



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

re:

MANITOBA HYDRO

2021/22

INTERIM RATE APPLICATION

Before Board Panel:

Robert Gabor - Board Chairperson

Marilyn Kapitany - Board Vice Chair

Larry Ring, QC - Board Member

Irene Hamilton - Board Member

Hugh Grant - Board Member

Shawn McCutcheon - Board Member

(by Teams)

HELD AT:

Public Utilities Board

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APPEARANCES

Bob Peters) Board Counsel
Roger Cathcart (by Teams)) Consultant
Brady Ryall (by Teams)) Consultant
Brent Czarnecki (by Teams)) Manitoba Hydro
Aurel Tess (by Teams))
Alex Chiang (by Teams))
Shannon Gregorashuk (by Teams))
Jessica Carvell (by Teams))
Odette Fernandes (by Teams))
Byron Williams (by Teams)) Consumers Coalition
Katrine Dilay (by Teams))
Chris Klassen (by Teams))
Antoine Hacault (by Teams)) MIPUG
Carly Fox (by Teams)) Assembly of
Emily Guglielmin (by Teams)) Manitoba Chiefs
Markus Bucharth (by Teams)) MKO

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1 --- Upon commencing at 9:06 a.m.

2

3 THE CHAIRPERSON: Good morning,
4 everyone. I now call this public hearing to order.
5 Welcome to the Public Utilities Board oral evidentiary
6 hearing into Manitoba Hydro's 2021/'22 Interim Rate
7 Application.

8 This oral hearing was confirmed in
9 Board Order 128/21 issued on November 22nd, 2021, and
10 today we are scheduled to hear from members of the
11 public and also to hear opening comments from some of
12 the Interveners in this hearing.

13 My name is Robert Gabor, and I am Chair
14 of the Public Utilities Board. Joining me on the --
15 joining me on the panel of Board members to adjudicate
16 Manitoba Hydro's Interim Rate Application are Vice-
17 Chair Marilyn Kapitany, Dr. Hugh Grant, Larry Ring,
18 Irene Hamilton, and Shawn McCutcheon who will be
19 participating online.

20 At this time, and on behalf of all in
21 attendance, the Board would like to acknowledge the
22 Treaty 1 lands on which we now gather for this
23 hearing, and the Treaty 2, 3, 4, and 5 lands included
24 in Manitoba Hydro's service territories are the
25 traditional territories of the Anishinaabe Cree, Oji-

1 Cree, Dakota, and Denes people, as well as the
2 homeland of the Metis Nation.

3 The Board's panel is assisted in this
4 hearing by Board secretary Rachel McMillan and
5 judicial hearing officer -- judicial hearing assistant
6 Kristen Schubert. Wendy Woodworth from Digi-Tran will
7 be the reporter for this hearing. Transcripts of the
8 witness testimony will be transcribed by Digi-Tran,
9 and copies of the transcripts will be posted the next
10 day on the Board's website.

11 As in prior hearings, the Board is also
12 assisted by technical advisors from Ryall Engineering
13 and Cathcart Advisors. Bob Peters from Fillmore Riley
14 will act as Board counsel.

15 On behalf of the panel, I would like to
16 welcome Manitoba Hydro and the four (4) Interveners
17 which were approved and for which Intervener status
18 was confirmed in the Board's order 128/21.

19 The Assembly of Manitoba Chiefs, or
20 AMC: the AMC is the political and technical
21 coordinating organization for sixty-two (62) of the
22 sixty-three (63) First Nations in Manitoba. This
23 includes a hundred and fifty-one thousand (151,000)
24 First Nations citizens in the province, accounting for
25 approximately 12 percent of the provincial population.

1 The Consumers Coalition consists of
2 three (3) independent organizations that together
3 represent the interests of a broad cross-section of
4 Manitoba consumers. The Consumers Coalition is
5 comprised of Harvest Manitoba, the Consumers'
6 Association of Canada (Manitoba) Inc., and the
7 Aboriginal Council of Winnipeg.

8 The Aboriginal Council of Winnipeg was
9 founded in 1994 as an Indigenous political
10 organization representing First Nations, Inuit, and
11 Metis living in Winnipeg. It focusses -- focusses
12 solely on the urban Indigenous community, and it
13 currently has approximately seven thousand (7,000)
14 members.

15 The Consumers' Association of Canada
16 (Manitoba) Inc. is a volunteer, non-profit,
17 independent organization working to inform and empower
18 consumers and to represent the consumer interests in
19 Manitoba.

20 Formed in 1947, it is a branch of the
21 national Consumers' Association of Canada, but is
22 finally supported separately and separately
23 incorporated.

24 Founded in 1984, Harvest Manitoba is a
25 non-profit community-based organization that provides

1 emergency food assistance to almost sixty-four
2 thousand (64,000) a month across Manitoba.

3 Manitoba Industrial Power Users Group,
4 ir MIPUG, is an association of large energy consumers
5 working together on issues of common concern related
6 to electricity supply and rates in Manitoba.

7 MIPUG member companies are substantial
8 users of electric power in Manitoba Hydro's general
9 service large rate classes, including all three (3)
10 voltage sub-classes. These customer rate classes
11 collectively purchase approximately 8,000 gigawatts of
12 power annually and account for about 35 percent of
13 Hydro -- Manitoba Hydro's domestic energy sales.

14 Finally, Manitoba Keewatin --
15 Keewatinowi Okimakanak, or MKO, is a non-profit
16 advocacy organization that has been in existence for
17 more than thirty-five (35) years and provides a
18 collective voice for more than sixty-five thousand
19 (65,000) Treaty First Nations citizens in northern
20 Manitoba.

21 This hearing will be conducted
22 transparent -- transparently in accordance with the
23 Crown Corporations Governance and Accountability Act,
24 the Public Utilities Board Act, and the Board's Rule -
25 - Rules of Practice and Procedure.

1 I would note that our statistics
2 indicate that we have received twenty-nine (29)
3 comments online as well as one (1) comment by phone,
4 and encourage ratepayer engagement.

5 The mandate for the Public Utilities
6 Board is to set just and reasonable electricity rates
7 that are in the public interest. Public interest has
8 been defined by the Manitoba Court of Appeal as
9 balancing the effect of rates on consumers with the
10 financial health of the Utility.

11 In order to set just and reasonable
12 rates in this Application that are in the public
13 interest, the Board will need to hear and consider all
14 of the evidence that is adduced on the record of this
15 proceeding and hear the submissions from Manitoba
16 Hydro and the Interveners.

17 Following those closing submissions,
18 the Panel will review the evidence and deliberate to
19 make its determinations on the rate increase request
20 before the Board. The Board may accept, deny, or vary
21 Manitoba Hydro's application.

22 Turning to the conduct of the hearing
23 and due to the ongoing COVID-19 pandemic, these
24 proceedings are being conducted in compliance with
25 current public health orders. In-person attendance is

1 restricted to approximately ten (10) people in the
2 hearing room, with all others participating via the
3 Board's information technology infrastructure. That
4 includes virtual appearances by some participants.

5 We thank all participants and their
6 counsel for their co-ordinated efforts in ensuring
7 compliance with public health requirements.

8 All individuals attending in person
9 must be fully vaccinated against COVID-19 and be
10 without any symptoms. They must also wear masks at
11 all times except when speaking on the record.

12 Additionally, I will remind all parties
13 that these proceedings are being live streamed from
14 the Board's website, so we also welcome those viewers.
15 For the public's benefit, the use of -- and the use of
16 acronyms is discouraged.

17 I will also remind everyone that the
18 Manitoba Ombudsman has issued privacy guidelines for
19 administrative tribunals including the Public
20 Utilities Board. Being mindful of those guidelines,
21 personal information will not be disclosed unless it
22 is appropriate and necessary to do so. Please
23 recognize that, because these proceedings are public,
24 personal protections are reduced.

25 I will now turn the microphone over to

1 Board counsel to discuss the procedure for today and
2 the hearing. Mr. Peters...?

3 Sorry. I missed -- yes. Mr. Peters,
4 yes.

5 MR. BOB PETERS: Thank you, Mr. Chair,
6 and good morning to Panel members Kapitan the Vice-
7 Chair, Ring, Grant, McCutcheon, and Hamilton, and good
8 morning, ladies and gentlemen in the hearing room and
9 also on the live stream.

10 Picking up on the Application the Chair
11 mentioned, Manitoba Hydro's 2021/'22 Interim Rate
12 Application is seeking increased electricity rates
13 such that the utility will realize 5 percent
14 additional new revenues over the course of twelve (12)
15 months, commencing January 1, 2022.

16 The specific rate increases sought by
17 customer classes vary, but it does include a proposed
18 5.2 percent increase for residential customer rates
19 and a 5.2 percent increase for general service large
20 customer rates.

21 General service small non-demand rates
22 would increase only 3.9 percent according to Manitoba
23 Hydro's request because that reflects the proportion
24 of costs already being paid in current rates by this
25 customer class relative to the costs attributed to

1 this class.

2 Perhaps put another way, Manitoba
3 Hydro's requested rate increases will yield \$27
4 million by the March 31st, 2022 corporate year-end but
5 will yield \$88 million over a full twelve (12) months.

6 For residential customers that don't
7 use electricity to heat their spaces and using an
8 average of about a thousand kilowatt hours per month,
9 the dollar impact is five dollars (\$5) per month more
10 on their electricity bill.

11 The dollar impact is twice that,
12 namely, ten dollars (\$10) per month additional cost,
13 for residential customers heating with electricity and
14 using about 2,000 kilowatt hours a month.

15 Chair, panel members, ladies and
16 gentlemen -- excuse me -- the fact that Manitoba Hydro
17 makes this Application seeking interim rate increases
18 carries legal significance.

19 Interim rates are not finalized rates.
20 An interim rate application is a special type of
21 proceeding that allows Manitoba Hydro to bring to the
22 Board an urgent rate increase request due to
23 unforeseen or emergency circumstances.

24 Any interim rate increase awarded by
25 the Board would have to be reexamined and either

1 finalized or varied at a future new hearing before the
2 Board based on additional evidence.

3 In this case, the evidence filed by
4 Manitoba Hydro in support of what it considers
5 unforeseen or emergency circumstances is that its
6 export revenues for this current business year are now
7 forecast to be down approximately \$398 million by
8 March 31, 2022.

9 That reduction in export revenue will
10 result in a corporate-wide loss of \$190 million for
11 the business year of Manitoba Hydro that ends March
12 31, 2022.

13 On November the 15th of this year,
14 Manitoba Hydro filed its fifty-one (51) page
15 application supported by approximately six hundred and
16 fifty (650) pages of additional documentation and
17 information.

18 On November 22, the Board advanced
19 written Information Requests to Manitoba Hydro to
20 obtain more information.

21 On November 26th, the Board approved
22 written Information Requests by the four (4)
23 Interveners. And those Information Requests were then
24 provided to Manitoba Hydro for their answers. And
25 Manitoba Hydro's responses to the written questions

1 are due no later than December the 3rd, and those will
2 be posted on the Board's website.

3 The exhibits that have been filed to
4 date are on the Board's website and have been entered
5 into the record of this proceeding. Should any party
6 have additional exhibits at this time, they are to
7 notify the Board.

8 And with that, Board members, ladies
9 and gentlemen, that brings me to the proceedings for
10 today, as well as the balance of this public hearing.

11 Today being December the 1st and
12 following my opening comments, the Board has scheduled
13 time for members of the public who wanted to make oral
14 submissions to the Board, and those are in addition to
15 the written comments that the Chairman mentioned in
16 his opening comments.

17 The Presenters are going to appear via
18 video link on the Board's website. And I will remind
19 those presenting on the Teams meeting, or the
20 technology, when you speak, every time you speak,
21 please identify your name, so that will assist Ms.
22 Woodworth, who is transcribing the record and does not
23 see you in person.

24 So, starting today, the Board has
25 planned to hear from Bannerman Green Housing Co-op

1 Inc. They've also arranged for a presentation to be
2 heard from Gerdau Ameristeel Corporation. There is
3 also a presentation by Chemtrade Logistics planned
4 this morning, and, also, a virtual presentation by
5 Interchurch Council on hydro power.

6 Now, our four (4) public Presenters
7 should be aware that, while in pre-pandemic times,
8 they would be appearing in person before the Board,
9 but that's not the procedure today. Also not the
10 procedure today is to have representatives of Manitoba
11 Hydro attend in person to listen to those
12 presentations.

