

April 20, 2026

The Public Utilities Board of Manitoba
400-330 Portage Avenue
Winnipeg, MB R3C 0C4

Attention: Rachel McMillin, Executive Director & Secretary

VIA E-MAIL

Dear Ms. McMillin:

**Re: FISCAL 2026 TO 2028 GENERAL RATE APPLICATION – REVIEW & VARY ORDER
43/26 AND COMPLIANCE FILING**

On March 19, 2026, the Public Utilities Board of Manitoba (“PUB” or “Board”) issued Order 43/26 with respect to the Manitoba Hydro Fiscal 2026 to 2028 General Rate Application. This Order approved as final the 4% general rate increase that came into effect on January 1, 2026, and approved general revenue increases of 3.5% effective January 1, 2027 and 3.0% effective January 1, 2028. Order 43/26 included, among others, the following Directives:

- Directive 4, requiring Manitoba Hydro to use the same load research methodology and eight years of data for determining the class coincident peak factors in PCOSS26 as was used in PCOSS24, but using only the top 10 winter peak hours for the purposes of determining Manitoba Hydro’s rates for January 1, 2027 and January 1, 2028.
- Directive 12, requiring Manitoba Hydro to file quarterly reports providing updated water conditions and hydrologic generation, net export revenues (and its components) and net income projections, as well as ranges of expected net export revenues, for the remaining years of the rate period, and information on large customer loads added or removed during the quarter and how these changes affect projected net income for the remaining years of the rate period.
- Directive 16, requiring Manitoba Hydro to file, with its next general rate application, an independent assessment of its asset management process maturity and update on the progress made since the last external assessment completed in 2024.
- Directive 17 requiring Manitoba Hydro to file quarterly reports regarding the HVDC Reliability Project and the new combustion turbine capacity addition project, within 45 days of the end of each fiscal quarter until individual project completion.
- Directive 20 requiring Manitoba Hydro to file quarterly status reports regarding the SAP S/4HANA Core project within 45 days after the end of each fiscal quarter until project completion.
- Directive 35, requiring Manitoba Hydro to file within 60 days of Order 43/26, a compliance filing reflecting the decisions set out in the Order.

For the reasons described herein, and in accordance with section 44(3) of *The Public Utilities Board Act* and Rule 58 of the *Rules of Practice and Procedure* (the “Rules”), Manitoba Hydro requests the PUB to review and vary:

- (a) Directive 4 to use one of the two alternative approaches proposed herein for developing the Coincident Peak based on the top ten hours for PCOSS26;
- (b) Directive 12, 17 and 20 to allow Manitoba Hydro to file the required quarterly reports by the deadlines proposed herein, rather than within 45 days following the end of each quarter;
- (c) Directive 16 to have an Independent Expert Consultant retained by the PUB to conduct the independent assessment of Manitoba Hydro’s asset management maturity; and,
- (d) Directive 35 to revise the filing deadline from May 19, 2026 to June 19, 2026 to allow Manitoba Hydro sufficient time to incorporate the directed changes to its cost of service.

Grounds for Review and Variation

Section 44(3) of *The Public Utilities Board Act* authorizes the PUB to review, rescind, change, alter, or vary any decision or order made by it.

Under Rule 58(1), the PUB may review and vary an order, on its own initiative or on application by a party affected by the order, if it is satisfied that

- (a) there has been an error in fact, law or jurisdiction;
- (b) there have been new facts or a change in circumstances; or
- (c) the order is no longer in the public interest.

Review & Vary Application

Relief Sought

Directive 4

Directive 4 requires Manitoba Hydro to use the top ten winter peak hours for the period 2007/08 to 2014/15, corresponding to the load research dataset used in PCOSS24.

It is not possible for Manitoba Hydro to produce the required top ten peak hours for this historical period for determining class coincident peak factors in PCOSS26. During this period, Load Research data required post-processing using custom programming, and that programming, and the associated institutional knowledge, were not retained following the retirement of Load Research staff under the Voluntary Departure Program. As a result, Manitoba Hydro does not have access to the underlying processed hourly datasets used to generate those outputs, nor does it have the technical capability to re-run or modify the historical analytics to isolate the top ten winter peak hours for the years 2007/08 to 2014/15.

