

**MANITOBA HYDRO
FISCAL 2026-2028 GENERAL RATE APPLICATION**

**AMCError! Bookmark not defined./CC
INFORMATION REQUESTS**

October 15, 2025

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Part and Chapter:	Morrison Park Advisors Evidence	Page #:	4; 27-30; 31
Topic:	Cost Reductions and Intergenerational Equity		
Subtopic			

Preamble (if any):

Morrison Park Advisors (MPA) notes that Manitoba Hydro’s recent financial performance, according to cash flow coverage of interest costs was very poor in 2021/22, again poor in 2023/24 and was forecasted to be poor for the just completed 2024/25. MPA further notes the possibility that Manitoba Hydro may have four bad years out of five. If this was the case, MPA concludes that it may be warranted to increase rates by the maximum allowable 4% in the current year, even if it concludes that the evidence only supports increases of less than 3.5% for fiscal 2027 and 2028.

MPA further notes that “...if indeed there is evidence that these conditions are persisting into the current year, then strong action by both the [Public Utilities Board (PUB)] and Manitoba Hydro (to take steps internally, other than requesting higher rates) may be warranted.” MPA recommended that Manitoba Hydro be questioned about its immediate and near-term actions to improve its financial results.

MPA also concludes that Manitoba Hydro’s proposed rate path does not effectively address intergenerational equity, stating that ratepayers will, on average, be paying 12% more than the minimum needed to deliver electricity in 2025/2026.

MPA has introduced a different approach to address intergenerational equity, one where all ratepayers should contribute their fair share to the needs of financial risk management and reserves. However, it also concluded that this proposed approach cannot be undertaken at this rate hearing.

Question:

- a) What specific operational, administrative, or financial management measurements does MPA recommend Manitoba Hydro undertake in the near term to improve its financial performance?
- b) How does MPA reconcile its concerns about intergenerational equity (with ratepayers in 2025/26 projected to pay more 12% more than the minimum cost of service) with the conclusion that a rate increase higher than proposed (up to 4%) may be warranted in 2025/26?
- c) Even if MPA’s proposed alternative approach cannot be fully implemented at this time, can MPA recommend interim measures to be taken during this General Rate Application to move toward improved intergenerational equity?

- d) Regarding the 4% rate increase recommendation, to what extent did MPA consider the impact of the increase on customers experiencing energy poverty or who are otherwise most vulnerable to rate increases?

Rationale for Question:

To understand the connection between MPA's conclusions regarding the appropriateness of a 4% rate increase and intergenerational equity, and to get a better sense of the internal measures recommended.

Response:

- a) Specific cost saving initiatives by Manitoba Hydro

MPA would defer to other experts on utility operations and capital asset management with respect to steps that potentially could be taken by Manitoba Hydro. The Rainkie Report and the Midgard Consulting Report submitted in this GRA each suggest changes that Manitoba Hydro could undertake to improve its financial performance, and Manitoba Hydro would do well to take these suggestions seriously, particularly in the face of ongoing challenging water conditions.

- b) Reconciling inter-generational equity with immediate rate increases

Intergeneration equity is an important principle of ratemaking, which we believe has not received the attention it warrants by Manitoba Hydro. Having said that, it is one of several principles that should always be balanced in rate-setting, including cost responsibility, and financial sustainability of the utility.

Drought is the most significant risk faced by Manitoba Hydro, and one over which the utility has no control, at least over the short to medium term. As a result, if faced with serious and prolonged drought conditions, the utility should take all actions necessary to safeguard its credit-worthy status, and one such action could be requesting rate increases, to the extent allowed by provincial legislation. As noted in our Report, referenced in the question above, if Manitoba Hydro is indeed on track for a period of 4 years out of 5 with poor financial results, then it may be necessary to increase rates in response. While this is not ideal from an inter-generational equity point of view, it would be in direct response to the occurrence of a significant drought-related threat to the utility, and justified only on that basis. Moreover, we would hope that in conjunction with a request for a rate increase, Manitoba Hydro would, either on its own initiative or at the behest of the PUB, explore all options to improve its financial performance, including by making changes to its operational expenditures, and delaying where possible capital expenditures.

- c) Improving inter-generational equity in the near term

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In our view, establishing and refining a new formula for rate-setting – which dispenses with artificial 20-year forecasts and concentrates instead on a more mechanistic and less-controversial short-to-medium term view of the utility – will require deliberation and decisions with respect to both metrics and benchmarks that will be applied to rate-setting in future. The outcome of such a process should not be pre-judged. In the meantime, we believe that Manitoba Hydro’s request for three successive increases of 3.5% cannot be supported, as it is founded almost entirely on Manitoba Hydro’s conception of “financial strength”, and their perceived need to make progress towards an artificial debt-to-capitalization target in a pre-selected period of time. We believe the PUB should consider limiting the planned 2027 and 2028 rate increases to lower percentages, and commence a process to establish new rate-setting formulas and mechanisms.