13 However, we want the Presenters to be
14 aware that Manitoba Hydro's representatives are
15 watching and are listening to you on the live stream
16 being broadcast.

17 Specifically, among the Manitoba Hydro
18 representatives attending virtually are Mr. Aurel
19 Tess. He is the Vice-president and Chief Financial
20 Officer of Manitoba Hydro. Also, Mr. Alex Chiang,
21 Vice-president customer solutions and experience, and
22 Ms. Shannon Gregorashuk, who is the director of rates
23 and regulatory.

24 They, together with other key staff
25 members in their respective areas, are listening and

1 watching the public presentations.

2 Manitoba Hydro's legal counsel for this
3 proceeding will be Brent Czarnecki with his co-
4 counsel, Jessica Carvell, and also Odette Fernandes.

5 So, following the oral presentations
6 from these four (4) Presenters this morning, the Board
7 has invited Interveners to make their comments. And
8 starting after the public presentations, the Board
9 will call for the virtual opening comments by the
10 Assembly of Manitoba Chiefs, as represented by Ms. Fox
11 and Ms. Guglielmin. And I believe it's Ms. Guglielmin
12 who will be presenting the comments.

13 And that will be followed by the
14 Consumers' Coalition as represented by Ms. Dilay, Mr.
15 Klassen, and Mr. Williams. And I believe it will be
16 Ms. Dilay who will be on the video link providing
17 opening comments.

18 I'll remind the panel that the
19 Industrial Power Users Group will provide its opening
20 comments first thing on December the 10th when we
21 reconvene. And Manitoba Hydro's opening comments will
22 also be on that date.

23 So, let me just conclude, panel
24 members, by indicating that after today, the Board
25 will reconvene in this Hearing room and online on

1 Friday, December the 10th at nine o'clock to hear the
2 opening comments from the Manitoba Industrial Power
3 Users Group, and then from Manitoba Hydro.

4 Following those opening remarks on
5 December the 10th, there will be cross-examination of
6 Manitoba Hydro witnesses on behalf of the Board and
7 the Interveners. And those cross-examinations will
8 continue and conclude on Monday December 13th, also
9 starting at nine o'clock.

10 The closing submissions from all
11 parties are scheduled for December the 14th, 15th,
12 and, if required, the 16th. And, as always, together
13 with Ms. McMillin, I'm available to field any
14 questions about procedures at any time.

15 And with that and subject to any
16 questions the panel may have of me at this time, I
17 would suggest, Mr. Chair, that we call on Ms. Schubert
18 to open the video conference portal so that the
19 Bannerman Green Housing Co-op's representative can
20 make their presentation and introduce themselves.

21 Thank you

22 THE CHAIRPERSON: Thank you. Ms.
23 Schubert...?

24

25 (BRIEF PAUSE)

1 THE CHAIRPERSON: Okay. Mr.
2 Thompson...?

3 MR. DUDLEY THOMPSON (by Teams): Yes.

4 THE CHAIRPERSON: Please proceed with
5 your presentation. It should be approximately fifteen
6 (15) minutes. And then we'll have questions. Thank
7 you.

8 MR. DUDLEY THOMPSON (by Teams): Sure.

9 THE CHAIRPERSON: Am I coming through
10 loud and clear?

11 THE CHAIRPERSON: You're just fine.

12

13 PRESENTATION BY BANNERMAN GREEN HOUSING CO-OP INC.:

14 MR. DUDLEY THOMPSON (by Teams): Okay.

15 Great. Good morning. My name is Dudley Thompson.

16 I'm an architect and have designed sustainable

17 buildings in Manitoba for over forty (40) years.

18 These buildings include over thirty

19 (30) LEED certified buildings, including Mountain

20 Equipment Co-op, the first LEED building in Manitoba

21 and Manitoba Hydro Place, the first LEED platinum

22 building in Canada.

23 I was also a member of the Manitoba

24 Board of Directors of Manitoba Hydro and member of the

25 Audit Committee for five (5) years.

1 I'm going to speak to you today on
2 feed-in tariffs and community-based renewables. At
3 the conclusion of COP 26 which concluded a couple of
4 weeks ago, UN Secretary General, Antonio Guterres,
5 issued the following statement:

6 "Our fragile planet is hanging by a
7 thread. We are still knocking on
8 the door of climate catastrophe. It
9 is time to go into emergency mode.
10 Our chance of reaching net zero will
11 itself be zero. Science tells us
12 that the absolute priority must be
13 deep, rapid, and sustained emission
14 reductions in this decade.
15 Specifically, a 45 percent cut by
16 2030, compared to 2010 levels."

17 Sobering. In order to reach these
18 reductions in carbon emissions and, indeed, net zero
19 carbon by 2050, Manitoba -- like all jurisdictions --
20 will face massive disruptions.

21 We're comparatively well-placed in this
22 province due to our solid foundation of vast northern
23 carbon-free hydroelectric resources that have been
24 developed by past visionary leaders.

25 However, there are two (2) disruptions

1 that will transform our existing hydroelectric system.

2 The first disruption is climate change,
3 and the possibility of extended droughts.

4 The second disruption is the massive
5 new power requirements that the electrification and --
6 electrification of transportation and building
7 heating.

8 Manitoba Hydro states that the reason
9 for this Hearing today is for the first disruption.

10 "To address the financial impacts
11 due to the current drought
12 conditions to ensure the financial
13 health of Manitoba Hydro."

14 There is no discussion of the second
15 disruption.

16 With these two (2) massive paradigm
17 shifts, can Manitoba Hydro continue to depend solely
18 on run-of-the-river power and pipeline delivered
19 natural gas? I think not.

20 As Manitoba works towards zero carbon,
21 they will need to transform to dramatically reshape
22 utility to go well beyond providing electricity from
23 hydro and heating from gas.

24 So what can Manitoba Hydro do to make
25 the utility more robust, more resilient, and more able

1 to quickly provide the increased energy requirements
2 for a zero carbon future? What have other
3 jurisdiction done?

4 Let's take Germany, for example, and
5 see how they transformed their energy system from one
6 based on coal and nuclear in the year 2000 -- twenty-
7 one (21) years ago -- to that -- one that is 35
8 percent renewable today and aiming for 100 percent
9 renewable by 2045.

10 In Germany, most of the renewable
11 energy infrastructure is owned by private individuals
12 and cooperatives. This is because the state invested
13 in a feed-in tariff system, whereby renewable energy
14 production was to be supplied by a wide variety and
15 diversity of small scale local renewable installations
16 of wind, solar, geothermal, and biomass.

17 The idea is quite elegant. To
18 establish a reasonable feed-in price that the utility
19 will pay for supplied renewable energy and open the
20 market to whoever can supply.

21 The key ingredient in the energy -- the
22 German energy transition is community participation
23 with ownership of thousands of small community energy
24 projects, decentralized in many cities and villages
25 throughout the country.

1 Central to this transformation is a
2 feed-in tariff with a reasonable rate of return.

3 So what's a feed-in tariff? The
4 concept started in 1987, when New York State passed
5 the PURPA, Public Utilities Regulatory Policies Act,
6 legislation to force utilities to offer a fair price
7 to private generators. Since then, more than eighty
8 (80) countries, including many states in America and
9 provinces in Canada, have used the feed-in tariff to
10 increase the supply of available renewable energy.

11 The concept of a feed-in tariff is to
12 provide a vehicle for the delivery of renewable power
13 from a list of renewable sources and a fixed rate over
14 a fixed period of time.

15 The idea is to offer a price for the
16 power that is initially:

17 "The price of generation plus a
18 reasonable return above the
19 wholesale price of energy in order
20 to encourage innovation and market
21 response."

22 As the market responds to the offer,
23 the price of the technology decreases and the green
24 energy is fed into the grid, the tariff is reduced. A
25 higher price is offered to smaller suppliers in order

1 to ensure more community-based decentralized and
2 resilient delivery.

3 The beauty of the system is that it
4 triggers a bottom-up mobilization, giving widespread
5 citizen participation, local investment, and local
6 resilience, and local control.

7 But, you say, Manitoba Hydro does offer
8 a feed-in tariff in the form of an excess energy
9 price. This is true.

10 However, this excess energy price is
11 currently pegged at two-point-four (2.4) cents a
12 kilowatt hour for renewable power delivered to the
13 Manitoba grid.

14 Manitoba Hydro currently charges
15 approximately eight-point-nine-six (8.96) cents per
16 kilowatt hour for electricity, supplied to residential
17 customers.

18 In other words, Manitoba Hydro will
19 purchase renewable power from your solar panel for
20 two-point-four (2.4) cents a kilowatt hour and then
21 sell it back to you or your neighbour for eight-point-
22 nine-six (8.96) cents.

23 What business person or citizen would
24 invest in renewable energy production in Manitoba?
25 There is no business case here. That is why there's

1 so little third-party energy and renewable energy
2 production in Manitoba.

3 Indeed, it could be said that Manitoba
4 Hydro actively discourages small scale production as
5 it is messy and interferes with their big
6 infrastructure monopoly.

7 Manitoba Hydro's current excess energy
8 price provides a negative incentive to reduce carbon.

9 And that's why I'm here today. To urge
10 you to -- to urge Hydro to pivot quickly and
11 effectively from its traditional culture and
12 transition to a more net metering, market driven,
13 feed-in tariff system that can provide immediate
14 supplies of renewable energy, including wind and
15 solar.

16 This is one (1) of the fastest and most
17 direct methods of providing new cost effective sources
18 of renewable power to augment Hydro's existing green
19 hydro infrastructure.

20 This is not a new request for
21 diversity. It has been recommended by many
22 stakeholders over many years. Hydro knows all this.
23 They have been watching the world change and not
24 listening. They knew it when I was a member of the
25 Hydro Board of Directors, yet they continue in old

1 patterns.

2 Core for Hydro's request today is a
3 rate hike due to "drought conditions." Without a
4 comprehensive rethinking of their mandate, without an
5 integrated resource plan, Hydro will be coming back
6 for rate increases many times in the next years. And
7 more importantly, Manitoba Hydro will not be able to
8 provide additional supply to the people of Manitoba as
9 we all prepare for this carbon-free and regenerative
10 future.

11 Many utilities welcome renewable
12 resources added to the grid by initially providing
13 higher than market rates for feed-in tariffs because
14 this new energy can be supplied quickly and at less
15 cost -- avoided cost for the new centralized power
16 generated by the system.

17 It is highly unlikely that any further
18 dams will be added to Manitoba Hydro system when
19 delivered current power rates for power from kiosks
20 are approximately twelve-and-a-half (12.5) cents a
21 kilowatt hour plus transmission costs. Installed,
22 local solar is approximately three-and-a-half (3.5)
23 cents a kilowatt hour.

24 Hydro has dabbled in isolated wind
25 farms in southern Manitoba, small solar experiments,

1 and a number of wind power studies. One in 2011 that
2 looked at delivering approximately twelve hundred
3 (1,200) megawatts demonstrated that wind was a cost
4 effective option, but there has never been a fulsome
5 buy-in to alternative power sources by the Utility.

6 Instead, Manitoba Hydro continues to
7 act out of an obsolete paradigm, where they believe
8 their corporate mandate is to deliver electricity from
9 northern dams and gas from western provinces.

10 With demand-side management recently
11 outsourced to Efficiency Manitoba, the Utility is no
12 longer required to plan for the overall energy
13 management of the province.

14 Ironically, we have only looked to
15 Alberta to see how this transformation is being done.
16 The Province has legislated that the energy retailer
17 must buy back produced renewable power at a rate
18 equivalent to the customer's retail rate.

19 In other words, if you buy energy at
20 eight (8) cents a kilowatt hour, you will be credited
21 at eight (8) cents a kilowatt hour for the energy you
22 produce. That is why Alberta certainly -- currently
23 has nineteen (19) privately developed wind project
24 generating seventeen hundred (1,700) megawatts and
25 dozens of solar farms. The latest one -- the Traverse

1 Solar Project -- has 1.3 million solar panels that
2 generates four-hundred-and-sixty-five (465) megawatts;
3 enough to power a hundred-and-fifty-thousand (150,000)
4 homes.