In the circumstances, Manitoba Hydro has considered two possible approaches for implementing changes related to the use of load research in the cost of service study as directed by the PUB:

1. Revert to using the load research data and coincident peak factors from PCOSS24, based on the top 50 hours; or
2. Use the same load research methodology for determining the class coincident peak factors in PCOSS26 as was used in PCOSS24, but using the top 10 winter peak hours and the years 2018/19 to 2024/25.

For consideration and potential adoption by the Board, Manitoba Hydro will provide within its Compliance Filing the revenue to cost coverage ratios ("RCCs"), as well as the rate differentiation that would be required to move all classes into the Zone of Reasonableness ("ZOR") within 5 years, based on both alternatives noted above.

For the reasons outlined above, pursuant to section 58(1)(b) of the Rules, Manitoba Hydro respectfully requests that the Board review and vary Directive 4 of Order 43/26 to allow for rates to be based on RCCs that reflect the use of one of the two alternatives noted above to be determined by the Board based upon the information provided by Manitoba Hydro in its Compliance Filing when provided.

Directive 12

Directive 12 requires Manitoba Hydro to file with the PUB:

- a) graphs of system energy in storage, system potential hydraulic energy from inflows, actual and forecast total system inflows, and total hydraulic generation (showing the original and updated forecasts as well as the low and high range);
- b) the original budgets and updated forecasts for extraprovincial revenues, water rentals and assessments, fuel and power purchases, net export revenue, and net income for the remaining years of the rate period;
- c) graphs and tables of the range of expected net export revenues with respect to the percentile of possible water flow conditions for each of the remaining years of the rate period; and
- d) a report of customer electric loads greater than the threshold amount for a large supply of power as set out in subsection 49.2(1) of *The Act* that were added or removed from Manitoba Hydro's system supply requirements during the last quarter, and how these loads are expected to affect Manitoba Hydro's net income in the remaining years of the rate period.

The Board has indicated that it intends to use this information to assess whether Manitoba Hydro's rates during the rate period are sufficient, or whether the rate reconsideration process described in subsection 39.4(1) of *The Manitoba Hydro Act* ("*The Act*") should be initiated for the remaining

portion of the rate period. This section contemplates that such reconsideration may be required if, during a rate period, there is a material difference between the corporation's actual or projected **financial results**, determined on a cumulative basis since the beginning of that period, and the **financial results** projected for that period in the rate application for that period (emphasis added). Any such potential reconsideration requires approval of the Lieutenant Governor in Council after being requested by Manitoba Hydro or the PUB in accordance with subsection 39.4(1)(a) or (b) respectively.

Section 39.3 (a) to (c) of *The Act* prescribes the annual financial reporting required to be provided to the Minister and the PUB for the specific purpose of a potential section 39.4(1) reconsideration of rates within an established three-year rate period (currently April 1, 2025 – March 31, 2028). Manitoba Hydro submits that the reporting information requested in Directive 12 is not required for the purpose of fulfilling either sections 39.3, 39.4(1) or 39.4(2) of *The Act* but acknowledges that quarterly reporting would provide more timely information than is currently contemplated in the legislation should water conditions deteriorate.

Manitoba Hydro notes the following practical limitations in fulfilling the Directive 12 reporting requirements, and proposes the following revised reporting structure to be of more assistance to the Board in monitoring Manitoba Hydro's financial circumstances for the purpose of a potential request to the Minister for a reconsideration of established final rates:

- The fourth quarterly report under Directive 12 for 2025/26 cannot be produced by May 15th (consistent with the PUB's directed 45 days) because year-end information is not yet final by that time. As such, Manitoba Hydro proposes filing the Q4 quarterly report for the current fiscal year and Q1 quarterly report for the subsequent fiscal year at the same time as the Section 39.3 *MH Act* submission. While Manitoba Hydro will provide the Q1 report as directed, it notes information on water conditions for quarterly periods other than Q2 and Q3 would be of limited predictive value, as water conditions can significantly vary from projections during the summer and fall seasons. Cumulative results, inclusive of Q2 and into Q3, will need to be taken into account to assess whether rates need to be varied.
- To better align with financial reporting requirements, as well as the timelines for submission of financial information to government and subsequent public disclosure of financial results, Manitoba Hydro proposes filing the Q2 and Q3 reports within 2 months of the end of each quarter. Manitoba Hydro will file updated financial forecasts for the subsequent fiscal years in its quarterly reports. However, Manitoba Hydro notes that the second year of the forecast is inherently more uncertain and continues to evolve as water conditions change.
- In respect of part d) of Directive 12, large supplies of power are not added or removed from Manitoba Hydro's system supply requirements on a frequent basis. Considerable investment and planning are required to add a new customer to the system with significant lead times. As such, any type of material impact from such an addition or removal would not be discernible on a quarterly basis. To the extent that there are any changes to

customer loads that exceed the threshold set out in subsection 49.2(1) of *The Act*, Manitoba Hydro will include this information in the quarterly reports.

- All of the above reports must be filed in confidence with the PUB due to the market-sensitive nature of water conditions, export revenue forecasts, financial projections, and customer-sensitive information (if applicable).

In addition, Manitoba Hydro seeks clarification regarding the following aspects of the annual report required under Section 39.3 of *The Act* and Directive 12, specifically:

- Scope of reporting (Consolidated vs. Electric-only) - Manitoba Hydro seeks clarification whether the information required in each part under Section 39.3 of *The Act* should be provided on a consolidated basis (in line with information Manitoba Hydro provides to government) or for the electric segment only (governed by the provisions of *The Act*).
- Baseline forecast for reporting – Section 39.3 of *The Act* requires Manitoba Hydro to provide comparisons against “the financial forecast relied upon by the regulator when setting or approving rates”. Furthermore, part b) of Directive 12 requires Manitoba Hydro to file the “original budgets” for projected net export revenues (and its components) and net income. Manitoba Hydro seeks to confirm which of the following financial forecasts the PUB considers authoritative for the above purposes:
 - The Compliance Filing forecast reflecting the directives from Order 43/26;
 - The original financial forecast filed as Appendix 3.1 of the GRA; or
 - The latest updated forecast submitted to the PUB during the course of the hearings, specifically, the financial forecast scenario filed in response to Undertaking at Transcript Page 1440.

Directive 16

Manitoba Hydro is seeking to vary Directive 16 of Order 43/26 such that the PUB directly retains an Independent Expert Consultant (“IEC”) to undertake the assessment of Manitoba Hydro’s asset management process maturity and progress with the cooperation of Manitoba Hydro subject matter experts. The IEC could provide its independent assessment by way of report to the PUB as part of the next Manitoba Hydro GRA for the benefit of all parties to the proceeding.

This approach serves the public interest as follows:

- Regulatory Efficiency – The PUB’s direct oversight ensures that the scope, methodology, and deliverables align precisely with the Board’s specific interests and requirements with respect to Manitoba Hydro’s asset management process and related progress.
- Support for the regulatory process – having a qualified third-party asset management expert selected by the PUB provides a transparent and independent assessment, strengthening public confidence in the findings related to asset management maturity presented during the regulatory process.

If the PUB is amenable to proceed in this manner, Manitoba Hydro is willing to work collaboratively with the PUB staff and advisors to develop the timelines and scope for the engagement. Despite any potential retainer of an IEC by the PUB for these purposes, Manitoba Hydro will continue to undertake its own internal assessments to identify progress in addressing gaps and continue to improve and progress in its asset management maturity.

Directive 17 and 20

Directive 17 and 20 of Order 43/26 direct Manitoba Hydro to file quarterly reports regarding the HVDC Reliability Project and the new combustion turbine capacity addition project, as well as quarterly status reports regarding the SAP S/4HANA Core project, within 45 days of the end of each fiscal quarter until each project is completed.