At the same time, we would urge that should there be a regulatory oversight process with respect to the Integrated Resource Plan being prepared by Manitoba Hydro, that the opportunity be explored to specifically address intergenerational equity in the context of that plan, and the spending decisions to which it will give rise.

d) Rate increase impacts on energy poverty and vulnerable ratepayers

MPA did not consider the impact of a rate increase on specific components of Manitoba Hydro’s customer base. Our review of Manitoba Hydro’s financial performance and rates is limited to the level of overall revenue requirement, and does not reach into questions relevant to customer classes and sub-classes (this scope of issues is being addressed by other experts participating in this GRA). Having said that, we would note that many jurisdictions have specific programs – either implemented by the utility, or by government programs outside the utility – that address issues of energy poverty and energy security. We would hope that these issues are also addressed in Manitoba.

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Part and Chapter:	Das Evidence AMC/MH I-18 AMC/MH I-19	Page #:	3, 32, 34, 35
Topic:	Increased Rates and Consumption		
Subtopic			

Preamble (if any):

Dr. Das concludes that a 3.5% annual increase would compound inequities. Even a single increase would add more than 1,500 households to the ranks of “severely burdened” ratepayers. This is a raise from 4.3% to 4.5%. For low-income households, the effect is sharper: nearly 39% of households with annual incomes under \$25,000 would be pushed above the 10% threshold, up from 37.8% in 2023. On-Reserve First Nations households are “especially exposed”, “with median electricity use close to 2,000 kWh/month”, far above the 1,000-2,000 kWh “typical” benchmarks used in bill-impact tables.

Manitoba Hydro’s reporting of only “average” bill impacts of 1,000 and 2,000 kWh per month was therefore identified as a limitation, as it does not reflect the real consumption patterns of high-use or low-income households.

Table 4 shows that the 2024/25 monthly bill impact for 2,000 kWh is \$201.20, with the monthly bill impact rising to \$274.21 by 2033/34.

In AMC/MH I-18, Manitoba Hydro provided a table showing the estimated annual bills for grid connected residential customers using an average of 1,000 kWh and 2,000 kWh per month as a percentage of 2023 annual median after tax income. In AMC/MH I-19, Manitoba Hydro provided various responses regarding bill impacts for First Nations of its proposed rate increases in the test years.

Question:

- a) What is Dr. Das’ estimated number of First Nations on-reserve households that would rank as “severely burdened” under a 3.5% rate increase? If no estimate is available, what data would be required to provide this estimate?
- b) What benchmarks would, in Dr. Das’ opinion, be more appropriate for Manitoba Hydro to report when assessing bill impacts, both in terms of consumption and in terms of income-based affordability thresholds?
- c) What benchmarks or methodologies for bill impact would more appropriately reflect the circumstances of First Nations households, particularly those on-reserve with higher than average consumption levels?

- d) Given Dr. Das' conclusions about bill impacts of 1,000 and 2,000 kWh not adequately reflecting the real-world distribution of household use, what conclusions, if any, can Dr. Das make about the results of AMC/MH I-18 and AMC/MH I-19 regarding the real-world bill impacts on First Nations on-reserve customers?
- e) What further measures, data, or disaggregated reporting would Dr. Das propose to help ensure that bill impact reporting more accurately represents the affordability pressures of First Nations customers?

Rationale for Question:

To better understand bill impact metrics for First Nations customers.

Response:

- a) According to Manitoba Hydro's 2023 Residential Energy Use Survey, the share of First Nations on-reserve households exceeding the 10% energy burden threshold increases from 38.4% to 40.2% under a 3.5% rate increase. This represents roughly 302 additional households moving above the 10% threshold, based on Hydro's reported counts (rising from 6,475 to 6,777 households).

However, Manitoba Hydro has not provided disaggregated information showing how these households are distributed across higher burden levels (e.g., 15–20%, 20–30%), which would be necessary to assess the number of severely burdened households. A more complete estimate would require access to household-level billing and income data disaggregated by community and burden bracket.

- b) Rather than relying on fixed benchmarks of 1,000 and 2,000 kWh per month, Manitoba Hydro should report bill impacts using median and mean consumption levels that reflect the actual usage patterns of key customer groups. For example, on-reserve First Nations households have median electricity use close to 2,400 kWh per month, considerably higher than the provincial average. Reporting based on these observed values would provide a more accurate assessment of rate impacts.

In addition, Hydro should integrate income-based affordability thresholds, including the 10% energy-burden benchmark and a 6% severe-burden indicator, to express bill impacts in relation to household income. For example, in Atlantic Canada the 6% measure is more widely accepted and where energy burdens are highest in the country. Using both consumption and income benchmarks would better capture affordability pressures across Manitoba's diverse customer base.

