

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

**CONSUMERS COALITION /GSS-GSM
INFORMATION REQUESTS TO THE GENERAL SERVICE SMALL AND GENERAL
SERVICE MEDIUM (GSS-GSM) INTERVENER**

October 15, 2025

COALITION/GSS-GSM I-1

Part and Chapter:	Ms Davies Evidence, Section 2.2	Page #:	Pages 10 to 12
Topic:			
Subtopic			

Preamble (if any):

In providing a recommendation with respect to the overall rate increases for the 2026 to 2028 Test Period, Ms. Davies indicates that rate increases “in line with inflation” would balance the current economic constraints faced by ratepayers today, while still demonstrably contributing to retained earnings (cumulatively \$406 million over the test years) and maintaining MH’s financial targets. Ms. Davies notes that the \$406 million of increased retained earnings is provided in a MH alternative rate scenario with 2% rate increases (Tab 9, MFR 17) in each Test Year instead of 3.5%, as proposed by MH. The 2% rate scenario provided by MH in Tab 9, MFR 17, is based on MH’s forecast costs for the Test Period.

Question:

- a) Please clarify if Ms. Davies is recommending 2.0% rate increases for each year of the Test Period. If not, please provide Ms. Davies recommended rate increases that are in line with inflation.
- b) Please confirm (or explain otherwise as necessary) that Ms. Davies has not factored in any reductions to MH’s forecast costs in the Test Period in making the rate recommendation outlined in part a of this information request.

Rationale for Question:

To obtain clarification on the specific rate recommendation that Ms. Davies is making for the Test Period and the basis of this specific rate recommendation.

Response:

- a) The recommendation notes that given the extremely uncertain medium to longer-term context and resulting implications of this on the financial forecast (as detailed on pages 7-8 of evidence), rate setting based on a shorter-term ‘test year’ focus is appropriate to protect ratepayer interests. In consideration of the test year revenue requirement and depending on how strict the PUB wanted to adhere to the ‘used and useful’ principle (where the utility shows concrete evidence that revenue requirement costs will be in service and needed to provide service for the years in question) even 0% rate increases would still set rates with a cumulative positive net income value.¹ If accounting for general maintaining of Manitoba Hydro’s

¹ As shown in Scenario 1 of MFR-17 of Tab 9, 0% rate increases over the course of the test years still increases retained earnings by \$241 million by 2027/28

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financial position than a 1% or more increase maintains Manitoba Hydro's debt ratio in line with its proposed rate increases for the test years.² A 2% rate increase, in line with forecast inflation (so won't be out of line with cost increases customers are likely to anticipate in other areas of their lives), is reasonable to cover cumulative test year costs, maintain the debt ratio, incorporate rate stability/smoothing (as previous rate increases were 1%) and provide flexibility in the event of unforeseen costs/circumstances that may have a negative impact on short-term revenue requirement (such as potential unfavourable water conditions in 2025/26).

As noted in (b) below, this is prior to any PUB directives on reduced revenue requirement costs in the test years.

- b) Confirmed, however the recommendation generally notes that if incorporating reductions to MH's forecast costs and approving an annual 2% rate increase, the result would increase net income more in line with Manitoba Hydro's proposed levels to continue building up reserves and financial position to the benefit of future ratepayers.

² As shown in Scenario 2 of MFR-17 of Tab 9, 1% rate increases over the course of the test years maintains an 85% debt ratio by 2027/28

COALITION/GSS-GSM I-2

Part and Chapter:	Ms Davies Evidence Section 1.0 Section 7.0	Page #:	Page 6 Page 38
Topic:			
Subtopic			

Preamble (if any):

Ms. Davies states that “The PUB should direct rate increases to comfortably ensure all rate classes are within the zone of reasonableness by the end of the test years without offsetting increases to the rate classes already within 95 – 105% RCCs. Any remaining revenue reductions that may result from this proceeding should then be applied uniformly to all rate classes.” (pg. 6)

“Rates should be adjusted differentially such that all rate classes have Revenue Cost Coverage ratios (RCCs) within the 95-105% range of reasonableness, including for the GSS-ND rate class. There are qualitative factors which make adjusting to 100% RCCs unreasonable, including the impact of offsetting rate increases required of other classes currently below 100%, but also the fact that this GRA includes a three-year test period but only provides RCC ratios based on one forecast year – 2025/26. Additionally, the accuracy of the Load Research study and other forecast inputs that go into cost allocation will never be perfectly accurate so setting rates to within a range of cost recovery is reasonable....

