signed by the Lieutenant Governor in Council the Order in Council and regulation will be posted on the Government’s website under proactive disclosure.

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A debt guarantee paid annually for the Province's guarantee of Manitoba Hydro's gross outstanding debt balances (both short and long-term) at the previous fiscal yearend is currently calculated based on a rate of one percent (1%). Manitoba is reducing the rate of the Debt Guarantee Fee from one percent (1%) to one half of one percent (0.5%) retroactive to April 1, 2022.

The savings from these reductions are to be applied annually to Hydro's debt. For 2022/23, the savings are estimated at nearly \$190 million. As part of this initiative, Government will require that Hydro annually confirm the projected amount of the savings through the budget estimates review process and report the actual savings realized in Hydro's annual report as a payment against debt.

These payment reductions represent a material impact on your 2022/23 and future financial forecasts that we would expect will warrant amendments to the November 15 General Rate Application filed with the PUB.

Manitoba Hydro is an essential part of shaping our province's economic future, and our Government will work with you on the commitment made in the Throne Speech to "lead in providing clean hydroelectric power for Manitobans and their businesses among the lowest rates in the country for years to come."

In particular I look forward to continue working on securing Hydro's financial stability for the benefit of ratepayers and all Manitobans.

Sincerely,



Honourable Cameron Friesen
Minister of Finance
Minister Responsible for Manitoba Hydro

- c. Jay Grewal, CEO and President, Manitoba Hydro
Richard Groen, Deputy Minister of Finance

ATTACHMENT 2

Manitoba Hydro expects to amend the following tabs, appendices and Minimum Filing Requirements by December 9, 2022. While the majority of the remaining portions of the Applications and MFRs are expected to remain unchanged, there may be small portions of the filing that require amendment that have not been identified below.

- Tab 1- Approvals and Introduction
- Tab 3- Reasons for the Proposed Rate Increases
- Appendix 3.3 – Statement of Income Analysis – Actual & Forecast
- Tab 4- Financial Forecast Scenario
- Appendix 4.1 – 20-Year Electric Operations Financial Forecast Scenario
- Appendix 4.4 – Sensitivity Analysis: Key Financial Measures
- Appendix 4.5 - Debt Management Strategy
- MFR 8- Corporate Overview
- MFR 15- Financial Information
- MFR 17- Financial Information
- MFR 18- Financial Information
- MFR 20- Financial Information
- MFR 21- Financial Information
- MFR 22- Financial Information
- MFR 23- Financial Information
- MFR 24- Financial Information
- MFR 25- Financial Information
- MFR 26- Financial Information
- MFR 29- Financial Information
- MFR 30- Financial Information
- MFR 33- Financial Information
- MFR 41- Water Supply and Export Revenues
- MFR 42- Water Supply and Export Revenues
- MFR 51- Operating Expenses
- MFR 55- Operating Expenses
- MFR 62- Payments to Government
- MFR 63- Payments to Government
- MFR 64- Payments to Government
- MFR 65- Finance Expense-Debt Levels
- MFR 68- Finance Expense-Debt Levels
- MFR 69- Finance Expense-Debt Levels
- MFR 70- Finance Expense-Debt Levels
- MFR 71- Finance Expense-Debt Levels
- MFR 74- Finance Expense-Debt Levels
- MFR 92- Capital Expenditures