- c) For First Nations on-reserve households, more appropriate bill-impact benchmarks should reflect their actual consumption and housing conditions rather than generalized "average" use. Manitoba Hydro's Residential Energy Use Survey shows that median on-reserve consumption is close to 2,400 kWh per month, well above the 1,000–2,000 kWh typically used in Hydro's reporting.

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Accordingly, Manitoba Hydro should report impacts based on the median and mean consumption for on-reserve households and apply regionally specific cost-of-living adjustments recognizing longer heating seasons and limited energy-efficiency measures. In addition, Hydro should incorporate income-based thresholds (e.g., 10% and 6%) to measure affordability alongside energy-use metrics.

- d) The bill impacts presented in AMC/MH I-18 and I-19 do not adequately reflect the real-world affordability pressures faced by First Nations on-reserve households. Because Manitoba Hydro assessed bill impacts only at 1,000 kWh and 2,000 kWh per month, the analysis omits the higher-consumption profiles typical of on-reserve and northern households, where electricity use is often more than that benchmark due to heating, housing conditions, and limited efficiency options.

As a result, while Hydro's tables illustrate system-wide averages, they understate the magnitude of rate impacts for First Nations customers, particularly those with high baseline consumption and low incomes. To reflect actual conditions, Hydro's future affordability analysis should incorporate consumption and income distributions specific to on-reserve customers. In addition, housing stock/dwelling conditions should be surveyed given that energy costs reflect an interaction between prices, dwelling conditions, and consumption.

- e) Please see response to d). Furthermore, Manitoba Hydro should partner with First Nations governments and organizations to co-design data-collection and reporting practices that respect First Nations data sovereignty.

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Part and Chapter:	Das Evidence AMC/MH I-4 AMC/MH I-5 AMC/MH I-13	Page #:	4, 17
Topic:	Modernization		
Subtopic			

Preamble (if any):

Dr. Das states that as Manitoba invests in modernization and transition, it is reasonable to expect that Manitoba Hydro will pass on associated costs to end-users:

Current averages may appear modest when viewed across the whole population, but they conceal the deep inequities already faced by low-income and Indigenous households. These groups are starting from a position of disproportionate hardship, meaning that future cost increases linked to the energy transition will fall most heavily on those least able to absorb them.

Dr. Das further notes that as transportation electrifies, households that cannot afford the upfront costs of electric vehicles, or that live in areas without charging infrastructure, may face additional challenges in the transition.

AMC/MH I-4, AMC/MH I-4, AMC/MH I-13, among others, ask Manitoba Hydro questions about equitable access to the results of modernization investments, such as electric vehicle charging infrastructure, advanced metering infrastructure, and behind-the-meter generation.

Question:

- a) What qualitative and quantitative metrics does Dr. Das propose Manitoba Hydro track and publicly report to better determine how the allocation of modernization and transition costs are impacting low-income and First Nations customers?
- b) In Dr. Das' opinion, what safeguards should Manitoba Hydro adopt to ensure equitable access to new initiatives like advanced metering infrastructure, behind-the-meter generation, and public EV charging? Are there any additional measures Dr. Das recommends Manitoba Hydro adopt for First Nations customers? Can Dr. Das point to examples from other jurisdictions that Manitoba Hydro could consider?
- c) Is Dr. Das aware of any specific risks for vulnerable customers related to pre-paid service options that may become available with AMI? If so, what safeguards or consumer protections can be considered to mitigate these risks?

- d) Given the projected growth of EV-related demand, what planning or investment reporting should Manitoba Hydro provide to ensure equitable access for rural and First Nations customers?
- e) Are there key indicators that Dr. Das can recommend for Manitoba Hydro to track and report to ensure the energy transition does not exacerbate the disproportionate hardship already faced by:
 - i) Vulnerable customers?
 - ii) First Nations households?

Rationale for Question:

To understand recommended approaches for equitable and well-monitored modernization and energy transition.

Response:

- a) **Quantitative metrics** include:
 - **Energy burden** (% of income on electricity) for low-income and First Nations households.
 - **Arrears, disconnections, and reconnections** by income and community type.
 - **Access to modernization benefits** (AMI, EV chargers, DER participation) by region and demographic.
 - **Service reliability** and outage response in rural and First Nations areas.
 - **Program reach and completion rates** for low-income and Indigenous programs.