Rebalancing should be undertaken over the test period without the need for offsetting incremental increases to the other rate classes. There is enough excess in Manitoba Hydro’s forecast net income and other cost areas to absorb the impact, especially if cost control recommendations are accepted by the PUB as a result of this proceeding. The estimated cumulative impact of holding rates steady for the GSS-ND and GSL >30kV rate classes to correct for high RCCs over the test years is \$76 million. As this results in RCCs for each class approaching 100% it is likely 0% rate increases are not fully required to satisfy the principle of reasonable cost coverage for each rate class (within 95 – 105%).

Of relevance, rate rebalancing to the GSS-ND rate class may need to be managed differently across each rate component (i.e. not across-the-board) as to not impact the uniformity between GSS-ND and GSS-D rates. Manitoba Hydro will need to address this if rate rebalancing is accepted.” (pg. 38)

Question:

- a) Please clarify Ms. Davies’ recommended rate increases, separately, for each Test Year. As part of the response, please also clarify Ms. Davies recommended specific rate increases by class for each Test Year.

b) Please confirm, or otherwise explain, whether Ms. Davies is recommending that the three classes with RCCs above 105% (namely, GSSND, GSL 30-110 kV and GSL>100 kV) should be provided lower-than-average rate increases with the revenue loss to be applied by a reduction to net income.

c) Further to part (b), please confirm, or otherwise explain, whether this recommendation conflicts with the regulatory principle of cost of service, which ensures that the utility is allowed the opportunity to recover its approved revenue requirement.

Rationale for Question:

To obtain clarification on the specific class rate recommendations that Ms. Davies is making for the Test Period.

Response:

- a) This question is difficult to answer with the information available but ultimately should be developed by Manitoba Hydro in a compliance filing based on updated information and with incorporation of PUB directives on costs and rates.

Effectively the recommendation for test year rate increases would be for uniform rate adjustments each year for each of the GSS-ND, GSL 30-100kV and GSL >100kVa to bring them down to at least 105% RCC by 2027/28. From MIPUG/MH II-21b (page 43 of 61), 1.5% rate increases for each of the three years with other classes receiving 4% would result in RCC ratios reasonably below 105% for all three classes. Likely this is a bit extreme of a solution over the short-term for the rate classes receiving the 4% rate increases.

If 2% rate increases for each test year are approved by the PUB, then some combination of 1.5 % rate increases for classes above 105% RCC and 2.0 – 2.5% rate increases to the other rate classes provides balance and starts to address the existing cross-subsidies.

The key principle being recommended by Ms. Davies for the test years is moderate rebalancing that doesn't cause unnecessary burdening of the rate classes with RCC ratios within the zone of reasonableness. Ideally there will be some room from a reduced final revenue requirement and/or from net income to address this without impacting these rate classes.

- b) Not confirmed although this ultimately depends on the overall average rate increase improved, any cost control measures directed for the test years (reducing revenue requirement), and the level of net income that the PUB determines is required over the test years.

Generally speaking, rate rebalancing will result in lower rate increases for some classes and higher for others, however if cost control is directed for the test years and rate increases at 2% or above are directed, there should be ample ability (all else equal) to provide lower-than-average rate increases to the above noted classes to be applied to net income without negatively impacting financial position.

- c) Not confirmed. The PUB often orders rate reductions from those proposed by Manitoba Hydro when there is cause to do so.

COALITION/GSS-GSM I-3

Part and Chapter:	Exhibit GSS-GSM-05, Section 3.3.1	Page #:	Pages 13,14 & 16 of 46
Topic:	Vegetation Management		
Subtopic	Reliability Metrics		

Preamble (if any):

In Section 3.3.1, Ms. Davies states:

“However, Manitoba Hydro explains that industry cycle time varies greatly, with more northern latitudes (presumably Canada) averaging 12 - 20 years for activities such as mechanical brushing. As a comparison, Manitoba Hydro’s current province wide cycletime of 17 years already falls within this range.”

In Section 3.3.1, Ms. Davies also states:

“Without a long-term Vegetation Management Plan, it is difficult to definitively assess the level of cost increases Manitoba Hydro is requesting in the test years related to distribution-related Vegetation Management. However, Manitoba Hydro has not demonstrated justification for the frontend loading of cost increases to address what is claims is a longer-term issue. While Vegetation Management is critical, Manitoba Hydro’s filings show that reliability is already strong relative its peers, industry cycle benchmarks are broader than Hydro is aiming to achieve, and labour/cost uncertainties question whether Hydro can carry out its proposed increased activity. Overall, a more measured cost increase in the test years that prioritizes the highest priority backlog until a long-term Vegetation Management Plan can be filed seems reasonable for ratepayers while still prioritizing reliability and safety.” [footnotes omitted]

...

