



THOMPSON DORFMAN SWEATMAN LLP

Writer's Name	Antoine F. Hacault
Writer's Direct Telephone	204-934-2513
Internet E-mail Address	afh@tdslaw.com
Writer's Direct Fax	204-934-0530

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DELIVERED BY COURIER

Public Utilities Board
Room 400, 330 Portage Avenue
Winnipeg, MB R3C 0C4

Attention: Mr. Hollis Singh, Secretary

Dear Sirs/Mesdames:

Re: Manitoba Hydro and IEC Motion
Our Matter No. 0117843 AFH

Manitoba Hydro ("Hydro") submitted a Notice of Motion regarding First Round Information Requests on September 24, 2013. Counsel for the Independent Expert Consultants ("IEC") also submitted a Notice of Motion on September 24, 2013.

In lieu of a final Board Order by the PUB on the procedure for the hearing of motions, MIPUG has followed the Rules of Procedure, submitting this written response by 2:00pm on September 26, 2013 or two working days before the motion is to be heard. MIPUG's response focuses on two items:

- 1) Hydro's objection to providing a response to MIPUG-034(d).
- 2) MIPUG's more general comments on the IEC and Hydro Motions.

Hydro's objection to MIPUG-MH-034(d)

Hydro objects to providing a response to information request MIPUG-034d on the grounds that the information sought is beyond the scope of the NFAT.

MIPUG-MH-034d as requested by MIPUG on September 16, 2013 reads as follows:

Please indicate whether Hydro has completed ELG rates that would be applicable to Wuskwatim generating station. If so, please provide.

Manitoba Hydro's comments on why this request is out of scope is as follows:

Wuskwatim depreciation information is not relevant. Information related to reasonableness of depreciation expense for Keeyask and Conawapa will be provided in response to MIPUG-034 a-c.



MIPUG-MH-034d is a component of a question that seeks to understand the potential implications on the cost and NPV values associated with major new projects related to depreciation expense on the new projects, and in particular related to possible impacts on the depreciation expense in the event Hydro adopts new methods for depreciation. These new methods (the Equal Life Group, or “ELG” approach) have already been proposed by Hydro in its last GRA although the issue has been deferred as part of the deferral of adopting International Financial Reporting Standards (“IFRS”).

The purpose of the question is not, as suggested by Manitoba Hydro, to test the reasonableness of Wuskwatim expenses, nor to test whether Hydro should transition to the ELG method, only to understand whether such a transition may have a material impact on the decisions to be made in the current NFAT review.

In support of the MIPUG request, MIPUG notes the following:

- **Readily Available:** MIPUG is aware from the recent 2012/13 and 2013/14 GRA that Manitoba Hydro is in possession of at least preliminary ELG depreciation rates for Wuskwatim (e.g., see Exhibit MH-69 and MH-93 from the GRA). The current IR only seeks information as to whether there are now final rates. As such it is expected that this information is readily available. If, in contrast, Manitoba Hydro does not have the requested ELG rates then, as written in the question, they need not provide this information. As such, MIPUG anticipates the response for this information request will not constrain the time of Manitoba Hydro staff.
- **Relevance to NFAT Scope:** The commitment to major capital-intensive new resources involves a substantial sensitivity to future costs of depreciation. In response to the request being out of scope of the NFAT review, MIPUG asked this question in an attempt to understand the total costs of future hydroelectric project depreciation as follows:
 - It was learned in the 2012/13 and 2013/14 General Rate Application that Hydro intended to move towards the ELG depreciation accounting method, and that the ELG method could significantly increase the extent to which depreciation is accumulated in the first few years of a project compared to the method currently in use, known as the Average Service Life (“ASL”) approach. This change would serve to substantially increase the depreciation costs associated with new assets in the early years of the project. For a major project like Keeyask, this accounting change could materially change the Net Present Value (“NPV”) of development alternatives as compared to ASL, as increasing costs in earlier years has a greater impact on the NPV than if the costs were to occur in later years.
 - It was also learned in the GRA that it is likely that for resource planning purposes Hydro uses an ASL-based estimate for new projects. MIPUG has asked other IRs to confirm if this method was used for projects such as Keeyask and Conawapa (such as MIPUG-034c).
 - MIPUG learned in the GRA that Hydro could not likely produce ELG estimates for new projects that are not yet in-service like Keeyask or Conawapa. As such, for MIPUG to understand the full impacts of these projects based on the accounting methods Manitoba Hydro anticipates it may use in the future, MIPUG requested the applicable Wuskwatim generating