Qualitative metrics include:

- **Customer experience and trust**, measured through periodic surveys or interviews with low-income and First Nations customers.
- **Community engagement quality**, including whether consultations are early, sustained, and incorporate community input.
- **Perceived fairness and accessibility** of modernization initiatives (e.g., AMI rollout, EV infrastructure, DERs).
- **Partnership effectiveness** with First Nations and community organizations in program design and delivery.

b) Safeguards for equitable access include:

- **No-barrier participation:** simple enrollment, plain-language communication, and in-person support where needed.
- **Targeted incentives:** higher rebates or up-front grants for low-income and First Nations customers.
- **Allow opting-out of AMI** with no penalties; ensure bill stability and data privacy safeguards.
- **Community-led planning** for EV charging and behind-the-meter generation, with benefit-sharing and ownership options for First Nations.
- **Examples:**
 - The CleanBC Go Electric program funds Indigenous communities and businesses to develop EV charging infrastructure and electrification projects, demonstrating how targeted supports can ensure equitable access.
 - The Canadian Climate Institute's report Exploring Indigenous-Led Distributed Energy Systems in New Brunswick (2025) highlights community-led solar and storage projects that advance energy sovereignty and equitable participation in modernization. <https://climateinstitute.ca/publications/exploring-indigenous-led-distributed-energy-systems-in-new-brunswick/>

c) There is growing international research showing that prepaid electricity services are associated with higher risks of energy poverty and self-disconnection among low-income households and Indigenous households. Customers on prepaid meters may under-consume essential energy or experience frequent service interruptions due to affordability constraints. Studies also show that the prevalence of prepaid service is higher in disadvantaged areas, raising equity and consumer protection concerns.

Relevant research includes:

- Fawcett, T., Palmer, J., Terry, N., Boardman, B., & Narayan, U. (2024). Using smart energy meter data to design better policy: Prepayment meter customers, fuel poverty and policy targeting in Great Britain. *Energy Research & Social Science*, 116, 103666.
- O'Sullivan, K. C., Howden-Chapman, P. L., & Fougere, G. (2011). Making the connection: the relationship between fuel poverty, electricity disconnection, and prepayment metering. *Energy policy*, 39(2), 733-741.

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- Riley, B., White, L. V., Wilson, S., Klerck, M., Napaltjari-Davis, V., Quilty, S., ... & Harrington, M. (2023). Disconnected during disruption: energy insecurity of Indigenous Australian prepay customers during the COVID-19 pandemic. *Energy Research & Social Science*, 99, 103049.
- Wilson, S. (2025). Disrupting household energy rights: Examining the policy origins of prepayment for electricity services in Australia. *Energy Research & Social Science*, 124, 104060.

These findings suggest that prepaid options should be approached cautiously in Manitoba. It is an area that requires further research in the Canadian context to understand potential distributional and welfare impacts.

d) Manitoba Hydro should ensure that EV-related planning and investment are inclusive and transparent by:

- Providing annual reporting on EV load growth, infrastructure investments, and charger deployment by region, including rural and First Nations areas.
- Publishing hosting capacity maps and distribution system readiness assessments to identify areas needing upgrades.
- Establishing equity-based siting criteria to ensure proportional investment and access across geographic and demographic groups.
- Coordinating with provincial, federal, and Indigenous programs to leverage funding and avoid duplication.
- Monitoring and reporting on charger reliability, utilization, and accessibility to ensure consistent service levels across all regions.

e) Possible key indicators to track and report include:

i) Vulnerable customers:

- Energy burden (% of income spent on energy services).
- Arrears and disconnection rates, including average arrears amounts and duration.
- Program participation and completion rates.
- Access to modernization benefits (AMI tools, EV charging, DER participation).

ii) First Nations households:

- Service reliability and outage response times by community.

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- Investment levels in grid upgrades and modernization per customer or community.
- Program uptake and satisfaction, co-developed with First Nations partners.
- Community engagement quality and adherence to data sovereignty principles.
- Access to new opportunities such as EV infrastructure, local generation, and training programs.

These indicators would help Manitoba Hydro monitor whether modernization and transition investments are advancing or undermining equity objectives.

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Part and Chapter:	Das Evidence PUB Order 101/23 AMC/MH I-24b	Page #:	4, 37-39, 196-197 196-197
Topic:			
Subtopic			

Preamble (if any):

Dr. Das concludes that Manitoba Hydro’s existing affordability programs “do not reduce underlying burdens”. Dr. Das has identified that “[p]articipation is low in First Nations communities, awareness of programs is limited, and efficiency loans disproportionately benefit higher-income households. Compared with other provinces, Manitoba lacks ongoing bill credits or targeted low-income retrofit programs.”

In Board Order 101/23, the PUB found that, regarding bill affordability programs:

- “The programs cited by Manitoba Hydro do not have performance metrics other than the number of people enrolled in different programs.”
- Manitoba Hydro could not advise the Board of the amount that low-income customers actually saved under the programs.
- Manitoba Hydro had limited evidence on those programs’ efficacy in addressing energy poverty in Manitoba.

Accordingly, the PUB recommended that Manitoba Hydro evaluate its existing suite of bill affordability programs to assess the effectiveness of those programs in mitigating or eliminating energy poverty.

Question:

- a) Based on Dr. Das’ review of the evidence, are the PUB’s concerns listed in Board Order 101/23 still valid? If so, what deficiencies remain unaddressed. If not, what changes, if any, have occurred since that Order.
- b) What are Dr. Das’ recommendations regarding specific types of aggregated data that Manitoba Hydro should collect and publicly report to meaningfully assess the effectiveness of affordability programs, particularly for First Nations customers?