5 The reason I'm here today is because
6 I'm frustrated as I work as an architect with a number
7 of inner city not-for-profit building projects. The
8 core mandate of each group is a commitment to achieve
9 net zero energy and zero carbon.

10 One project, the Bannerman Greenhousing
11 Co-op, is creating three (3) prototype multi-family
12 residential in-fill buildings in north Winnipeg, and
13 wants to certify net zero energy and carbon
14 performance.

15 The projects include the installation
16 of ground source heat pumps, passive house deep
17 retrofit protocols, and the installation of solar PV
18 panels to offset electrical consumption.

19 As I started to do the cost benefit
20 analysis for the solar photo-voltaic system, it became
21 apparent that there was no economic case for a new
22 solar rooftop system. The current feed-in tariffs by
23 Manitoba Hydro provide a negative incentive to reduce
24 carbon.

25 We need transformational, community-

1 based projects like these to succeed in order to start
2 to show the way forward. We need to change Manitoba
3 Hydro's approach to renewables, not just to meet our
4 carbon targets, but to ensure a stable ratepayer cost
5 base, the financial health of Manitoba Hydro, and the
6 long-term supply of increased renewable energy.

7 In conclusion, I'm requesting that the
8 Public Utility (sic) Board direct Manitoba Hydro to
9 immediately increase the excess energy price or feed-
10 in tariff to a rate that is more in keeping with the
11 avoided price of creating new electrical energy or at
12 a rate equivalent to the customer's retail purchase
13 price.

14 If implemented, many new suppliers will
15 come forward to supply energy -- to supply -- to
16 supply renewable power. The Utility will build
17 additional non-carbon capacity to offset droughts, as
18 well as to supply the increased demand for electric
19 vehicles and electric heating as we begin the
20 essential rapid, deep, and sustained emission
21 reductions required in the transition to net -- to --
22 to zero carbon.

23 Thank you for the opportunity to speak
24 to you, this morning.

25 THE CHAIRPERSON: Thank you, Mr.

1 Thompson. I'd ask the Panel if they have any
2 questions for Mr. Thompson.

3 Okay. I've got a couple of questions
4 for you, Mr. Thompson.

5 MR. DUDLEY THOMPSON (by Teams): Sure.

6 THE CHAIRPERSON: In -- in relation to
7 this specific request about buying back the power at
8 the same rate, have you put that specific request to
9 Manitoba Hydro?

10 MR. DUDLEY THOMPSON (by Teams): I'm
11 doing it right now. No, I have not.

12 THE CHAIRPERSON: Okay. Have you met
13 with Manitoba Hydro to -- to talk about this? Because
14 as I understand it, we have in their -- their
15 application they're -- they're doing their Strategy
16 2040 Plan which includes a number of different
17 aspects. We haven't seen the detailed plan, but I'm
18 just wondering if you would want to -- to meet with
19 them and put this directly to them as part of that
20 plan.

21 MR. DUDLEY THOMPSON (by Teams): That
22 would be -- that would be fine. I'd love to do that.
23 Yeah, I -- I have -- I've known that the Strategy 2040
24 is -- is in process, but again, like you say, we
25 haven't heard any details.

1 And I understand they have a
2 questionnaire out asking people what they think, which
3 disturbs me a fair bit because if they really want to
4 know what people think, they can do much more
5 egalitarian methods than simply putting out a
6 questionnaire on their website.

7 So I'm not quite sure where they're
8 going, but again I think the point I'm making is that
9 we're way down the road. This -- this needs to happen
10 fast. Manitoba is losing out.

11 When you look what's happening in
12 Alberta, it's staggering how fast the transformation
13 to a net-zero economy is happening out there,
14 especially in the big cities. And we have very little
15 other than the two (2) wind farms that were built ten
16 (10) years ago.

17 THE CHAIRPERSON: Sorry. Is -- we'll
18 go ahead. Ms. Kapitany, just go ahead.

19 BOARD VICE-CHAIR KAPITANY: Mr.
20 Thompson, you mentioned at the beginning of your
21 presentation that there are two (2) disruptions, one
22 being drought and the other one electrification.

23 You didn't focus very much on drought,
24 and given that this is an interim application where we
25 are looking largely at the more near-term issues, I

1 wonder if you had anything else you could say about
2 the drought issue.

3 MR. DUDLEY THOMPSON (by Teams): Well,
4 I think -- I think the drought issue is one I -- I
5 mean, it -- it is so pervasive. Manitoba Hydro
6 depends on water flow. If we look at what's happening
7 everywhere in the world, we're realizing as glaciers -
8 - I think we get 30 percent of our water from the
9 west.

10 And as those rivers, as they're -- many
11 of them are dependent on glaciers and water flow in
12 the Rockies, as those rivers start to decrease in --
13 in volume due to drought or other conditions, and
14 similarly with all our other sources coming in, the
15 hydro -- hydro -- Manitoba Hydro is very, very
16 vulnerable.

17 And we've got massive investment, as we
18 all know, in -- in the north, and it all depends on
19 water flow. And if we don't get water flow in the
20 future, when you look at cities like Capetown that
21 have not had water in seven (7) years. They're facing
22 absolute catastrophe.

23 It could -- it could happen here. You
24 know, I mean, we -- we are not fully understanding
25 that, but I think the -- the bottom line here is there

1 needs to be other back-up systems.

2 We can't rely on water as we have in
3 the past, and I think that's -- I have -- I haven't
4 seen anything from Manitoba Hydro that has -- that
5 puts that in the forefront and says this -- this is
6 serious, we need to do something about this.

7 When I -- when I was on the board, we
8 raised this. This was an issue that we had addressed,
9 and -- and -- many times, and I'm not sure that it has
10 been fully taken into account. And it's not something
11 that can happen quickly. One needs to plan for it and
12 have that as a central focus on how you're changing
13 the paradigm so it's much more fulsome and there are
14 other options. We need to be much more resilient as a
15 -- as a power corporation.

16 BOARD VICE-CHAIR KAPITANY: Thank you.
17 And I probably should know this, but what -- what
18 years were you on the Manitoba Hydro board?

19 MR. DUDLEY THOMPSON (by Teams): You
20 know, that's a really good question. It was --

21 BOARD VICE-CHAIR KAPITANY: Well, I
22 feel better if you don't know either.

23 MR. DUDLEY THOMPSON (by Teams): No, I
24 don't know. Let's see. This is '20. It was probably
25 about ten (10) -- ten (10) years ago is when I

1 started, somewhere in that range, yeah. I was going
2 to -- I was going to look that up.

3 BOARD VICE-CHAIR KAPITANY: Thanks.

4 THE CHAIRPERSON: Thank you. Dr.
5 Grant...?

6 BOARD MEMBER GRANT: Mr. Thompson,
7 this is a short question. Could be a long answer, but
8 the only FIT system I'm familiar with is really in
9 Ontario which seemed to go dramatically wrong.

10 Do you want to comment on how you would
11 envision a FIT role out here compared to the Ontario
12 experiment?

13 MR. DUDLEY THOMPSON (by Teams): Yeah.
14 I think that the Ontario one seemed to be, well, I --
15 I think, as we all know, a little over-aggressive. I
16 think they had other issues trying to get off coal and
17 trying to relieve some of their nuclear situations,
18 and I think rolled out the system, in my mind, much
19 too quickly and much too lucratively for -- for the
20 suppliers.

21 I think the way other jurisdictions
22 have done feed-in tariff is done it a little more
23 equitably and -- and more incrementally so that you
24 look at -- at a -- at a price -- and -- and I think
25 the -- the wisdom there is you set a price as you

1 start out that is higher than what your -- what your
2 current price is.

3 And as people -- more people buy into
4 it, you begin to lower that price, which is I think
5 the way they did it in Germany as -- as I've been
6 reading so that, over time, you start to come down as
7 you get more people buying in and as you get more
8 energy in the system.

9 It's -- as -- as you can understand,
10 and I -- I think it relates also to the price of -- of
11 hardware as when -- when Ontario started, wind and
12 solar were probably double or triple the price they
13 are now delivered.

14 But over the years, the -- the whole
15 intent of the feed-in tariff is that, as the
16 technology advances, the price decreases -- the sale
17 price decreases so that you're -- you're taking
18 advantage of -- of inspiring people to buy in at first
19 when prices are higher, and then as it -- as it
20 evolved.

21 But I don't think Ontario did that. I
22 think they had long -- as I understand it, twenty (20)
23 year sometimes very high returns, so it was kind of a
24 no brainer for people to tie into -- tie into the
25 system.

1 But I think that there's a lot to learn
2 from Ontario, and I -- I would suggest that that's
3 where Hydro start so we don't repeat that. But there
4 are many jurisdictions that have feed-in tariffs right
5 now that are working very well and supplying lots of
6 the -- lots of the power.

7 And I would -- I would suggest we look
8 at Alberta. There doesn't seem to be any issue with
9 the power that's being generated in Alberta right now.

10 THE CHAIRPERSON: Mr. McCutcheon,
11 Panel Member Mr. McCutcheon, do you have any questions
12 for Mr. Thompson? Kristen, do we have...

13

14 (BRIEF PAUSE)

15

16 BOARD MEMBER MCCUTCHEON (by Teams):

17 No. No, I -- no, I don't, Mr. Chair.

18 THE CHAIRPERSON: Okay. Thank you.

19 I've just got one (1) final question and -- and then a
20 comment.

21 My understanding of Germany is that
22 Germany was heavily dependent on nuclear, and then
23 stopped their nuclear program and is now heavily more
24 than they care reliant on coal again.

25 Is that -- is that not the case?

1 MR. DUDLEY THOMPSON (by Teams): I --
2 I -- yeah, whether it's coal or -- or gas, I --

3 THE CHAIRPERSON: Yeah.

4 MR. DUDLEY THOMPSON (by Teams): -- I
5 understand it, but the -- the percentage are -- are
6 still the same. I mean, they're still 35 percent
7 renewables. And -- and I think they're -- they're
8 working towards (AUDIO ISSUES). The recent
9 disruptions over the last month or so have exacerbated
10 the -- some of the concerns about going too quickly
11 into renewables.

12 And I think storage is a -- is a huge
13 issue in -- in countries like Germany where they --
14 they don't have the resources. And I think the thing
15 that we have in Manitoba that I remember learning on
16 the Board and was quite surprised is that Lake
17 Winnipeg is a battery; that's where the storage
18 happens.

19 And if you think about it, we -- we use
20 our energy. We store the -- the power that is going
21 to be going over the dam in the lake, and it rises and
22 falls according to when we need it, so it's like a
23 huge battery.

24 So, we have -- we have a backup system
25 in Manitoba that is -- we're -- we're very envious of

1 many nations where in -- in countries without a hydro
2 backup resource, when the sun isn't shining, they have
3 to find a way to store that sun so they can use it in
4 other situations.

5 So, it's -- yeah, I think they're --
6 they're certainly aiming to continue the offloading of
7 carbon in -- in Germany.

8 THE CHAIRPERSON: Mr. Thompson, we
9 really appreciate your presentation and -- and thank
10 you for it. I would point out to you and the other
11 Presenters that our scope in this application is -- is
12 more limited because it is an interim application.

13 And my understanding is that Manitoba
14 Hydro will be filing a General Rate Application next
15 year, so you may wish to -- to consider your position
16 at that time.

17 MR. DUDLEY THOMPSON (by Teams): Thank
18 you.

19 THE CHAIRPERSON: So, thank you very
20 much, Mr. Thompson.

21 MR. DUDLEY THOMPSON (by Teams): Thank
22 you for the opportunity. Thanks.

23 THE CHAIRPERSON: Yeah. I'd call on
24 now Mr. Jeff Anthofer, of Gerdau Americsteel
25 Corporation.

1 MR. JEFF ANTHOFER (by Teams): Good
2 morning, everyone. This is Jeff Anthofer, with Gerdau
3 Steel. I am the regional energy manager. Can
4 everybody hear me okay?

5 THE CHAIRPERSON: We can. Thank you
6 very much, Sir. And we've got your presentation on
7 our monitors.

8 MR. JEFF ANTHOFER (by Teams):
9 Excellent. Thanks very much. So, this -- this
10 presentation will be shared by Gustavo and myself.
11 And I'd like to call upon Gustavo, from the mill, to -
12 - to begin this presentation. And then you'll hear
13 from me a little bit -- a little bit later on. Thank
14 you.