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station ELG rates (as Wuskwatim was seen as the closest comparison to estimate the full ELG impact of a “young” project on the Manitoba Hydro system).

- **Alternatives May Be Available:** MIPUG has concluded that the request would fulfill the above important objectives in a manner that is simple and uses readily available information. MIPUG is aware that there may be alternative approaches available to fulfill the same objective. If Manitoba Hydro can provide MIPUG with an alternative approach to estimating the impact of a future move to ELG for Keeyask or Conawapa, then MIPUG would be open to discussing this request further. To date, Manitoba Hydro has not approached MIPUG with any alternative approaches.

MIPUG’s General Comments on the Motions of Hydro and IEC

In addition to the above specific comments on MIPUG-MH-034d, MIPUG notes that a substantial range of questions which are the subject of the Hydro motion appear to be potentially beneficial to the process. In particular, MIPUG notes the following topics that the Board may want to consider to be within the scope of the hearing to ensure proper IR responses are provided:

- Questions which relate to providing IRRs. While there are limitations to the appropriateness of IRRs in certain circumstances, they can provide useful information that complements NPV values. It is not apparent why providing IRR analysis of scenarios which have already been run would be prohibitively complicated or time-consuming.
- Questions related to fuel switching and gas extension projects are beneficial to consider the potential for measures other than simple DSM/energy conservation to have material impacts on the future load forecast.
- Questions that relate to risks posed by the potential future listing of Lake Sturgeon under the *Species At Risk Act*, and the workability or likely acceptability of Hydro’s proposed mitigation efforts to regulators. Absent such information, it is not clear how the Board can assess the future risks to the ability to proceed with the projects and/or the potential impacts on the future operation or output of the projects.
- The specific questions related to Bipole III, which are the subject of the Motion by Hydro, do not appear to be related to assessing whether the Bipole III project should have been pursued (which is clearly out of scope) but instead as part of understanding the cost justification for the proposed projects. As such in general these questions may be useful to the NFAT review.

IEC Motion

In respect of the IEC motion, MIPUG has no preliminary comments on the timing for IRs on commercially sensitive information.

On the issue of Completeness of the Public Record, MIPUG does not have a good understanding of how the Independent Experts will be communicating with the Board, its advisors, the parties and their advisors. If the information received from Manitoba Hydro is relevant and not confidential, and is to be relied on by the Independent Experts, it is suggested that the source of the information and the date it was received can be thoroughly footnoted in the non-confidential parts of the Independent Expert’s submissions. In the event a party is interested in the source information, they would



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have the ability to seek that information through IRs or through undertakings. It is suggested that any communication from the IEC to the Board or its advisors of relevant non-confidential information should be shared with all parties to respect fairness of the process and the public and transparent nature of these hearings.

In regard to seeking Excel spreadsheets of Hydro's appendices, MIPUG has previously noted that the provision of Excel spreadsheets (particularly for Appendices 9.3, 11.3 and 11.4), whether "live" or not, would be a time saving measure for all intervenors, and would not expose Hydro to significant challenges or risks.

Yours truly,

THOMPSON DORFMAN SWEATMAN LLP

Per: *Antoine F. Hacault*

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AFH/ab

cc: R.F. Peters, Fillmore Riley LLP
Intervenors of Record

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