Rationale for Question:

To understand gaps in bill affordability and measuring the outcomes of bill affordability programs.

Response:

- a) Largely, yes. The Public Utilities Board's (PUB) concerns in Order 101/23 remain valid. Manitoba Hydro has not yet established a consistent framework to evaluate the effectiveness or equity outcomes of its bill affordability programs.

Some progress has occurred since that Order, notably through Efficiency Manitoba's targeted retrofit supports (e.g., the Energy Efficiency Assistance Program), which provide energy-saving upgrades for low- and moderate-income households. However, these programs are administered separately from Manitoba Hydro's own affordability initiatives and therefore do not constitute a comprehensive, utility-led approach to addressing energy poverty.

Remaining deficiencies include:

- Lack of outcome-based metrics: Program success continues to be measured primarily by enrollments rather than by bill or energy savings, arrears reduction, or energy burden change.
- Limited data disaggregation: Outcomes are not reported by income level, geography, or Indigenous status, preventing equity-based evaluation.
- Fragmented delivery: Hydro's affordability supports (e.g., NHN grants) and Efficiency Manitoba's retrofit programs are not integrated or jointly reported, making it difficult to assess cumulative impacts.
- Low participation in First Nations communities: Ongoing administrative and logistical barriers persist.

In summary, while Efficiency Manitoba's retrofit initiatives represent a positive step, Manitoba Hydro still lacks a transparent and systematic approach to measuring whether its suite of affordability programs reduces underlying burdens or improves outcomes for First Nations and low-income households.

- b) To meaningfully assess the effectiveness of affordability programs—particularly for First Nations and low-income customers—Manitoba Hydro should collect and publicly report aggregated, outcome-based data, ideally in coordination with Efficiency Manitoba.

Recommended indicators include:

- Affordability outcomes
 - Energy burden (% of income spent on electricity) before and after participation.
 - Average bill and arrears reduction among program participants.

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- Disconnection and reconnection rates by customer type and community.
- Equity and access
 - Participation rates by income level, geography, and First Nations status (on- and off-reserve).
 - Program awareness and satisfaction, through short customer surveys.
 - Application and approval outcomes, including reasons for ineligibility or attrition.
- Program performance
 - Average cost per household served and measured energy savings (kWh, \$).
 - Geographic distribution of benefits and investments, including in First Nations communities.
 - Cross-program reporting between Manitoba Hydro and Efficiency Manitoba to assess combined impacts of crisis relief and efficiency retrofits.

Together, these metrics would enable Manitoba Hydro and the PUB to evaluate whether affordability initiatives are reducing energy poverty and improving equity outcomes, rather than simply measuring participation.

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Part and Chapter:	Das Evidence AMC/MH I-24b	Page #:	37
Topic:	Neighbours Helping Neighbours Program		
Subtopic			

Preamble (if any):

Dr. Das states that the Neighbours Helping Neighbours program relies on fixed annual contributions from Manitoba Hydro and customer donations. Therefore, funding is limited each year, and in some years the program has been fully subscribed before year-end, leaving some households without support.

In AMC/MH I-24b, Manitoba Hydro states that “Manitoba Hydro has never imposed a cap on the number of Neighbours Helping Neighbours grants awarded each year”.

Question:

- a) What evidence or data did Dr. Das rely on when concluding that funding for the Neighbours helping Neighbours program is limited and has been fully subscribed before year-end? How does Dr. Das reconcile this conclusion with Manitoba Hydro’s statement in AMC/MH I-24b, that it has never imposed a cap on the number of grants awarded each year?

Rationale for Question:

To better understand the response to AMC/MH I-24b compared with Dr. Das’ evidence.

Response:

My conclusion that funding for the *Neighbours Helping Neighbours* (NHN) program is limited and, in some years, has been fully subscribed before year-end is based on publicly available information and prior Board evidence, including Manitoba Hydro’s own program descriptions and reporting. Specifically, Manitoba Hydro has stated that the NHN program is funded through a fixed annual contribution from the utility, supplemented by customer donations, and that funding availability therefore varies from year to year. External documentation and stakeholder submissions to the PUB have noted that in certain years, all available funds were disbursed before year-end, after which additional applicants could not be assisted until a following program year.

My interpretation does not imply that Manitoba Hydro imposes a formal *cap* on the number of grants awarded. Rather, it reflects that program expenditures are functionally limited by the total amount of funding available in a given year. In other words, while no administrative cap is set, the fixed funding envelope constitutes a *de facto* cap once funds are exhausted. Thus, Manitoba Hydro’s statement that it has “never imposed a cap” is

not inconsistent with my conclusion that the program's limited annual funding can result in periods where no additional households can be supported.

