

January 9, 2023

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 – MANITOBA
HYDRO'S COMMENTS ON ROUND 1 INFORMATION REQUESTS**

In Order 130/22, the Public Utilities Board of Manitoba (“PUB” or “Board”) established a hearing timetable for the review of Manitoba Hydro’s 2023/24 & 2024/25 General Rate Application (“GRA” or “Application”). In accordance with this timetable, Manitoba Hydro has received Round 1 Information Requests (“IRs”) on Phase 1 of the Application, with over 1,200 IRs (including subparts) received to date.

Rule 14(1) of the Board's Rules of Practice and Procedure (“Rules”) provides that IRs are to be directed to a party for the purpose of a satisfactory understanding of the matters to be considered and must be relevant to the proceeding. While Manitoba Hydro is still in the process of reviewing IRs, Manitoba Hydro identified a very small number of Round 1, Phase 1 IRs that it views to be either outside of the scope of the current proceeding or, would require a significant work effort in order to respond, that is not warranted by the relevance of the information sought.

Information Requests on the Integrated Resource Plan Development Process

In Order 130/22, the PUB determined that the review of a completed Integrated Resource Plan (“IRP”) is out of scope for the GRA process. To the extent that the assumptions made with respect to the IRP underpin Manitoba Hydro’s GRA, the PUB determined that testing those assumptions in the hearing of the Application is relevant and in scope.

Manitoba Hydro can clarify that none of the assumptions made with respect to the IRP nor any outputs of the IRP process underpin Manitoba Hydro’s GRA. As noted in Tab 2 of the Application, as part of the IRP Development Process, four different load scenarios have been defined to explore a range of potential futures, ensuring they represent appropriate bookends from only small changes in current

energy usage to high levels of decarbonization on a pathway toward net zero. The 2021 Electric Load Scenario (Appendix 5.1) filed with the GRA and underpinning the Financial Forecast Scenario (Appendix 4.1), does not utilize any of the four scenarios being explored as part of the IRP Development Process.

IRs have been posed by interveners seeking specific information related to the IRP Development process, which Manitoba Hydro submits is, or should be determined to be outside the scope of the GRA process based on the PUB's Procedural Order 130/22, including:

- COALITION/MH I-8 b)- which requests how MH envisions the IRP will be included and used in future GRAs.
- COALITION/MH I-8 c)- which requests MH provide a chart and commentary to explain which IRP scenario and amount of change in key inputs that most closely aligns with the 2021 Electric Load Scenario.
- MIPUG/MH I-7- which requests information on how MH intends to prepare for potential futures explored as part of the IRP Development Process
- MIPUG/MH I-8a)- which requests additional information on the inputs related to natural gas changes in the IRP Development Process.
- MIPUG/MH I-8 b)- which requests an explanation of why and how Manitoba Hydro expects economic growth to increase through decarbonization, over what time frame, and across which jurisdictions.
- MIPUG/MH I-57 c) – which requests the rationale for not including the 2021 Electric Load Scenario in the IRP Development process.
- MIPUG/MH I-57 d)- similar to COALITION/MH I-8c) noted above.

To allow the ongoing IRP Development Process to continue and evolve independent of the GRA process, Manitoba Hydro respectfully requests that the above noted IRs be ruled out of scope of the current process. Manitoba Hydro notes that it will respond to PUB/MH I-4, which will also respond to the requests in COALITION/MH I-8 a) and MIPUG/MH I-57 a) & b).

In addition to the above, COALITION/MH I-36 d) requests high and low load forecast growth sensitivities, similar to sensitivities provided in previous GRAs. The evolving energy landscape is pushing the boundaries of what Manitoba Hydro historically considered high and low load growth scenarios, and Manitoba Hydro is currently analyzing various load forecast sensitivities considering these evolving trends as part of the IRP Development Process. As that work is still being undertaken,

Manitoba Hydro believes that this IR should also be ruled to be out of scope of the GRA process.

Manitoba Hydro notes that parties in this proceeding have had the opportunity to participate and engage in the IRP Development Process, and Manitoba Hydro is committed to continue its efforts to actively engage with these stakeholders. Manitoba Hydro further notes that in Order 130/22 the PUB acknowledged that the IRP has not been released and, if the plan is referred to the Board for review and recommendation under subsection 38.1(3) of *The Manitoba Hydro Act*, that review will happen outside the current GRA process. Manitoba Hydro submits that the above IRs would be more appropriate for a review of IRP once the plan is finalized.