15

16 PRESENTATION BY GERDAU STEEL:

17 MR. GUSTAVO RODRIGUES (by Teams): So,
18 good morning, everyone. So the intent of this
19 presentation is to ask for a reduction of the 5.2
20 percent rate increase proposed by Manitoba Hydro for
21 general service large, and also collaborate, looking
22 for alternative rate designs by Manitoba Hydro and
23 Gerdau together.

24 So, we -- we'll talk about the -- the
25 importance of energy on the steel-making process, the

1 business impact that this interim rate application has
2 on our business specifically, and also the potential
3 win-win solutions that we want to work with Manitoba
4 Hydro and other customers to -- to alleviate the --
5 the impact of the -- of the costs that we are talking
6 about.

7 So, on the next slide, just to give you
8 a background of our business, we are in Manitoba for a
9 hundred and fifteen (115) years. We started in 1906
10 and evolved and moved to Selkirk more than eighty (80)
11 years ago.

12 We have the highest score in Manitoba
13 for safe work certification. We have more than five
14 hundred (500) employees onsite, plus all other joint
15 ventures and customers associated with our business.

16 We have also three hundred (300) plus
17 employees up and downstream on our business. And --
18 and just to remind everybody that any job generating
19 the steel industry generate an average of other seven
20 (7) jobs on the chain -- on the supply chain, so just
21 to highlight the importance of our -- our business.

22 The next slide we'll talk about
23 Manitoba mill has a very -- is very proud of our -- of
24 -- of the products and the customers we supply. As
25 you can see, we supply global companies from our --

1 from our facility here in the province. Like
2 Caterpillar, Alcoa, Black Cat, John Deere, Crown,
3 Esco, Bobcat, and Cascade are some examples. There are
4 more.

5 So, our main product lines are blades,
6 forks, beams, elevator guide rails, (INDISCERNIBLE),
7 bars for the smelter facilities, blades, the super
8 light beams for the transportation industry.

9 So, we -- we compete in a global
10 environment, and that's, therefore, the importance for
11 us to be competitive; otherwise, we -- we will lose
12 this -- this type of business anywhere in the world.
13 We have the potential to lose this business anywhere
14 in the world.

15 Our next slide, just an example of what
16 I'm talking about elevator guide rails, it goes on
17 every single elevator in -- in the world. Our
18 elevator guide rails, today they are in over 80
19 percent of elevators in North America. Fork lift
20 tines, we are the main supplier for the major OEMs in
21 the world and, also, North America.

22 More -- around 50 percent of the
23 trailer -- market trailer flat trucks, they use
24 Manitoba super light beam. We are -- I'd like to say
25 that Selkirk and Manitoba are the world capital of

1 blades. We are very proud to be the main supplier of
2 blades worldwide and in North America, and also rebar
3 for construction products and -- and infrastructure.
4 Next slide.

5 So, very quick, just I think to
6 highlight the importance of our mill to -- not just to
7 the province but to -- to Canada is that Manitoba is a
8 source of green Canadian-made steel.

9 If you -- if you look here, our mill
10 produces about 5 pounds of CO2 -- per tonne of steel
11 produced when most of our competitors worldwide, they
12 -- they are thousandfold these numbers. So you look
13 at United Kingdom, about thirteen hundred (1,300),
14 Kentucky over thirteen hundred (1,300), West Virginia
15 fourteen (14) and so on.

16 So, we -- we are very competitive on
17 the green steel. And we want to leverage this
18 position to be more competitive, and also carry the
19 Canada and Manitoba names worldwide.

20 We use the recycled metal to produce
21 steel here. So, we -- therefore, we are one (1) of
22 the -- we are the main recycler in Manitoba and one
23 (1) of the biggest recyclers in Canada.

24 And we are -- the steel industry is
25 emissions and trade exposed. So, when we purchase

1 steel from other jurisdictions that doesn't have a
2 price on carbon, that promote -- that promotes carbon
3 leakage, and we -- we are fighting that, too.

4 And, again, we -- we are very, very
5 proud of our position of being one (1) of the greenest
6 steel mills around the world.

7 Jeff, you want to carry on from here?

8 MR. JEFF ANTHOFER (by Teams):

9 Absolutely. Thank you, Gustavo.

10 Energy represents the third largest
11 variable costs for our mill after scrap and labour.
12 And to put this in perspective, our power use is
13 56,000 kilowatts, which is the equivalent to 30,000
14 hours, nearly three (3) times the size of the Town of
15 Selkirk, where our mill is located.

16 So, as you can imagine, budgeting and
17 forecasting is critical to our business. And
18 unforeseen cost increases are not easily passed on to
19 our customers.

20 Now, as Gustavo mentioned, we compete
21 worldwide beyond the borders of Manitoba for our
22 business. And, as such, because energy is such a --
23 or a large component of our business, we -- we work
24 closely -- and -- and we're concentrated on reducing
25 our -- well, our exposure to volatility and securing

1 our business margins.

2 So, an unexpected rate increase of 2.5
3 percent is unreasonable and, also, not budgeted in our
4 business. It -- it -- and the -- furthermore to that
5 is, the forecasted year-over-year increases that are
6 being proposed by Manitoba Hydro will further erode
7 the competitive position of our mill.

8 What we're proposing is working with
9 Manitoba Hydro to develop alternatives to rate
10 increases to manage these costs. We need to begin to
11 think outside of the box around how to manage costs
12 and develop rates for our industrial customer base.

13 We located in Manitoba because of the
14 advantage of electricity costs. That cost advantage
15 is -- has eroded to the point where our Manitoba mill
16 now is more expensive than -- from a dollar per
17 megawatt hour or cost of power perspective -- than the
18 overall average of our North American mills.

19 And to share with you the impact of
20 this, we recently had to close two (2) mills within
21 our portfolio due mostly in part to high power costs.
22 High power costs close mills.

23 As mentioned, we are an energy
24 intensive and trade exposed business. We compete for
25 business both internally within Gerdau, but also

1 worldwide. And high power costs will threaten cap ex
2 -- capital expenditure -- at the plant, tonnes
3 allocated to the plant which is basically business and
4 production at the plant, and also threatens production
5 or expansion of the plant.

6 So when our business leaders look at
7 where the next piece of business is going to be
8 allocated, they look at the cost of doing business in
9 Manitoba and the cost on a dollar per megawatt hour
10 basis. And see that our cost advantage is eroding and
11 continuing to erode.

12 If you look at the graph, you'll see
13 that that crossover point has already happened. But
14 more importantly, that we are foreseeing or
15 forecasting further rate increases as -- as shared by
16 Manitoba Hydro. But more importantly, what we're
17 achieving with the green line that you see down below,
18 is that we are choosing rate -- or lower costs --
19 overall costs by implementing innovative rate programs
20 at our other mills throughout North America.

21 What we're proposing is developing a
22 win-win scenario where we can develop alternative
23 rates that create a shared benefit between both
24 Manitoba Hydro and the industrial customer base. And
25 specifically, what we propose to deliver is an

1 increased revenue by increasing steel production. The
2 more attractive and competitive our electricity rates
3 are for our mills, the more steel we are going to
4 produce, which is more revenue for Manitoba Hydro.

5 We propose solutions that will improve
6 grid reliability for Manitoba Hydro.

7 We will also address the impact of
8 potential other (AUDIO ISSUES) by delivering
9 alternatives to rate -- alternatives to automatic rate
10 increases. And, ultimately, also produce a low
11 overall system cost for Manitoba Hydro.

12 All of this delivers for us increased
13 steel production because we are more competitive.

14 What we're looking to do is we'll work
15 with Manitoba Hydro. Firstly, we need to explore a
16 reduction or a minimization of this unexpected 5.2
17 percent rate increase. This is detrimental to our
18 business and we need to address that proposed rate
19 increase. That -- that's number one.

20 The next is we want to work with
21 Manitoba Hydro to invest in -- find collaborative
22 solutions that benefit other industrial customers
23 through the development of alternative rate options.

24 Though it's not within this slide at
25 the -- on the attached appendix, we've outlined in

1 detail what some of those rate applications or rate
2 opportunities would look like and can further explore
3 those. And we propose to further explore those with
4 conversation with -- with Manitoba Hydro and their
5 rates group.

6 We are looking for stability and
7 predictability of rates. As we talked about earlier,
8 budgeting our costs are important to us. We do that
9 in advance, so we can secure costs for our customers
10 and also margin for our business.

11 Unforeseen unexpected rate increases
12 like the one that is being proposed here are not
13 within our forecast and are going to hamper our
14 ability to be profitable in -- in Selkirk.

15 And along the lines of this discussion
16 is to -- our proposal is to work with Manitoba Hydro
17 to improve the transparency of their overall rate
18 design and cost allocation. Working with them, we
19 feel that we can deliver rate optionality (phonetic)
20 that will manage their -- help manage their costs and
21 improve product -- profitability or financial
22 stability for the Utility but also provide alternative
23 rate opportunities for the industrial customer base.

24 We appreciate an opportunity to answer
25 any questions you would have on that. Gustavo is

1 online, I'm online, and so is -- so is Janice Bragar
2 (phonetic), environmental representative for the mill.

3 THE CHAIRPERSON: Thank you. I might
4 lead with a question. In -- can you go back one
5 slide, Kristen?

6 Have you spoken to Manitoba Hydro
7 specifically about these requests and the information
8 in your appendix?

9 MR. JEFF ANTHOFER (by Teams): We
10 have. We've had conversations with them in the past
11 and have raised issues regarding the -- the nature of
12 some of their rate designs. And proposed, at a high
13 level, opportunities to look at alternate rate design
14 and opportunities to reduce costs to our mill and to
15 other industrial customers.

16 But we -- we propose further -- further
17 in-depth discussions with their rate design group.

18 THE CHAIRPERSON: Sorry, you have
19 proposed them and what's the response of Manitoba
20 Hydro?

21 MR. JEFF ANTHOFER (by Teams): Well,
22 the -- we haven't -- we haven't seen an adjustment in
23 some of the restricted nature, some of the rate
24 designs, or the -- or the design of more -- I guess a
25 more refined look at the -- the nature of their rate

1 design hasn't been -- we haven't seen any changes in
2 that. They have -- they have not made the adjustments
3 or some of the recommendation that we are looking for.

4 THE CHAIRPERSON: And when was the
5 last time you were in discussions with them?

6 MR. JEFF ANTHOFER (by Teams): So this
7 was -- originally, our -- my predecessor made this
8 similar discussion with -- with Manitoba Hydro back in
9 2017. We had further discussions in December of 2018.

10 So we've also had similar opening
11 discussions with our customer service representative
12 who are also in contact with the rate design group.

13 THE CHAIRPERSON: Okay. I guess my
14 final question, is there a working group between --
15 that would include you and Manitoba Hydro, to discuss
16 this on an ongoing basis? Or are these just separate
17 meetings between you and Manitoba Hydro?

18 MR. JEFF ANTHOFER (by Teams): In our
19 -- we've had early discussions with -- with the Crown
20 and also with the Finance Ministry earlier this year.

21 And that is our proposal, is to create
22 a working -- exactly that. To create a direct working
23 group between the -- the mill, our energy team, and
24 also Manitoba Hydro's rate design group to -- to
25 explore more applicable rate design going forward.

1 THE CHAIRPERSON: Thank you. I'll ask
2 the panel if they have any questions. Ms.
3 Kapitany...?

4 BOARD VICE-CHAIR KAPITANY: Thank you.
5 Looking at your slide on the win-win approach, the
6 third bullet under Manitoba Hydro wins, you say:

7 "address the impact of potential
8 drought or other scenarios."

9 Could you expand on that?

10 MR. JEFF ANTHOFER (by Teams):

11 Absolutely. So part of the -- part of what our rate
12 design or opportunities or suggestions look at is the
13 ability to deliver curtailment or the ability for us
14 to treat our load like a generator.

15 So we can -- on fairly short order --
16 and not to get too much in the weeds here -- but the
17 idea is that we have flexibility in how we operate our
18 steel mill.

19 And during periods where Manitoba Hydro
20 requires either more generation or short generation,
21 we can deliver the equivalent by shutting our plant
22 down and delivering load relief for the -- for the
23 utility.

24 So, that -- that level of flexibility
25 provides a sort of, and I use air quotes around it,

1 generation -- generation benefits to the system. That
2 -- that at a high level is what we are -- we are doing
3 this already in Ontario.