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Part and Chapter:	Das Evidence	Page #:	4, 15, 17, 18, 30-31, 40
Topic:	Rate Design and Bill Affordability		
Subtopic			

Preamble (if any):

Dr. Das concludes:

...while Manitoba Hydro's rates are often presented as among the lowest in North America, the proposed increases will exacerbate existing inequities unless paired with stronger affordability measures. Addressing these challenges is essential to ensuring that energy services provided by utilities are not only clean and reliable, but also just and inclusive. Energy poverty in Manitoba, as in Canada more-broadly, is no longer simply a legacy issue tied to winter heating or inefficient housing stock. It is increasingly a forward-looking challenge shaped by climate change, electrification, and the costs of transition. Without deliberate policies to manage affordability, the move to net zero risks deepening inequities and leaving vulnerable households worse off. Ensuring that the path to net zero is also a path to greater fairness will be essential to maintaining public legitimacy and delivering on the promise of a clean and affordable energy future.

Dr. Das also questions:

- whether regulators should “embed explicit protections into their oversight of ‘just and reasonable rates’”, characterizing this as a central question as Manitoba Hydro seeks rate increases to finance future system needs;
- how affordability and equity should be weighed against Manitoba Hydro's need for revenue sufficiency and system expansion.

In considering different policy and programmatic approaches to addressing energy poverty, Dr. Das discusses rate design tools. Dr. Das refers to a recent working paper on designing electricity rates for an equitable energy transition and recommends explicitly embedding equity into rate-setting, including affordability thresholds and protections for vulnerable households. Dr. Das states “[r]ate design reform remains contested but could play a pivotal role in ensuring that costs of the net-zero transition are shared fairly.”

Dr. Das concludes that:

- “...approving increases now without addressing why burdens fall unevenly across groups risks deepening the gap between those able to adapt and benefit from the energy transition and those left behind.”
- “...rate design and regulatory decisions are not neutral, but play a critical role in shaping the equity of the energy transition. Rather than narrowing disparities, rate increases risk widening them, entrenching barriers to participation, and undermining the legitimacy of Manitoba's energy transition.”

Question:

- a) What specific rate design recommendations or rate path recommendations can Dr. Das provide that can address the conclusion that Manitoba Hydro's proposed rate path will exacerbate existing inequalities?
- b) Can Dr. Das identify specific mechanisms that could be considered within Manitoba's current regulatory framework?
- c) Dr. Das refers to a recent working paper on designing electricity rates for an equitable energy transition, and the argument for explicitly embedding equity into rate-setting, including affordability thresholds. What would this look like in practice, and are there any mechanisms that could be adopted for rate-setting in Manitoba?

Rationale for Question:

To determine if there are any equity-based rate recommendations applicable to this General Rate Application.

Response:

Response to Questions a) to c):

The information requests posed in AMC 6 a) through c) raise broad and important questions requiring extensive dialogue between legislators, regulators, utilities and stakeholders over a more extended period than the time allowed during information responses or GRA proceedings.

The PUB's broad mandate to determine "just and reasonable" rates allows it to consider affordability, distributional effects, and public interest outcomes within its jurisdiction.

Several mechanisms could therefore be considered without legislative change including:

- Enhanced reporting and performance metrics on affordability, including tracking of household energy burden, arrears, and participation in support programs.
- Opportunities for collaboration with Efficiency Manitoba to integrate bill-affordability measures with energy-efficiency supports for low-income and First Nations households.
- Creation of a low-income advisory mechanism or working group to support ongoing monitoring, potential legislative reform proposals and to consider options for the co-design of equitable rate structures.
- Exploratory or time-limited pilots to evaluate equity-oriented rate features designed with clear metrics.

The working paper I referenced (Designing Electricity Rates for an Equitable Energy Transition, Borenstein, Fowlie & Sallee 2021) argues for embedding equity as an explicit design principle in rate-setting. The authors propose that rate reform can improve both efficiency and equity by aligning volumetric prices with marginal cost and recovering fixed system costs through progressive, income-based fixed charges. In practice, this means that regulators' assessment of "just and reasonable" rates could include not only cost-of-service and revenue sufficiency, but also distributional outcomes—specifically, whether rate changes disproportionately impact lower-income or other vulnerable customers.

A possible example of a mechanism that could flow from this type of approach in Manitoba would be to require equity impact statements in General Rate Applications, detailing how different customer groups are affected.

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Part and Chapter:	Board Order 101/23	Page #:	200
Topic:	First Nations Energy Poverty		
Subtopic			

Preamble (if any):

In Board Order 101/23, the PUB found that

The statistics on energy poverty in First Nations cited by the Assembly of Manitoba Chiefs and Manitoba Keewatinowi Okimakanak summarized in section 16.2.2 show that many First Nation customers of Manitoba Hydro continue to face a disproportionate energy burden, despite having borne the brunt of the environmental adverse effects of Manitoba Hydro's generating facilities.