“Forecast expenditures based on a bottom up (activity/span) plan that shows paced activity to achieve a stepped improvement in provincial cycle time, in line with peer utilities. For efficiency purposes, activity should continue to prioritize areas at highest risk of outage and customer density to help extend the targeted provincial cycle time;” [footnotes omitted]

Question:

- a) Based on Ms. Davies’ experience in other jurisdictions, please explain whether modern Vegetation Plans typically include vegetation management efficiency improvement measures. Please discuss and provide examples.
- b) Please confirm whether Ms. Davies’ recommendation for a “*stepped improvement in provincial cycle time*” means that MH should increase the provincial cycle time (i.e., extend the duration between vegetation management cycles toward the

longer benchmark, such as 20 years). Or does “stepped improvement” mean a reduction in cycle time (i.e., shorten the duration between cycles toward a lower benchmark, such as 12 years)?

- i. If not an increase in cycle time, and instead the recommendation is for a reduction (moving toward shorter cycles, such as 12 years), please explain the reasons for recommending a step change reduction in cycle times.
- c) Given that MH’s filings show that MH’s budgets are front loaded, reliability is strong relative to its peers, current cycle times are within industry benchmarks, and there are questions about MH’s ability to increase vegetation management activities due to labour constraints, please explain why MH budgets should be increased in real dollar terms during the test period compared to historic trends.

Rationale for Question:

To clarify how proposed budget increases are justified.

Response:

- a) Yes, modern Vegetation Plans should include efficiency improvement measures. Please see response to PUB/GSS-GSM I-2c where recommendations are provided on benchmarks/efficiency indicators that Manitoba Hydro should measure, including reference to a few other jurisdictions and utility peer comparison benchmarking reports.
- b) The recommendation for a stepped improvement in provincial cycle time would be to start slowly shortening the cycle time lower than the current 17 years.
 - i. The recommendation was developed in support of Manitoba Hydro’s goal to shorten its province wide cycle time of 17 years (and to begin to address backlog³), however a more moderate improvement is recommended as reasonable for the test years recognizing that Manitoba Hydro’s proposed target cycle time of 6-8 years would be a drastic change, is not evidence backed based on Manitoba Hydro’s own system requirements through a Vegetation Management Plan and strategy but is largely based on an ‘industry average’⁴ that does not recognize a very wide range where 6 years is at the lower end with more northern latitudes ranging from 12 – 20 years for brushing (presumably Canada).⁵
- c) Given the above conclusions the Board may wish to maintain Manitoba Hydro’s vegetation management activities in real dollars. However, as reliability statistics are in general lagging indicators and Manitoba Hydro has identified significant

³ Which it estimates at 300,000 spans \$220 million cost to address by close of F2032 as per Appendix 6.2, page 30

⁴ Stated by Manitoba Hydro in Tab 5, page 33 of 37

⁵GSS-GSM/MH I-2b, page 9 of 10

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backlog it is reasonable to support moderate increases to begin to address backlogs and to make sure reliability statistics are maintained in the interim while an evidence-backed Vegetation Management Plan can be developed.

COALITION/GSS-GSM I-4

Part and Chapter:	Exhibit GSS-GSM-05, Section 3.3.1	Page #:	Page 14 of 46
Topic:	Vegetation Management		
Subtopic	Outage Risk		

Preamble (if any):

In Section 3.3.1, Ms. Davies states:

“Manitoba Hydro’s current approach to prioritize areas at highest risk of outage and customer density seems to have efficiently maintained favourable reliability levels compared to its peers.”

Question:

- a) Please discuss if the meaning of “highest risk of outage” includes consideration of both the probability of an outage and the affected “customer density” as a proxy for consequence of outage. For context, risk is typically the product of the probability and consequence of the associated event.
- b) Please discuss how the evidence shows that MH’s historic vegetation management practices have achieved adequate “reliability levels compared to its peers” at lowest cost (i.e., efficiently).

Rationale for Question:

To assess what level of vegetation management spending is appropriate based on MH’s historic and current practices.

Response:

- a) This is generally understood to consider both the likeliness of an outage and the potential impact an outage will have (duration, impacted number of customers, etc.). It could refer to spans that have been either reported or flagged as potentially hazardous due to vegetation proximity to lines, expected regrowth levels relative to clearing cycles and/or where the magnitude of impact is very high (or a combination of all three).

Some utilities separately track high probability of outage as ‘hazard trees’ (including BC Hydro and Hydro One) and will allocate a sizeable portion to prioritize within budgets and specifically ensure minimal backlog in this area.

Others use 'demand vegetation management' (including Hydro One) where prioritization is spent on minimizing response time for site specific/reported concerns.