4 We do it -- we're in the process of
5 doing it in Michigan and have done similar work in
6 other jurisdiction -- jurisdictions in the United
7 States.

8 BOARD VICE-CHAIR KAPITANY: So, I
9 could understand in a situation where we've got a
10 very, very cold day and there's a peak, a winter peak
11 where you could curtail.

12 But I don't quite understand it as much
13 when it's in a situation of a drought where it could
14 be a more prolonged period of lack of capacity.

15 MR. JEFF ANTHOFER (by Teams): Yeah, I
16 appreciate the -- the distinction between the two (2).
17 I think that the -- the opportunity to do this would
18 depend on -- on the true requirements, or the system
19 requirements for Manitoba Hydro.

20 So, it may not be necessarily a carte
21 blanche solution load reduction. It can be
22 specifically applied in certain situations depending
23 on the immediate nature of the requirements of
24 Manitoba Hydro.

25 So, I appreciate that longer periods of

1 drought this isn't necessarily the only solution, but
2 the opportunity to provide flexibility and rate design
3 allows us to shift our production where it -- where
4 it's deemed financially viable.

5 These kind of incentives allow us to
6 move production and, therefore, provide longer term
7 load relief for the -- for the Utility.

8 I think part of -- part of what we're
9 proposing is let's -- let's sit down and understand
10 what their -- what their long-term and -- long-term/
11 medium/short-term requirements are, to better
12 understand how they're delivering that energy to the
13 system to meet -- meet customer needs and how can we
14 layer in our -- our load flexibility to assist in that
15 and find a -- find a -- a means in which we can
16 deliver the physical load relief and financially
17 viable way in which we can -- we can actually dispatch
18 that load variability.

19 BOARD VICE-CHAIR KAPITANY: Thank you.

20 THE CHAIRPERSON: Dr. Grant...?

21 BOARD MEMBER GRANT: I just wanted to
22 ask you a question on the slide opposing cost trends,
23 just to get a sense of the kind of longer term.

24 There's no scale on the axis, the
25 vertical axis, so I'm just kind of curious, you know,

1 the competitiveness of the Selkirk plant in terms of
2 energy cost.

3 Would it be fair to say that some of
4 your other operations in North America are in areas
5 that either have carbon tax or could be entering into
6 policy regimes with carbon taxes?

7 And if it -- if that's the case, you
8 know, when you forecast out a bit longer term, this is
9 a -- in the absence of the vertical axis, I'm just
10 trying to get a sense of view.

11 Would the imposition of carbon taxes in
12 -- in those regimes have a really appreciable affect
13 on this gap that has emerged?

14 MR. JEFF ANTHOFER: So, the -- the --
15 I appreciate the fact that we -- we haven't
16 demonstrated what the -- the cost per megawatt hour is
17 on the scale, only because of some of the
18 confidentiality that that -- that that implies, or
19 that we need to protect.

20 But the -- the carbon tax aspect of our
21 overall generating costs, and I can have Janice
22 (phonetic) weigh in here on -- on a production basis
23 around our exposure of carbon tax, but carbon tax does
24 have -- will have an impact on our -- on generation
25 provided by some -- some utilities and/or delivery

1 organizations within our portfolio.

2 The -- so there -- there is a -- there
3 is a real cost impact going forward. I think that
4 what we're doing and what we're able to do is take
5 advantage of programs where we can adjust the -- our
6 usage and take advantage of those initiatives to
7 reduce our exposure to those -- those cost increases.

8 That's where we're seeing the progress
9 as -- as outlined by the further reduction in the
10 green line. Does -- does that answer your question?

11 BOARD MEMBER GRANT: It does. Thank
12 you.

13 THE CHAIRPERSON: Mr. McCutcheon, do
14 you have any questions?

15 BOARD MEMBER MCCUTCHEON (via Teams):
16 Yes. I'd like to start by commenting it was very
17 interesting to see the -- the work that your company
18 does, and the products that it supplies, and the
19 worldwide impact that a -- a company in Manitoba can
20 have.

21 My question is more along the lines of
22 because of your -- your company's importance to the
23 Manitoba economy, and because this issue -- this
24 interim rate we're dealing with is because of the
25 drought, severe drought that we have experienced

1 through this 2021 calendar year, do you view that --
2 has your comp -- does your company view that there is
3 a role for government to mitigate these rate increases
4 to protect these companies that produce a lot of jobs
5 and a lot of economic activity?

6 And further to that question, have you
7 had any of those types of discussions with government?

8 MR. JEFF ANTHOFER (by Teams): Well,
9 let me begin by weighing in, but, Gustavo, feel free
10 to also comment.

11 We -- we recognize the importance of
12 government interaction and the role they play in -- in
13 Manitoba Hydro's position as a utility and -- and the
14 supplier of not only power, but natural gas for its
15 industrial customer base.

16 And it was important for us to develop
17 an early relationship with -- with the Crown and also
18 Finance, and -- and relay to them the importance of
19 energy as an overall -- overall cost to our business
20 and give them a -- a sense that we needed to approach
21 a -- a different -- a different solution than just
22 automatic rate increases that have been proposed by
23 Manitoba Hydro over the next period of years.

24 That will -- the -- the graph you're
25 showing here, it's going to make that gap wider and

1 wider and further hamper the ability to be profitable
2 in -- in Selkirk.

3 So, we recognize that because of the --
4 the organization, we needed to leverage the -- the
5 interests of government so that they understood the
6 importance here and that we need to foster closer -- a
7 closer relationship with rate design within Manitoba
8 Hydro, and -- and understand that we -- we bring
9 different solutions to bear here other than just rate
10 just rate increases.

11 That's my sort of opening comments
12 around this. And then I -- I think it would be
13 worthwhile for Gustavo, if you feel you want to add
14 further to that, because you've been part and parcel
15 to those conversations.

16 MR. GUSTAVO RODRIGUES (by Teams):
17 Absolutely, Jeff.

18 We -- we've been engaging
19 conversations, right. It's -- it's very important to
20 us to -- to be known not just what we do, but how
21 important the -- the energy is in our cost structure
22 and how it can support the business in Manitoba or be
23 incremental to our business here.

24 It's a -- it's a location that we have
25 that is far from a lot of production centres that --

1 so that -- that in -- incurs in an actual cost of
2 logistics, but -- and we see -- we've been seeing
3 also, deterioration in our positional (INDISCERNIBLE).

4 So, we've been bringing that to -- to
5 government officials, ministers, and late to Manitoba
6 Hydro, because it's very important for us that it's
7 understand -- it's understood for everybody that we
8 are -- we are here in a critical situation when you
9 talk about increases of this magnitude.

10 So, yes, we -- we'd like to keep these
11 conversations. We definitely want to engage more,
12 participate, and support as much as we can on rate
13 designs, collaborate. We -- we are here as part of
14 the community and not just a business asking for --
15 for a -- to be more profitable. We definitely want to
16 grow here and -- and keep our position in the -- in
17 the province.

18 MR. JEFF ANTHOFER (by Teams): Thanks,
19 Gustavo. I think. Go ahead, sorry.

20 THE CHAIRPERSON: Yeah, I'm afraid I'm
21 going to have to cut it off at this point, because
22 we're -- we're well over and we have another --
23 another few people. But I would -- I'd like to thank
24 you for your presentation today.

25 It was -- it was very enlightening and

1 -- and I make the same comment as -- sorry, as I made
2 to the early presenter in that our scope here is -- is
3 more limited, given the nature of the Application, but
4 there -- we understand there'll be a General Rate
5 Application filed next year by Manitoba Hydro.

6 Thank you very much for the
7 presentation.

8 MR. JEFF ANTHOFER (by Teams): Thank
9 you.

10 MR. GUSTAVO RODRIGUES (by Teams):s
11 Thank you.

12 THE CHAIRPERSON: If I could call on
13 Mr. Bossons, of Chemtrade.

14

15 (BRIEF PAUSE)

16

17 THE CHAIRPERSON: Kristen, is he on?
18 Thank you, Mr. Bossons. We have your presentation on
19 our screen. You're muted. You have to unmute.

20 MR. DALE BOSSONS (by Teams): Yeah.
21 I'm --

22 THE CHAIRPERSON: Okay. There's --

23 MR. DALE BOSSONS (by Teams): I'm
24 actually on --

25 THE CHAIRPERSON: You're -- you're

1 fine now.

2 MR. DALE BOSSONS (by Teams): Okay.

3 Okay, good. I seem to be hit and miss with the
4 computer audio lately on Teams, so I phoned in, as
5 well, but this is good.

6 THE CHAIRPERSON: Yeah.

7

8 PRESENTATION BY CHEMTRADE:

9 MR. DALE BOSSONS (by Teams): So, my
10 name is Dale Bossons. And I have -- I guess it's been
11 since about 2016 since I presented to this Board, but
12 I'm certainly glad to be on today again.

13 Now, I -- I'm a director of
14 manufacturing for Electrochem. Electrochem is a
15 division of a larger company, Chemtrade Logistics.
16 But Electrochem has been operating our electrochemical
17 business throughout Canada for over fifty (50) years.

18 And specifically, I want to talk today
19 about the -- the sodium chlorate plant we have in
20 Brandon. It's really the flagship of our company, and
21 it still is the largest and lowest cost sodium
22 chlorate plant in North America. Actually, I believe
23 that's -- that's the world.

24 But there -- there is without question
25 that we're starting to lose that position as being the

1 lowcost producer in North America, which is extremely
2 concerning for us, and we'll get into exactly why.

3 Jump to the next slide.

4 So, our facility's been in operation
5 since the late '60s. I think we're kind of coming up
6 on our 54th anniversary. And the plant has gone
7 through extensive expansions and modernizations over
8 the years.

9 So, I mean, even though, you know, it's
10 not as new as it used to be, it's still a fully modern
11 plant that has got a lot of years of operation,
12 hopefully, in its future.

13 Right now, our practical capacity is
14 over 320,000 tonnes a year, and, in our business,
15 that's a lot. That's a large -- that's a large plant.
16 And we're a very intensive consumer of electricity
17 because we are an electrochemical plant, so we are
18 actually the largest single industrial power user in
19 the province and Manitoba Hydro's largest single
20 customer.

21 So, that's a distinction of kind, I
22 guess, good and bad because, obviously, you know,
23 along with that being the largest customer probably
24 comes the largest hydro bill.

25 So, from a raw materials' perspective,

1 our business primarily is just electrolyzes. So,
2 we've only got two (2) real raw materials we use, and
3 that's salt and electricity. And our load is set at
4 about 223 MVa. And our typical hydro bill swings
5 between 70 to \$80 million per year, so, you know, it's
6 -- it's the number 1 expense for us, obviously.

7 The other products we use is primary
8 salt that we bring in from our neighbours in
9 Saskatchewan, surplus material out of the potash
10 industry.

11 We have some other chemicals that we
12 use internally that we ship out from our North
13 Vancouver plant, but it's all about salt and
14 electricity for us in Brandon.

15 And the amount of product we generate
16 is shipped out all across North America. We're
17 fortunate to have CN and CP Rail service both through
18 our -- our town.

19 And, you know, we're moving
20 approximately thirty-four hundred (3,400) railcars a
21 year of sodium chlorate. So it's a busy site. It's a
22 site that obviously is very concerned about where
23 power costs are going.

24 You know, our -- we're also a unionized
25 site that has a very lucrative payroll for the

1 employees. These are good, high paying jobs, almost
2 \$8 million a year in -- in payroll. And as a result
3 of a lot of the activities going on at that site,
4 we're also a major contributor into the local economy
5 and to the provincial economy. We're spending over
6 \$60 million a year for various materials and services,
7 \$5 million a year in taxes. Next slide, please.

8 And, you know, as I mentioned, the
9 electricity component accounts for almost 70 percent
10 of our variable costs. So, a hundred percent of our
11 finished product right now is shipped out of the
12 province though.

13 So, even though Manitoba still benefits
14 us from having lower cost power, none of our customers
15 exist in Manitoba. So, unlike our friends at Gerdau
16 who, you know, are shipping and have a Manitoba-base
17 customer base, we do not. Everything gets shipped out
18 by rail all across North America.