Information Requests for Need Date Analysis Attributed to Keeyask

COALITION/MH I-26 a)-d), requests the following:

Based on the current forecast for Manitoba domestic demand and Manitoba Hydro supply availability, please indicate

- a) In which year the incremental capacity of the Keeyask Generating Station will be required to meet domestic demand?*
- b) In which year the incremental energy provided by the Keeyask Generating Station will be required to meet domestic demand (please provide this forecast assuming both a "normal" water year, and a "drought conditions" year)?*
- c) Please calculate a Levelized Unit Energy Cost (on a \$/MWh basis) for the Keeyask Generating Station based on the final cost of construction of the facility, forecasted operating costs for its useful life, forecasted maintenance capital expenditures for its useful life, and using a discount rate equal to the average cost of debt experienced by Manitoba Hydro over the years during which the facility was constructed.*
- d) Please compare the resulting Levelized Unit Energy Cost to the forecasted average price per MWh that Manitoba Hydro currently forecasts to receive from export markets over the period between 2022-23 and the years in which the Keeyask Generating Station is required to meet domestic demand requirements.*

Manitoba Hydro will provide a response to part c) of this IR.

Like other generation on the Manitoba Hydro system, the Keeyask generating station is operated and relied upon as part of an integrated system that is comprised of existing transmission interconnections, export and import contracts. Parts a) and b) of this IR presents a hypothetical scenario that would require a number of assumptions and in-depth modelling of an alternate system that excludes export contracts, has different transmission interconnection capability, and potentially alternate generation resources. This would take a significant amount of resources, time and work effort and is not relevant to the rates being requested in the current proceeding. Part (d) of this IR is dependent on parts (a) and

(b). Given the significant work effort to model a hypothetical scenario not reflective of Manitoba Hydro's system, Manitoba Hydro respectfully requests that the PUB determine that parts a), b) and d) of this IR are not required given that it is a hypothetical scenario, will not contribute to a satisfactory understanding of the matters to be considered and is not relevant to the current proceeding.

Information Request for Variance Explanation for O&A Expenses for the Natural Gas Segment

PUB/MH I-68 d) requests detail of the Operating & Administrative expenses charged to the natural gas segment, including an explanation of the variance for 2021/22.

Manitoba Hydro filed a response to MFR 58 with Phase 2 of the Application filed on December 21st, which included details on the O&A costs charged to Centra for each of the last five fiscal years through to 2024/25 by cost element and by business unit. As part of the next Centra General Rate Application, the corporation intends to provide variance explanations related to O&A costs for Centra. As such, Manitoba Hydro requests that this IR be set aside for the current proceeding, to be addressed at the next Centra GRA.

Information Request for Analysis on Accounting Standards

GSS-GSM/MH I-1, part I), requests the following:

- 1) Please conduct and provide an analysis of all sections of IFRS, US GAAP and previous Canadian GAAP related to depreciation and outline the specific requirements in respect of depreciation. Additionally, please explain in detail based on these requirements why those requirements as stated would result in a different amount of depreciation being calculated under each standard.*

It appears this IR is intended to educate representatives of the GSS/GSM class and its consultant on the requirements related to depreciation under different accounting standards. The question posed is very broad and would be a significant work effort requiring months of analysis, including the engagement of external consultants to provide support, particularly regarding the requirements under US GAAP. The difference between IFRS compliant methods of depreciation and requirements under previous CGAAP have been extensively canvassed in previous proceedings, which materials are publicly available.

The matter of depreciation method to be used for rate-setting purposes is a key issue for this proceeding and will be extensively canvassed in other IRs responses in the current GRA. Given the above, and the fact that this response cannot be completed within the timeframe of this proceeding, Manitoba Hydro respectfully requests that the PUB determine that a response to this IR is not required.

Conclusion

As noted above, Manitoba Hydro is continuing to work through all Round 1 IRs received to date. Where any of the remaining IRs require clarification, Manitoba Hydro will contact the relevant parties.

Manitoba Hydro is also scheduled to receive Round 1 IRs on Phase 2 of the Application on January 10th and January 17th. In order to ensure that the PUB's timeline is maintained, Manitoba Hydro will raise any additional concerns identified in the response to IRs due on February 3rd, consistent with Rule 16 of the PUB's Rules which states:

16. A party who is unable or unwilling to provide a full and adequate response to an interrogatory shall file and serve a response:
- a) where the party contends that the interrogatory is not relevant, setting out specific reasons in support of that contention;
 - b) where the party contends that the information necessary to provide an answer is not available or cannot be provided with reasonable effort, setting out the reasons for the unavailability of such information, as well as any alternative available information in support of the response that the party considers would be of assistance to the party making the information requests;
 - c) where the party contends that the information sought is of a confidential nature, setting out the reasons why it is considered confidential and any harm that would be caused by making it public; or
 - d) otherwise explaining why such a response cannot be given.

Manitoba Hydro proposes that any additional concerns can be addressed through the process scheduled for February 8th and 13th.

Should you have any questions with respect to the foregoing, please do not hesitate to contact the writer at 204-360-3633.

Yours truly,

MANITOBA HYDRO LEGAL SERVICES

Per:



Odette Fernandes
Senior Counsel