Hydro One, for example, focuses part of their risk-based approach by categorizing for magnitude/consequence - high and low impact inventory and accordingly prioritizing activity as follows:

The first category is high impact right-of-ways in which Hydro One's strategy will be to focus on performing vegetation management on an optimum cycle to better mitigate large outages, improve asset condition and realize the cost benefits of executing work on-cycle. The second category is focused on the lower impact right-of-way inventory in which Hydro One will manage within the tactical maintenance program using a flexible, risk-based approach that targets vegetation management on the worst performing and oldest assets in the inventory. The flexibility of this tactical maintenance program will allow Hydro One to more effectively address emerging reliability and condition concerns raised internally and by Hydro One's customers.⁶

Hydro One has additional vegetation management strategies that focus more on high probability outages (hazard tree removal, demand vegetation management).

- b) Specifically for distribution outages, SAIDI and SAIFI statistics provide a good reliability benchmark as a lagging indicator – largely providing indication on the effectiveness of spending incurred prior to that year. Manitoba Hydro has maintained markedly lower SAIDI and SAIFI statistics specifically from tree contact outages compared to its peers on a per customer basis over the period 2016 – 2023,⁷ and has noted a trend in overall decreases in tree contact related outages in more recent years.⁸

A 'per customer' or 'per km of distribution line' comparator is useful as Manitoba Hydro's system includes an expansive area of coverage relative to many peers.

While 2024 is not a direct comparator for spending undertaken to achieve 2016 – 2023 reliability measures, it incorporated sizeable cost increases compared to previous years and was still below median levels compared to peer utilities. This is demonstrated by Manitoba Hydro's key performance indicators for vegetation

⁶ Hydro One's 2018 – 2022 Distribution Rate Application in Matter EB-2017-0049, Exhibit C1, Tab 1, Schedule 2, starting on pdf page 36 of 1139, available online: https://www.hydroone.com/abouthydroone/RegulatoryInformation/dxrates/20182022dxrates/Documents/HONI_Update_Ex_C_20170607.PDF

⁷ As provided in response Manitoba Hydro's to GSS-GSM/MH II-1h

⁸ GSS-GSM/MH I-3d

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management, which include cost comparisons to 26 peer utilities for 2024, including:⁹

- T&D O&M Vegetation Mgmt Spending Per Customer: Manitoba Hydro is 2nd quartile indicating below median spending per customer.
- T&D O&M Vegetation Mgmt Spending Per T&D Asset: Manitoba Hydro is first quartile indicating among the lowest spending per T&D Asset
T&D O&M Vegetation Mgmt Spending per OH Circuit Kilometer: Manitoba Hydro is 1st quartile indicating among the lowest spending per OH Circuit Kilometer.
- Distribution Veg management Spend as a % of Distribution O&M cost: Manitoba Hydro is 2nd quartile indicating a below median spending level as a proportion of Distribution O&M costs.
- T&D O&M Vegetation Mgmt Spending per OH Circuit Kilometer: Manitoba Hydro is 1st quartile indicating among the lowest spending per OH Circuit Kilometer.

The 'efficiently' maintained comment was in consideration for Manitoba Hydro's sustained low levels of tree related outages and the below median spending per customer when comparing both to peer utilities.

⁹ GSS-GSM/MH I3c

COALITION/GSS-GSM I-5

Part and Chapter:	Exhibit GSS-GSM-05, Section 3.3.1	Page #:	Page 16 of 46
Topic:	Vegetation Management		
Subtopic	Capital Trade-offs		

Preamble (if any):

In Section 3.3.1, Ms. Davies states:

“Without a long-term Vegetation Management Plan, it is difficult to definitively assess the level of cost increases Manitoba Hydro is requesting in the test years related to distribution-related Vegetation Management. However, Manitoba Hydro has not demonstrated justification for the frontend loading of cost increases to address what is [sic] claims is a longer-term issue.”

Question:

- a) Please clarify whether Ms. Davies is recommending a reduction or adjustment in the front-end loading of vegetation management cost increases.
 - i. If yes, please specify the recommendation and explain the reasons for it.
 - ii. If no, please explain the recommendation regarding the pacing of vegetation management spending to address longer-term issues.

Rationale for Question:

To assess near term pacing for vegetation management spending.

Response:

- a) Yes, while some level of cost increase is likely justifiable to address Manitoba Hydro’s identified backlog, the levels as proposed by Manitoba Hydro are a marked jump in the test years and should be spread out in a more linear fashion. Please see the response to PUB/GSS-GSM I-2b for the test year impacts as a result of smoothing the longer-term increases in a linear manner to 2031/32 and CC/GSS-GSM I-3a above which further explains the recommendation.