19 We're a long way from our customers,
20 which means we have a competitive advantage in terms
21 of power will some of our competitors, but we
22 certainly do not in terms of transportation.

23 So, we have to remember that this
24 business is logistically a challenge for us. And if
25 we lose that power edge, then our competitors quickly

1 are able to take advantage of their -- the fact that
2 they're often closer to our customers and start to
3 displace us, basically, in the market.

4 The contribution that our site
5 specifically gives to Manitoba and -- and to Canada
6 and to the city of Brandon I think is -- is
7 significant, over \$600 million in direct and indirect
8 contribution to Canada's GDP.

9 We're looking at \$130 million in direct
10 economic benefit out of our Brandon plant in 2020.
11 \$60 million -- we're forecasting to spend another \$60
12 million over the next five (5) years in capital
13 expenditures, and most of that money goes back into
14 the province in materials and goods.

15 As I mentioned, our -- our tax base is
16 quite high, so we have over a \$2.5 million tax cost
17 for municipal and provincial taxes paid back in 2020.
18 And, as I mentioned, these are high paying jobs.

19 So, the average salary of a Chemtrade
20 worker in Brandon is a hundred and thirty thousand
21 dollars (\$130,000). These are prime jobs sought after
22 by, you know, people and -- and provide a high
23 standard of living.

24 So, as you can tell, I think we are a
25 significant contributor to the economy in Brandon and

1 in Manitoba and we're an important player in the city
2 and in the province.

3 Our concern, obviously, is, you know --
4 well, I mean, we have multiple concerns. The key one
5 right now, though, is the trend that we're seeing in
6 terms of rate increases and the lack of transparency
7 in why those rate increases are going into effect in
8 some situations.

9 So, as we watch what has been happening
10 over the past decade and over the last five (5) years
11 with power rates in Manitoba, there's been that steady
12 increase.

13 And we fully acknowledge that rates
14 need to increase. We need to make sure that Hydro is
15 a strong, viable entity. But, again, it comes down to
16 the fact that understanding the need for those rate
17 increases and having that open transparency with Hydro
18 to justify those rate increases.

19 As we look at what has been happening,
20 we certainly see that the site is losing its
21 competitive advantage. And that trend, if it
22 continues, is going to mean several things for the
23 Brandon site.

24 It will mean a reduced investment in
25 the location, and that's already starting to happen,

1 and it will mean load shifting for us, as well, which,
2 again, we're already starting to contemplate and we're
3 already starting to do.

4 So, that means what we do is, because
5 we also have a site -- a location in the province of
6 Quebec, we start shifting load from our Brandon
7 facility to the Quebec facility and making that
8 product in Quebec rather than Brandon because that
9 Quebec location is closer to customers.

10 And even at the large price difference
11 between BC and Manitoba, it still -- in certain
12 situations, we are shifting load to our BC based site
13 because, again, they're closer to the customer and we
14 can make that product more cost competitively overall
15 in British Columbia, so that's happening and it's
16 happening today.

17 So, the impact of this 5.2 rate
18 increase is -- it's significant for our site. It's
19 about a \$3.6 million increase in our direct operating
20 costs.

21 And if you look at over the past five
22 (5) years, since 2016, these steady rate increases,
23 our power costs today are \$10 million higher than they
24 were back then. And that \$10 million comes directly
25 off our -- our revenue stream. And we have no

1 opportunity to pass this price increase along to our
2 customers.

3 We're a commodity business. And what
4 we are able to sell our product for today is the same
5 as we were able to sell it for in 2016. We haven't
6 seen any price increase in our product because, you
7 know, we're -- we're competing against operations
8 throughout all of North America.

9 And so, our Brandon site is simply
10 becoming less profitable. And that -- that erosion of
11 its contribution margin means that most companies,
12 including ours, as they see that profit margin start
13 to erode, one (1) of the things you do is you invest
14 less in that site and you cut and you trim to try and
15 maintain that edge which impacts and reduces its long-
16 term viability.

17 So our request, at this point, is very
18 similar to Gerdau's. We need to reduce or minimize
19 this -- this 5.2 percent rate increase. It obviously
20 was something that I think caught us all off-guard.

21 Up until a month ago, we were forecast
22 -- again, we built into our plans a 2.5 percent rate
23 increase. We were thinking, on the upper end, it
24 might be three (3). But five-point-two (5.2) was far
25 beyond anything that we had -- that we had expected or

1 budgeted for.

2 So we are also requesting that -- that
3 Manitoba Hydro tries to base their rate increases on a
4 more long-term outlook, and not the challenges of a
5 single year event.

6 This was a very challenging in Manitoba
7 with the drought. But a one (1) year drought is not
8 necessarily a trend. And I don't think it should
9 establish the basis for a rate increase, which is
10 going to be built into -- which is going to build into
11 cost escalation indefinitely.

12 We are also asking that we return to a
13 model of financial transparency by Manitoba Hydro
14 regarding strategic planning forecasting and cost
15 allocations.

16 It has been probably five (5) years or
17 six (6) years since we've really had a thorough rate
18 review. And I have to be honest, I also sit on MIPUG
19 and there is a lot of discussion at the industrial
20 users' level about just the lack of transparency. Not
21 really knowing where Manitoba Hydro is going, what the
22 long term strategic plan is.

23 It just seems like we've been shut out
24 of -- we've been shut out of those conversations over
25 the last few years. And that makes people

1 uncomfortable.

2 We're looking for stability and
3 predictability of rates. That is something that we've
4 always talked about and is absolutely critical.

5 These last minute rate adjustments as
6 you're going into the last month of the year in any
7 calendar year, when you've already set your budgets
8 for the following year, is very disruptive to the
9 business.

10 And, again, we encourage Manitoba Hydro
11 to collaborate more with industry. You know, the
12 Chemtrade electric chem plant does participate in the
13 curtailable rate program. But like Gerdau, there are
14 other things we should be and could be exploring in
15 terms of how we can work together.

16 I think, historically, there was a more
17 collaborative approach between industry and Manitoba
18 Hydro. That has seemed to fade away over the last few
19 years. And I think we need to get back into that
20 model of working together.

21 So I think that's the last slide. And
22 I'm certainly open to any questions.

23 THE CHAIRPERSON: Thank you. Mr.
24 Bossons -- sorry, we're getting...

25

1 (BRIEF PAUSE)

2

3 THE CHAIRPERSON: Okay. On page 8 of
4 your presentation, you have a table. This cumulative
5 rating --

6 MR. DALE BOSSONS (by Teams): Sorry, I
7 missed that.

8 THE CHAIRPERSON: Okay. Sorry. Mr.
9 Bossons, on page 8, you've got a table with cumulative
10 rate increases.

11 I'm wondering if you could work with
12 Mr. Hacault and give us a breakdown by year of those
13 increases from 2016 to 2021 for Hydro, BC Hydro, Hydro
14 Quebec, and TVA.

15 MR. DALE BOSSONS (by Teams):
16 Absolutely. Yeah, that's no problem at all.

17 THE CHAIRPERSON: Yeah. Okay. The --
18 the other question I have is, you were -- you were
19 talking about the competitiveness in relation to BC.
20 BC's looking at site C right now. At -- at the time
21 that site C either proceeds or doesn't proceed, but
22 certainly, at that point, it'll hit their balance
23 sheet.

24 Are you expecting the rates to BC -- in
25 BC to remain the same? Or are you expecting them to

1 go up to take into account the costs of site C?

2 MR. DALE BOSSONS (by Teams): We're
3 actually in discussions right now with BC Hydro and --
4 and the Province in terms of what we can expect for
5 rate shifting in British Columbia as well.

6 Absolutely it's a concern for us. It's
7 a concern wherever there is a potential for rates to -
8 - to increase.

9 What we do find right now is we do seem
10 to have a very good working relationship with BC
11 Hydro, in terms of talking about ways to try and
12 minimize the potential rate increase impacts to -- to
13 industry. And I think that's, again, something we've
14 lost with Manitoba Hydro that we need to get back to.

15 And, you know, we, today, have fewer
16 concerns about what's going on in British Columbia.
17 And we've got other large facilities in BC as well,
18 so.

19 THE CHAIRPERSON: Sorry, please
20 continue.

21 MR. DALE BOSSONS (by Teams): Yeah.
22 So I mean, of course, we've got concerns. But we just
23 find that environment is just a little more
24 cooperative right now to work within.

25 THE CHAIRPERSON: Thank you. I'll ask

1 if any -- thank you for your answer. Any of the other
2 panel have any questions? Mr. McCutcheon, do you
3 have any questions?

4 BOARD MEMBER MCCUTCHEON (by Teams):

5 No, I do not, Mr. Chair.

6 THE CHAIRPERSON: Mr. Bossons, I -- I
7 thank you again for your presentation and -- and, as
8 with the others, indicate that this is an interim rate
9 application.

10 But, you know, we understand that
11 Manitoba Hydro is filing a GRA next year and -- and
12 you may wish to consider your position, either as
13 Chemtrade or within MIPUG, to participate at that
14 time.

15 So thank you very much, Mr. Bossons.

16 MR. DALE BOSSONS (by Teams):

17 Absolutely. Thank you.

18 THE CHAIRPERSON: Thank you. Do we
19 have Ms. Leighton, Ms. Schubert?

20 MS. AMANDA LEIGHTON (by Teams): Yes,
21 I am here.

22 THE CHAIRPERSON: Oh, you're there,
23 Ms. Leighton?

24 MS. AMANDA LEIGHTON (by Teams): Yes,
25 I am.

1 THE CHAIRPERSON: Okay. Thank you.
2 So we have a presentation by Interchurch Council on
3 Hydropower. Thank you, Amanda Leighton.

4 If you could take about fifteen (15)
5 minutes for the presentation, we'd appreciate it.
6 Thank you.

7

8 PRESENTATION BY INTERCHURCH COUNCIL ON HYDROPOWER:

9 MS. AMANDA LEIGHTON (by Teams): Thank
10 you very much.

11 I have some notes that are up here and
12 they -- they can be here or not. They're just really
13 for your reference, so.

14 Good morning, everyone, panel members,
15 Manitoba Hydro representatives, Interveners, and the
16 public that are here. I'm Amanda Leighton and I'm
17 here representing both myself as a hydro consumer, as
18 well as the Interchurch Council on Hydropower, of
19 which I am a member.

20 We are -- the Interchurch Council on
21 Hydropower is a non-partisan advocacy group with a
22 fifty (50) year history, working for justice with
23 hydro impacted communities and people.

24 Our intention here today is to add our
25 voice to those who are asking the question: What

1 would be the impact of a 5.2 percent interim rate
2 increase on northern communities, specifically those
3 who live in hydro impacted areas?

4 Just by way of mutual understanding
5 during this presentation, when I use the term 'hydro
6 impacted areas,' I'm referring to communities and
7 territories that have been devastated environmentally,
8 culturally, economically, and spiritually by hydro
9 development.

10 This industry causes an endless list of
11 damage, including poor water quality, unnaturally
12 fluctuating water levels causing massive shoreline
13 erosion, death and decay of wildlife and habitat,
14 destruction of fisheries, traplines, and livelihoods,
15 loss of traditional ways of life, food, and land, and
16 the overall disruption of the natural order of things
17 affecting entire habitats from the water to the air.

18 This list goes on. And in point 2 in
19 your notes, there's a more comprehensive taken the one
20 at Stantan's (phonetic) website and it's linked to
21 there as well.

22 As you are aware, the First Nations on
23 reserve hydro rate that was put into place by you, the
24 Public Utilities Board, was repealed by Manitoba Hydro
25 and overturned by the courts in 2020. Resulting in a

1 9 percent increase in September of that year for all
2 First Nations on-reserve customers.

3 Our report submitted to you in 2019 on
4 behalf of the Assembly of Manitoba Chiefs, titled
5 Energy Poverty on First Nation Reserves -- and it's
6 also point 3 in your notes -- states that: (as read)

7 On average -- or sorry, average
8 annual energy consumption is
9 considerably higher in First Nation
10 on-reserve residences, both in
11 absolute terms and per unit floor
12 space. First Nation on-reserve
13 values are roughly three (3) times
14 the average Winnipeg City values and
15 35 to 55 percent higher than the
16 Winnipeg City low income cutoff."

17 These -- this report also notes that
18 the average electricity bill in First Nations on-
19 reserve households is \$2,855, which is 59 percent
20 higher than the Winnipeg City low income cutoff
21 households and 82 percent higher than the average bill
22 for all Winnipeg City households.