Question:

- a) In Dr. Das' opinion, does the evidence reviewed suggest that the PUB's conclusion in Board Order 101/23, that many First Nations customers face a disproportionate energy burden, remain valid? If so, what updated evidence reinforces this finding. If not, what new information indicates that circumstances have changed?
- b) What recommendations does Dr. Das have to most effectively target and reduce the disproportionate burden for First Nations customers?

Rationale for Question:

To understand recommendations for alleviating a long-standing concern before the PUB.

Response:

- a) **Yes—my opinion is that the PUB's conclusion in Order 101/23 remains valid.** The materials reviewed in this GRA and publicly available data continue to show that many First Nations on reserve customers face **high energy burdens**. Key updates reinforcing this finding include:
 - First Nations communities continue to report high median household consumption and higher poverty rates than the provincial average, keeping energy-burden ratios elevated.
 - Program reach gaps: Evidence in this record indicates low awareness and participation by First Nations households in affordability and retrofit offerings relative to need.
 - Housing and efficiency factors: On-reserve housing stock is, on average, older and less efficient, with repair backlogs that drive higher kWh for essential

- heating and energy services; retrofit uptake has been comparatively low despite need.
- Climate and transition pressures: More intense cold snaps and electrification-related cost pressures (e.g., space/water heating loads) increase essential consumption, meaning equal percentage rate increases translate into unequal hardship without offsetting protections.
- b) All of the recommendations provided throughout my evidence are relevant to this issue. Addressing disproportionate burdens of First Nations customers requires an integrated approach that simultaneously measures and monitors energy poverty, delivers and tracks program outcomes, and aligns affordability and efficiency initiatives. In short, progress depends on an integrated path that connects measurement, monitoring and mitigation, rather than treating these elements separately.

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Part and Chapter:	Rainkie Evidence	Page #:	103
Topic:	Rate recommendation		
Subtopic			

Preamble (if any):

Mr. Rainkie concludes that a 2.25% rate recommendation in the Test Years assists the PUB with its mandate to balance the impact on ratepayers with the financial health of Manitoba Hydro, noting that the cumulative rate increase is used as a metric in the Evidence to represent the impact to ratepayers.

Question:

In recommending the 2.25% rate increase, did Mr. Rainkie consider the impact of rate increases on customers experiencing energy poverty or who are otherwise most vulnerable to rate increases? If so, what is the nature of that consideration. If not, why was it omitted?

Rationale for Question:

To gain a more fulsome understanding of the basis of the recommended rate.

Response:

Mr. Rainkie's focus is on financial matters and the overall revenue needs of MH as part of the revenue requirement phase of rate-setting and not on the rate design phase where considerations of fairness and equity such as those that are outlined in the information request are considered (energy poverty and vulnerability to rate increases).

The PUB's rate-setting process includes 3 phases (i) Phase 1 - revenue requirements where the overall revenue needs of the utility and the overall rate increases are determined, (ii) Phase 2 - cost of service where the overall revenues are allocated to the various customer classes, and (iii) phase 3 - rate design where fixed charges, energy charges and demand charges are designed to recover the allocated revenues by customer class and other rate-making objectives such as fairness and equity are considered, and rate increases by customer class are determined.

Mr. Rainkie's focus is financial in nature and on Phase 1 of the rate-setting process, determination of revenue requirements, the overall revenue needs of MH and the overall rate increase.

The Consumers Coalition has also engaged Ms. Derksen on matters with respect to MH rate design proposals and Dr. Das on issues related to energy poverty and vulnerability

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and bill affordability programs, where issues of fairness and equity in rate-setting are considered as part of determining the rate increase by customer class.

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Part and Chapter:	Derksen Evidence Board Order 101/23	Page #:	11-13 196
Topic:	Reduced water rental and debt guarantee fee		
Subtopic			

Preamble (if any):

Ms. Derksen’s evidence concludes that the Residential and General Service Non-Demand customers are disproportionately disadvantaged by the PCOSS treatment of reductions in government payments. These reductions, while improving Manitoba Hydro’s overall financial circumstances do not affect the underlying cost to serve these customers and should not distort class RCC’s.

Ms. Derksen, drawing on Dr. Das’ evidence, highlights that Manitoba Hydro has not meaningfully addressed bill affordability, despite benefitting by an estimated \$9.5 billion in Government payment relief over the 20-year forecast. While Manitoba Hydro repeatedly frames this payment relief as a “significant benefit to all customer classes”, Ms. Derksen notes that the cost-of-service analysis must focus on inter-class impacts. It is therefore inappropriate to dismiss the disproportionate PCOSS effects on certain customer classes simply because all classes benefit overall.

In Board Order 101/23, the PUB noted that “On the one hand, the government has gone further than the Board’s recommendation by reducing both water rental fees and debt guarantee by 50%. On the other hand, there continues to be a lack of targeted energy poverty measures in Manitoba...”