Manitoba Hydro respectfully requests that the deadlines for the filing of the above noted quarterly reports be varied to the following timeframes. These timeframes align with the dates by which Manitoba Hydro generally files its Operating & Administrative quarterly reports with the PUB. These timelines also better align with other internal reporting requirements as well as the timelines for submission of financial information to government and subsequent public disclosure of financial results.

- File Q4 quarterly reports for the current fiscal year and Q1 quarterly reports for the subsequent fiscal year at the same time as the Section 39.3 *MH Act* submission, discussed above.
- File Q2 quarterly reports within 2 months of the end of the quarter.
- File Q3 quarterly reports within 2 months of the end of the quarter.

Similar to Directive 12 above, Manitoba Hydro may need to file some of these reports in confidence as a result of the commercially sensitive nature of the information contained in those reports and active procurement processes associated with these projects.

Notwithstanding Manitoba Hydro's intention to provide the additional quarterly reporting in the interest of transparency, Manitoba Hydro notes that in accordance with Section 39(7) of *The Act*, in varying and setting rates, the PUB's jurisdiction does not extend to issuing orders or directives governing Manitoba Hydro's operations or its capital management.

Directive 35

Order 43/26 directs Manitoba Hydro to file, within 60 days (i.e., by May 19, 2026), a Compliance Filing that reflects the decisions set out in the Order, including updated revenue requirement schedules, revised rate schedules, cost of service study results, General Service Large billing demand adjustments, and proofs of revenue with associated bill impacts.

Manitoba Hydro respectfully requests that the Board vary the required filing date to June 19, 2026. This brief extension of time is necessary due to:

- The requirement to update the load research results using the Top 10 hours for the purposes of determining class coincident peaks, which necessitates additional time;
- Significant and overlapping resource commitments to the ongoing Integrated Resource Plan Review proceeding; and
- Subsequent analysis required to develop rates that align with the revised costs of service study results and rate design directives in the Order.

Other Matters

Manitoba Hydro would like to confirm the direction related to the determination of depreciation expense for the test years in the rate period, for the purpose of its Compliance Filing. Directive 3 of Order 43/26 requires that Manitoba Hydro's depreciation and amortization expense for the rate period is determined utilizing the 2024 Depreciation Study rather than the 2019 Depreciation Study, beginning January 1, 2027.

Manitoba Hydro assumes that the reference to January 1, 2027 in Directive 3 is intended to ensure that depreciation expense underpinning rates approved January 1, 2027 and January 1, 2028 in the updated revenue requirement schedules reflect depreciation rates that are based on the 2024 Depreciation Study. Depreciation rates based on the 2024 Depreciation Study have been in effect since April 1, 2024 for financial reporting purposes and they are applied for entire fiscal years. Therefore, Manitoba Hydro will update depreciation expense effective April 1, 2026 (instead of January 1, 2027) for the 2026/27 and 2027/28 forecast years in the updated revenue requirement schedules filed with its Compliance Filing. In accordance with Order 43/26, no changes will be incorporated into the forecast 2025/26 depreciation expense that underpinned rates approved January 1, 2026.

Summary

Manitoba Hydro respectfully requests that the PUB grant the limited relief requested herein pursuant to section 44(3) of *The Public Utilities Board Act* and Rule 58 of the Rules. For the reasons detailed above, the limited relief sought is necessary in addition to being reasonable, practical, consistent with the spirit and intent of *The Act* and the directives sought to be varied in Order 43/26, and is not inconsistent with the public interest nor does it prejudice any party to this proceeding.

Procedural Request

Manitoba Hydro respectfully requests an Order from the PUB on this matter on or before May 1, 2026, so that Manitoba Hydro can appropriately plan for the preparation of new reporting requirements. To support the PUB in its decision-making on this matter, if it is necessary and beneficial, Manitoba Hydro would welcome the opportunity to meet and discuss the requests

outlined above with PUB staff and advisors, address any questions the PUB may have, and provide any additional information or clarification that the PUB may require.

Should you have any questions or require any clarification 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 CZARNECKI

Associate General Counsel and Assistant Corporate Secretary