23 If this interim rate is accepted as it
24 is, that would be a total 14 percent increase in just
25 two (2) years for First Nation on-reserve customers.

1 If we took the average bill amount used in the study I
2 just mentioned, the First Nation on reserve average
3 electricity bill in 2022 will be \$3254.70. This is an
4 impossible bill, adding debt and insult to Hydro
5 customers in the north.

6 At the time of the 2020 court ruling
7 that removed the First Nation on-reserve rate,
8 spokesperson for Manitoba Hydro Bruce Owen stated that
9 Manitoba Hydro recognizes that:

10 "Electricity rates can be a hardship
11 on individuals facing poverty."

12 He said those considerations are part
13 of the discussions the Corporation has with the
14 Utilities Board. So we must ask: Have these
15 considerations been part of the discussions for this
16 proposed 5.2 percent rate increase?

17 Our hope here today is to draw
18 attention to the impact that a 5.2 percent increase
19 would have on northern Hydro consumers living in
20 Hydro-impacted areas.

21 We are requesting that Manitoba Hydro
22 devise a customer class or an alternative solution
23 that would protect this economic group from further
24 oppressive policy. We hope for a public utility that
25 has the whole public at the forefront of its decision

1 making.

2 We understand that the court's ruling
3 was on the basis that the Public Utilities Board
4 doesn't have the jurisdiction to implement this
5 request. But if not here, then where?

6 Thank you for your time and careful
7 consideration. That is my presentation. If you have
8 any questions --

9 THE CHAIRPERSON: Yeah.

10 MS. AMANDA LEIGHTON (by Teams): --
11 you're welcome to ask.

12 THE CHAIRPERSON: Thank you, Ms.
13 Leighton. Do we -- does anybody have any questions?

14 Ms. Leighton, I'll just ask one (1)
15 question. Have -- have you or any member of your
16 group approached Manitoba Hydro with your request?

17 MS. AMANDA LEIGHTON (by Teams): I
18 mean, we've had many conversations in the past, but
19 it's become more difficult to have an audience with
20 them in the last several years, especially since --
21 well, I should say 'especially,' but -- but definitely
22 haven't been in conversation with them since the 2020
23 hearing.

24 THE CHAIRPERSON: Thank you.

25 Mr. McCutcheon, do you have a -- a

1 question for Ms. Leighton?

2 BOARD MEMBER MCCUTCHEON (by Teams):

3 No, I have no questions.

4 THE CHAIRPERSON: Okay. Ms. Leighton,
5 thank you very much for your presentation. We really
6 appreciate it.

7 We're going to take a -- a break now
8 until eleven o'clock, at which time we will hear
9 opening comments from the first Intervener, the
10 Assembly of Manitoba Chiefs. Thank you very much.

11

12 --- Upon recessing at 10:38 a.m.

13 --- Upon resuming at 11:05 a.m.

14

15 THE CHAIRPERSON: Sorry. If we could
16 -- if we could resume with the Assembly of Manitoba
17 Chiefs, I have on my sheet that we have Emily
18 Guglielmin and Carly Fox.

19 I don't know who is -- will be speaking
20 on behalf of AMC or if it will be both of you. If you
21 could restrict your comments to -- to fifteen (15)
22 minutes, we would appreciate it. Thank you.

23

24 OPENING COMMENTS BY ASSEMBLY OF MANITOBA CHIEFS:

25 MS. CARLY FOX (by Teams): Thank you,

1 Board Chair. This is Carly Fox, and I will be
2 providing our opening submissions today.

3 I'm -- as you mentioned, I'm also here
4 with our co-counsel Emily Guglielmin -- she's on the
5 line -- and we represent the Assembly of Manitoba
6 Chiefs which we may refer to from time to time as the
7 AMC. So I will provide brief opening comments for you
8 this morning.

9 As you mentioned, the AMC is the
10 political and technical coordinating organization for
11 sixty-two (62) of the sixty-three (63) First Nations
12 in the Province of Manitoba.

13 The AMC's mandate is to advocate for
14 the collective interests of First Nations in Manitoba
15 while respecting the inherent self-determination and
16 self-government of each First Nation.

17 All of the AMC member nations, as well
18 as their citizens and institutions associated with and
19 operated by each First Nation, which includes schools,
20 health centres, and corporations, and the AMC
21 secretariat are AM -- are Manitoba Hydro ratepayers
22 and rely on Manitoba Hydro for their electrical power.
23 It's with this background that we come before you
24 today.

25 I'd like to thank the Board Chair for

1 your acknowledgement of our presence on Treaty 1
2 territory. I'd also like to acknowledge the
3 territories of the Anishinaabe, the Cree, the Ojibway
4 Cree, the Dene, and the Dakota peoples and all the
5 treaties that cover the land and waters of what is now
6 called Manitoba.

7 We acknowledge the importance of the
8 treaty relationship between the Crown and First
9 Nations and the principle of reconciliation in
10 grounding all Crown actions including agents of the
11 Crown such as Manitoba Hydro.

12 While the First Nations on-reserve
13 residential ratepayers no longer form their own
14 customer class, they do form a portion of the
15 residential customer class. In that context, if a
16 rate is not just and reasonable for a portion of the
17 customer class, it will not be reasonable for the
18 entirety of the class.

19 While interim rates are set without the
20 same rigour and standards of a regular rate
21 application, the overarching principle that rates must
22 be awarded in the general public interest and upon
23 balancing the interests of the customers and the
24 financial health of the Utility still applies.

25 As mentioned by -- earlier by Ms.

1 Leighton, since September 1st, 2020, First Nations on-
2 reserve residential ratepayers have faced significant
3 rate increases. These ratepayers were already facing
4 hardship due to economic recession and the effects of
5 the COVID-19 pandemic.

6 As you're -- as you are also aware,
7 there has been a significant gap between regulatory
8 hearings into Manitoba Hydro's rates.

9 In addition, while we acknowledge that
10 it is out of the scope of this hearing and wish to
11 confirm that no evidence will be brought on this topic
12 by the AMC, we would still like to note that the
13 effects of drought and water being held back by
14 Manitoba Hydro to ensure it can meet the electricity
15 needs of the province are very damaging for First
16 Nations outside of the regulatory rate context.

17 In many instances, it impedes access to
18 hunting grounds and negatively affects traditional
19 resources. This further adds to the difficult
20 conditions faced by First Nations and their citizens
21 as many are facing amplified food security issues.

22 For these reasons, it's in the AMC's
23 interest and -- it is the AMC's interest in
24 participating in this hearing to ensure that any rate
25 increase approved on an emergency basis is required to

1 meet the needs of Manitoba Hydro directly resulting
2 from the unanticipated deleterious effects of this
3 drought, and no additional increase is granted for any
4 potential terms that should be the subject of a more
5 fulsome rate hearing.

6 In doing so, the needs of Manitoba
7 Hydro can be balanced with the interests of its
8 customers.

9 And subject to any questions, Mr.
10 Chair, that's all I have today.

11 THE CHAIRPERSON: Sorry. Thank you,
12 Ms. Fox. I'll ask the Panel if they have any
13 questions. Yeah. Ms. Kapitany...?

14 BOARD VICE-CHAIR KAPITANY: Thank you.
15 Ms. Fox, I heard you say that you would like to see
16 anything that we do in this process to be "only
17 directly as a result of the current situation."

18 One (1) of the things that we've tried
19 to do in the past is avoid rate shock, and so I wonder
20 if you could give any comments you might have about
21 the balance between the emergency rate only and the
22 potential for rate shock down the road.

23

24 (BRIEF PAUSE)

25

1 THE CHAIRPERSON: Do we still have Ms.
2 Fox on the line?

3 MS. CARLY FOX (by Teams): I'm sorry.
4 Can you hear me now?

5 THE CHAIRPERSON: Yeah. Sorry. Yeah.
6 You were muted. Sorry.

7 MS. CARLY FOX (by Teams): Sorry about
8 that. I had a really good -- I had a really good --

9 THE CHAIRPERSON: I'm sure you gave a
10 wonderful answer while you were muted, but if you
11 could repeat it.

12 MS. CARLY FOX (by Teams): I just
13 wanted to say that I think that the First Nations
14 customers who were part of the previous on-reserve
15 residential rate class, they've already faced rate
16 shock.

17 So what we need -- what the AMC
18 proposes that we do now is ensure that it is not even
19 further -- there's not going to be an even further
20 rate increase that will make it more difficult for
21 them to be able to pay their bills and afford the
22 other necessities of life.

23 I think the AMC's position is that a
24 full rate hearing needs to take place as soon as
25 possible. I understand that Hydro will be having one

1 in the spring, or hopefully will be applying for one
2 in the spring.

3 And so I think our client's position is
4 that any interim rate increase be done as -- I guess
5 just to ensure that Manitoba Hydro can continue to
6 operate. But also, it needs to be balanced with
7 making sure that the First Nations citizens who are
8 paying these hydro bills are actually able to afford
9 to live based on what this rate shock might end up
10 looking like. Thank you.

11 THE CHAIRPERSON: Mr. McCutcheon, do
12 you have any questions for Ms. Fox?

13 BOARD MEMBER MCCUTCHEON: No -- no
14 questions, Mr. Chair.

15 THE CHAIRPERSON: Ms. Fox, thank you
16 very much for -- for appearing today, and we look
17 forward to your participation later on in the hearing.

18 Okay. If we could -- is Ms. Dilay on?
19 Ms. Dilay, are you there?

20 MS. KATRINE DILAY (by Teams):
21 Morning, Mr. Chair. I am here. Can you hear me?

22 THE CHAIRPERSON: I -- we can hear you
23 well, and we have your presentation on the screen.

24

25 PRESENTATION BY CONSUMERS COALITION:

1 MS. KATRINE DILAY (by Teams): Great.
2 Thank you so much.

3 Good morning. As you know, my name is
4 Katrine Dilay. I am a lawyer with the Public Interest
5 Law Centre representing the Consumers Coalition in
6 this proceeding, along with my co-counsel Mr. Byron
7 Williams and Mr. Chris Klassen, who are also listening
8 in.

9 If we could go to slide 2. Of course,
10 the Consumers Coalition is comprised of the Manitoba
11 branch of the Consumers' Association of Canada, and
12 Ms. Gloria Desorcy is listening in as well this
13 morning.

14 The Aboriginal Council of Winnipeg is
15 another Coalition member, and Mr. Damon Johnston is
16 likely listening in as well.

17 And finally, the third member of the
18 Coalition is Harvest Manitoba, and Ms. Meaghan Erbus
19 is listening in this morning as well. And I just
20 wanted to acknowledge our three (3) clients this
21 morning.

22 To start our comments this morning, we
23 wanted to talk about the context that had -- that has
24 led us to this interim rate application which our
25 client would say has led to broken trust toward the

1 Crown monopoly.

2 Why do we say that? In the Manitoba
3 context, ratepayers look to their Crown corporation
4 and their regulator to treat them fairly and to
5 protect them.

6 We all know that Manitoba consumers
7 have been under acute stress over the last eighteen
8 (18) months, including because of continued COVID-19
9 economic uncertainty, high inflation, and natural gas
10 prices rising, among other things.

11 In that challenging context, what has
12 Manitoba Hydro done? We've had no full Hydro process
13 since 2018, and that is in part because Hydro broke
14 its promise to file a full General Rate Application
15 following the 2019/'20 proceeding. Also, lower water
16 conditions, as we know, became apparent during the
17 summer of 2021.

18 At the same time as these circumstances
19 were becoming apparent, Hydro was -- was resisting a
20 status update proceeding since March of 2021. Hydro
21 was also telling government that it needed a 3.5
22 percent rate increase, and government said that they
23 would grant Hydro -- or -- or give Hydro a 2.5 percent
24 rate increase. So that is what Hydro thought that
25 they would be getting at that time.

1 And that brings us to the current rate
2 application. So, in our clients' view, given the
3 context that we find ourselves in, they see this as an
4 opportunistic rate application by Manitoba Hydro.

5 Rather than protecting consumers by
6 reducing its own costs, and we'll go to that into more
7 detail later in the presentation, Hydro is instead
8 using the one (1) year drought to compound the stress
9 that consumers are already under.