Question:

- a) Is Ms. Derksen’s conclusion that the current PCOSS treatment of the reduction in Government payments does not adequately reflect the cost to serve residential and GSSND customers?
- b) Given Ms. Derksen’s conclusion that a lower-than-average rate increase for residential is justifiable, can Ms. Derksen provide a range or estimated quantum for the lower-than-average increase?
- c) In Ms. Derksen’s opinion is there a mechanism within the cost of service study that could be used to pass through government payment relief as targeted affordability relief to residential customers, and if so what mechanisms or measures could be utilized for this purpose?

Rationale for Question:

To clarify Ms. Derksen's evidence, explore any potential scale of rate differentiation, and identify mechanisms to better attribute government relief for ratepayer benefit.

Response:

- a) Yes. However, it is noted that the first paragraph in the preamble is over-stating what Ms. Derksen intended, as discussed further in response to PUB/CC I-31.
- b) For purposes of clarification, it is Ms. Derksen's recommendation that the PUB approve an ATB rate increase for all classes, or potentially a minimal above average differentiated rate increase for the Residential class.

While Ms. Derksen does opine that a case could be made for lesser-than-average rate increase for the Residential class, its quantification would be difficult given that: i) the various cost-to-serve impacts to the Residential class are not necessarily additive; ii) MH was unable to quantify the degree of impact by class by equalizing (or at least bring closer) MH's rates to the lowest in Canada; and iii) the rate consequences to other classes is currently unknown.

However, qualitatively, guidance as to an appropriate lower-than-average differentiated rate increase for the Residential class can be extracted based on Order 101/23. In this Order, the PUB's tolerance for rate differentiation is not more than -1.0% to +0.4%. In making this finding the PUB stated:

"...there is a need to move all customer classes towards the zone of reasonableness. However, in reaching a decision on rate differentiation, the Board balanced cost of service criteria against the principles of rate stability, affordability, and gradualism. Based on this balancing, the Board finds that the timeline set out in Order 59/18 is no longer just and reasonable ... the Board was influenced by the absence of a meaningful energy poverty program in Manitoba. The only customer class currently below the zone of reasonableness is the residential customer class. It is not feasible to bring industrial customers into the zone of reasonableness without further rate increases for residential customers. The government's recent decision to reduce water rental fees and the debt guarantee fee is a step towards affordability for all ratepayers, but it is not a replacement for targeted measures ...

The Manitoba Court of Appeal's decision ... made it clear that the Board does not have jurisdiction to create a separate customer rate based on socio-economic factors. As a result, the Board finds that it must give increased weight to issues of rate stability and affordability for the residential class as a whole in order to avoid exacerbating energy poverty issues¹."

¹ Order 101/23, pg 15.

“In the Board’s view, Manitoba Hydro’s attenuated rate differentiation proposal is just and reasonable and strikes an appropriate balance between cost-of-service criteria and other ratemaking criteria, notably affordability and rate stability. In contrast, under the PCOSS24 results and the average 1.0% rate increase approved in this order, a mechanistic rate differentiation would result in an increase of 1.43% for residential and commercial customers while leading to a rate reduction of 0.49% for large industrial customers. The Board finds that this level of differentiation is not just and reasonable as it does not adequately balance cost of service criteria against the need for rate stability and affordability. The Board also finds that it would not be just and reasonable to impose a rate differentiation of 0.43% on the commercial customer classes that are already in the zone of reasonableness, and that Manitoba Hydro’s proposal for a 0.1% rate differentiation for those classes strikes an appropriate balance.²

Therefore, if one wanted to make a case for a lower-than-average differentiated rate increase to the Residential class on the basis of applying a greater weighting to the goal of lowest rates in Canada, in concert with the COS issues raised in Ms. Derksen’s evidence, it could reasonably be by as much as -1.0% (that is, an increase of +2.5%) considering the PUB’s bandwidth tolerance for differentiated rates in Order 101/23.

- c) Yes. Lowering Water Rental Fees, Capital Tax and PGF was simply a convenient mechanism to reduce MH’s costs and make electricity rates more affordable. Ms. Derksen is of the view that because of the current PCOSS methodology there is a sizeable disproportionate sharing of the Government Payment relief between classes which conflicts with the spirit and intent of the payment reductions, as much as it can be discerned. For this reason, it is recommended that the PCOSS methodology be explicitly rectified, to allow for a more equalized sharing between classes, of which Ms. Derksen provides several alternatives in her evidence.

Alternatively, the PUB could address a more equalized sharing between classes through qualitative judgement in the interpretation of class RCCs.

Both options, either the explicit adjustment of the PCOSS methodology or implicitly in the interpretation of class RCCs could be used to pass through government payment relief as targeted affordability relief to the Residential class.

Beyond the COSS, it is recognized that the Statute prohibits rates based upon income levels or other socio-economic considerations. However, setting aside payment relief funds in a deferral account to target affordability initiatives to specific vulnerable customers could be explored as part of the establishment of the Corporation’s revenue requirement.

² Order 101/23, pg. 183.