10

11 (BRIEF PAUSE)

12

13 MS. KATRINE DILAY (by Teams): Our
14 clients also want to emphasize in this context, and
15 this is on page 4, the role of the PUB as the
16 protector of consumers. And they understand this to
17 be the case based on a legislative scheme, pardon me,
18 as well as past regulatory decisions.

19 Our clients' view is that the
20 regulator's responsibility in this Hearing is to
21 separate fact from hyperbole.

22 And, in this particular case, the
23 regulator, it is our clients' view, will have to
24 balance the interests of ratepayers and the
25 Corporation while also recognizing the interim nature

1 of the Application, the lack of long-term information,
2 and the temporary nature of a significant drought.

3 Interim rate application criteria are
4 important to keep in mind as they represent the
5 guidelines to be used in order to assess the
6 application.

7 As it relates to interim rate
8 applications, the PUB has said that when looking at --
9 at such an application, one must examine whether it
10 would be just and reasonable to grant interim rates
11 and whether Manitoba Hydro would suffer a deleterious
12 effect in the absence of an interim rate increase.

13 It has also been said that contentious
14 issues are to be excluded from consideration in an
15 interim rate application, and that's from the PUB, as
16 well as the Supreme Court of Canada.

17 And finally, any interim rates granted
18 should be confirmed in a subsequent comprehensive
19 review which should take place as soon as possible.

20 And just at the bottom of this slide,
21 our clients did want to briefly highlight a few
22 process concerns that they have.

23 While an interim process may be
24 appropriate in this current context, especially given
25 Hydro's failure to act sooner, we do note that the PUB

1 has previously stated that interim rate applications
2 ought not to be the norm for Manitoba Hydro because
3 such applications do not offer the same level of
4 public review and testing as do General Rate
5 Applications.

6 And our clients would say this is
7 particularly problematic in a case where there has not
8 been a full General Rate Application since 2018. And
9 particularly in the process in this case, information
10 -- the Information Request process that was adopted
11 risks limiting the ability of Interveners to know the
12 case that they have to meet.

13 So, moving on to slide 5 and moving on
14 to our clients' comments, specifically on Hydro's
15 interim rate application. From our clients reading of
16 the application, it appears that Manitoba Hydro
17 focusses on two (2) main drivers: the reduction in
18 projected net extra provincial revenues of 398 million
19 in the current fiscal year; and 619 million in
20 2021/'22 related to the finance, expense depreciation
21 and capital taxes on major capital projects.

22 Of course, these numbers are important
23 to consider. But Manitoba Hydro seems to rely on the
24 concept of a prima facie case for interim rate
25 applications to ask the Public Utilities Board to

1 ignore everything else.

2 However, from our clients' perspective,
3 the prima facie case cannot ignore inconvenient
4 truths, especially given the following past Public
5 Utilities Board findings: That retained earnings
6 should be used to manage drought risk in combination
7 with regulatory action by the Board; a past PUB
8 recommendation that Hydro find areas to further reduce
9 operating and administrative, or O&A expenses; and a
10 past PUB finding that, while in a period of major
11 capital spending on Keeyask and Bipole 3, Manitoba
12 Hydro should find savings in business operations
13 capital.

14 And so, starting on slide 6 and on the
15 next three (3) slides, we go through three (3)
16 inconvenient truths that we think puts significant
17 doubt on Hydro's request for a 5 percent overall rate
18 -- rate increase.

19 First, current rates generate
20 sufficient revenues to pay for the major capital
21 project carrying costs. How do we know this? Hydro
22 originally budgeted a net income of 142 million before
23 any rate increase and assuming normal water in the
24 original 2021/'22 budget. And, of course, we know
25 that has changed due to drought circumstances.

1 But if we look at next year, the next
2 fiscal year, 2022/'23, Hydro is currently budgeting a
3 net income of \$112 million positive before any rate
4 increases and assuming normal water. So, it's back to
5 positive net income as soon as next fiscal year.

6 Looking at that, it seems that Hydro's
7 financial outlook has -- has significantly improved
8 since both the NFAT and the last General Rate
9 Application. We just saw that Hydro is projecting
10 positive net income in 2022/'23. And really, that's
11 the -- that's as far out as we can see right now given
12 the information provided.

13 To put that into context, during the
14 NFAT, Hydro was projecting losses for eight (8) years,
15 totalling 638 million after the in-service of major
16 capital projects.

17 And in the last full GRA, in 2018,
18 Hydro was projecting six (6) years of losses,
19 totalling 418 million from 2022/'23 to 2027/'28.

20 The second inconvenient truth on slide
21 7 is that drought is an expected and planned for
22 event. Customers have prepaid for this drought
23 through regular rate increases since the 20 -- the
24 2003/2004 drought.

25 The rate strategy since the last

1 drought, in '03/'04, has been regular rate increases,
2 and by "regular," we mean sixteen (16) out of
3 seventeen (17) years, even in times of good water
4 conditions. And that has resulted in -- in cumulative
5 rate increases of over 60 percent since that time.

6 During the same time, Hydro's financial
7 reserves or retained earnings have grown from 734
8 million at the end of '03/'04 to over 3 billion at the
9 end of 2020/'21.

10 And while the retained earnings have
11 grown, at the same time, drought risk has decreased
12 from 2.2 billion after the last drought to 1.3 billion
13 currently.

14 And if we look to projections
15 currently, after accounting for the projected loss in
16 the current fiscal year and before any rate increases,
17 Hydro's financial reserves or retained earnings are
18 forecast to be around 2.6 billion or two point two
19 (2.2) times the cost of a five (5) year drought.
20 That's at the end of this fiscal year, and it's
21 forecasted to increase to almost 3 billion, or 2. --
22 yeah, almost 3 billion, pardon me, in 2022/'23.

23 Turning to page 8, the inconvenient
24 truth number 3. Manitoba Hydro is not doing its part
25 to reduce costs. Operating and administrative

1 expenses are projected to increase from the actual
2 expenses in 2019/'20 of 512 million to a projection of
3 595 million in 2022/'23. That represents an increase
4 of 83 million, or 16.2 percent, in just three (3)
5 years, since the last 2019/'20 rate application.

6 Business operations capital is forecast
7 to total over 1 billion over the two (2) years of
8 2021/'22 and 2022/'23, and that's a level comparable
9 to the 2019/'20 rate application.

10 And from our clients' view, these
11 levels of expenses are inconsistent with PUB findings
12 from PUB Orders 59/18 and 69/19, which were the two
13 last rate applications, where the PUB found that
14 additional cost containment was possible, especially
15 during the time of in-service of major capital
16 projects where rates are already going up.

17 And very specifically, the \$83 million
18 increase in operating and administrative expenses
19 alone represents a rate pressure equivalent to a 4.7
20 percent rate increase.

21 So, on the next two (2) slides starting
22 on -- on page 9, that leads us to the question of:
23 Then what are just and reasonable rates in this
24 context? And it is our clients' view, at this time,
25 that the proposed interim rate increase of 5 percent

1 overall does not appropriately balance consumer
2 impacts with the financial health of the Corporation.

3 Manitoba Hydro's Application does not
4 appear to consider current circumstances faced by
5 Manitoba consumers. Those circumstances include the
6 COVID-19 economic uncertainty, which is ongoing;
7 higher natural gas rates and inflation; and it's also
8 contrary to past PUB findings from Orders 59/18 and
9 69/19, that emphasized a few things, including the
10 importance of financial indicators relied upon by the
11 market, and de-emphasize debt/equity ratios as the
12 appropriate metric to determine Hydro rate increases.

13 The PUB had also made clear that the
14 use of both retained earnings and rate increases
15 should be used to manage drought. And the PUB also
16 recommended cost reductions in operating and
17 administrative expenses, as well as business
18 operations capital.

19 So, then looking to our last
20 substantive slide, slide 10, in that context our
21 clients would say that there are opt -- options other
22 than 5 percent to more appropriately balance the
23 interests of the Corporation and its customers.

24 At this time it's our clients' view
25 that Hydro does not require a 5 percent emergency

1 interim rate increase as requested. The current fis -
2 - fiscal year, 2021/'22 is for the most part, a
3 certainty.

4 And the Application shows that even
5 with a 5 percent rate increase effective January 1st,
6 Hydro is still projecting a loss in 2021/'22. And a 5
7 percent increase will generate approximately 27
8 million in the current fiscal year.

9 But looking to next year, 2022/'23,
10 Hydro is projecting positive net income without the 5
11 percent rate increase. So, from our clients'
12 perspective that tells us something about the
13 financial situation of Hydro.

14 And so, with that context, our clients
15 submit that there are other options, which they expect
16 to explore in the remainder of the proceeding for the
17 benefit of the PUB. But at this time, our clients do
18 believe strongly that any interim rate relief should
19 come with conditions that are based on sound
20 regulatory principles and practice.

21 That would include that any interim
22 rate increase granted be temporary in order to
23 recognize the temporary nature of drought.

24 That any interim rate increases be
25 confirmed as soon as possible in 2022 through a robust

1 and transparent process, such as a status update
2 hearing.

3 And that any further rate relief for
4 2022/'23 and after should be based on a comprehensive
5 status update process or a full General Rate
6 Application.

7 And subject to any questions from the
8 Board, those would be our opening comments. And I
9 will -- I forgot to mention this at the beginning, but
10 we would like to file this presentation as Exhibit
11 CAC-3 in this proceeding. Thank you very much.

12

13 --- EXHIBIT NO. CAC-3: Consumers Coalition's
14 opening remarks.

15

16 THE CHAIRPERSON: Thank you. Any
17 questions from the panel? Dr. Grant...?

18 BOARD MEMBER GRANT: I was just
19 curious to know what a deleterious effect might look
20 like. I mean, it's -- looking for a little guidance
21 there.

22 And a second question: You mentioned
23 retained earnings and I'm just trying to get some
24 sense of it. You mentioned the absolute growth in
25 retained earnings over a twenty (20) year period, but

1 at the same time, the assets of the Corporation have
2 growing and the revenue side's grown.

3 So, I guess I'm just looking for some
4 context in which to think about retained earnings as
5 a, you know, possibly appropriate metric.

6 MS. KATRINE DILAY (by Teams): Thank
7 you, Dr. Grant. Perhaps to -- to address your first
8 questions about -- your first question, pardon me,
9 about deleterious effects. So, of course our -- our
10 clients are not, you know, trying to ignore the -- the
11 effect of the drought on Hydro.

12 And we noted sort of the two (2) big
13 drivers that Hydro is -- is including in its -- in its
14 Application, the export revenues, and the -- the major
15 capital projects.

16 What they're trying to do is put that
17 into context given other financial metrics, as well as
18 what was projected in prior years for this period of
19 intense capital build.

20 So, certainly, those questions will be
21 -- some of those questions and those topics will be
22 explored as well in cross-examination and then -- and
23 then in closing once the evidentiary portion is done.

24 But in terms of deleterious effect, our
25 clients would say, you cannot look at some numbers in

1 isolation of others. And currently if you look at the
2 projection for next year, that is going back to a net
3 income, a positive net income, that tells our clients
4 something about the sort of financial soundness
5 overall of Hydro in this time of major capital build.

6 Regarding the retained earnings, we
7 were -- during the 2017/'18 GRA, the -- the last big
8 one, there was certainly discussion about retained
9 earnings. And so, our clients are bringing this up
10 specifically, given the PUB's comments that drought
11 risk should be managed in combination of both retained
12 earnings, as well as regulatory action.

13 THE CHAIRPERSON: Mr. McCutcheon, any
14 questions for Ms. Dilay?

15 BOARD MEMBER MCCUTCHEON (by Teams): No
16 questions, Mr. Chair.

17 THE CHAIRPERSON: Ms. Dilay, thank you
18 very much for your presentation.

19 MS. KATRINE DILAY: Thank you very
20 much.

21 THE CHAIRPERSON: Okay. We're done
22 with the Interveners' submissions for this morning, so
23 we're going to adjourn until 9:00 a.m. on December the
24 10th, where we will resume with the opening comments
25 of MIPUG. And thereafter, the opening comments of

1 Manitoba Hydro and testimony from Manitoba Hydro.

2 Thank you all. That concludes this
3 session.

4

5 --- Upon adjourning 11:32 a.m.

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8 Certified Correct,

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11 _____

12 Wendy Woodworth, Ms.

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