

Third Session – Forty-Second Legislature
of the
Legislative Assembly of Manitoba
Standing Committee
on
Crown Corporations

Chairperson
Mr. Alan Lagimodiere
Constituency of Selkirk

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MANITOBA LEGISLATIVE ASSEMBLY
Forty-Second Legislature

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ADAMS, Danielle	Thompson	NDP
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON CROWN CORPORATIONS

Tuesday, June 29, 2021

TIME – 9 a.m.

LOCATION – Winnipeg, Manitoba

CHAIRPERSON – Mr. Alan Lagimodiere (Selkirk)

VICE-CHAIRPERSON – Ms. Janice Morley-Lecomte (Seine River)

ATTENDANCE – 6 QUORUM – 4

Members of the Committee present:

Hon. Messrs. Schuler, Wharton

*Messrs. Kinew, Lagimodiere,
Ms. Morley-Lecomte, Mr. Sala*

APPEARING:

Ms. Jay Grewal, President and Chief Executive Officer, Manitoba Hydro

MATTERS UNDER CONSIDERATION:

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31, 2020

* * *

Mr. Chairperson: I guess my mic wasn't on there.

Good morning. Will the Standing Committee on Crown Corporations please come to order. This meeting has been called to consider the Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2020.

Before we get started I want to draw everyone's attention to the clock interface. You can see in the Zoom participant we are testing a new piece of software, where—that, if successful, will be fully operational for future committee meetings. Please use this clock as a reference when speaking. If there are any issues with the software during the course of today's meeting, I will also be keeping track of speaking times in the usual way.

Are there any suggestions from the committee as to how long we should sit this morning?

Mr. Adrien Sala (St. James): I propose a total of three hours.

Mr. Chairperson: Sitting for three hours has been proposed. Is that the will of the committee?

Hon. Ron Schuler (Minister of Infrastructure): Mr. Chair, I had my hand up.

I propose we sit 'til 11:55, with calling the votes for annual reports at 11:50.

Mr. Chairperson: Mr. Schuler has recommended that we sit 'til 11:55 and call for the vote at that time.

Is that the will of the committee?

An Honourable Member: Mr. Chairman?

Mr. Chairperson: Mr. Schuler.

Mr. Schuler: We sit to 11:55 and we call the vote at 11:50 on the annual reports.

Is my mic on? Good heavens, it's as if nobody's listening.

Mr. Chairperson: Your mic is on. We are unable to see your hand. Just the way your camera is, we're just getting your head shot.

Mr. Schuler: Okay, so 11:50 we call the vote on the annual report; 11:55 committee rise.

Mr. Sala: That's acceptable. Thank you.

Mr. Chairperson: Is that the will of the committee? *[interjection]* Oh. So, it has been recommended that we sit 'til 11:50 and call for the vote and we rise at 11:55. Is that the will of the committee? *[Agreed]*

Does the honourable minister wish to make an opening statement, and would he please introduce the officials in attendance?

Hon. Jeff Wharton (Minister of Crown Services): Good morning, Mr. Chair, and fellow committee members.

With me today I have Deputy Minister Bernadette Preun. I also have our executive director, Rob Marrese, and also my executive assistant, Madhur Sharma. And again, as Minister of Crown Services, I am here this morning to present the annual report of Manitoba Hydro corporation for the fiscal year ending March 31st, 2020.

I would also like to welcome this morning Manitoba Hydro Chair Marina James and also Manitoba Hydro Chief Executive Officer Jay Grewal as representatives of the Crown corporation.

As attendees to the meeting, we know Manitoba Hydro has a critical role in supplying the electricity and natural gas needs of Manitobans that helps drive our economy and maintain our quality of life. To that end, I have tasked Manitoba Hydro to continue to refine and modernize the ways that the corporation conducts business in an effort to improve the financial health and to find efficiencies and reduce red tape for Manitobans and Manitoba businesses.

Despite the challenges that the COVID-19 pandemic have brought to Manitoba, I know that the board of Manitoba Hydro and the staff at Crown corporation—at the Crown corporation have performed exceptionally well carrying out their mandate, all while continuing to deliver services in an ever-shifting pandemic environment. I know that the board and the staff at Manitoba Hydro will continue to deliver services to the best of their ability as we move through the pandemic and look forward to the eventual return to normalcy.

We look forward to the discussions this morning. Thank you and good morning.

Mr. Chairperson: We thank the honourable minister.

Does the critic for the official opposition have an opening statement?

Mr. Wab Kinew (Leader of the Official Opposition): I want to say good morning to everybody who's participating in the committee today and thank everyone for being here, my colleagues included—from the Legislature, but also the good folks from Manitoba Hydro. I see, in addition to the CEO Mrs. Grewal and board chair Mrs. James, I also see some staff from MH, so I just want to say good morning.

I found last year's committee, which was in person—I think we all remember, and that has changed, certainly—I found it to be a good exercise and, you know, it was helpful for us in our work to hear some of the answers and to be able to ask some of those questions. So I look forward to a similar sort of exchange, albeit over this new format to which we've all become accustomed.

Zoom, of course, is not the only change. There's been many substantial changes to the situation at Manitoba Hydro over the past year. We know that aspects of MHI have been wound down, that fibre-optic backbone under the purview of MHT has been basically farmed out, to a certain extent. The Auditor General has begun an investigation. Teshmont has been sold. Keeyask units have come online. New

export contracts have become publicized, shall we 'shay'—shall we say. New transmission lines are being built. Rates have been set through legislation for the first time in recent memory. A report into Hydro, which was highly political, was released. A 60-day strike with MH workers took place. And, of course, there is a back and forth currently going on between the Crown corporation, numerous stakeholders at the PUB and the PUB itself.

So this is a lot of substance that has changed, in addition to the minister's acknowledgement in his opening statement that he looks forward to a return to normal, which, of course, implies that the past year has seen many substantial changes to the operations in Manitoba Hydro.

So, just looking forward to diving into some of those issues. You know, I do respect my colleague, the Minister of Infrastructure's (Mr. Schuler), suggestion that we sit for about two hours, 50 minutes. Hopefully we can get to all of that substance within that time period. I'm optimistic we can.

And, you know, I know that Manitoba Hydro is at an inflection point in its history both in terms of all the issues that I just catalogued but also internally. You know, we've seen the 2040 plan, and so there's that, I guess, renewal and planning exercise taking place internally. And so certainly that may represent some changes within the organization itself.

Anyway, MH is not only the driver of our economy, but it's also a crucial piece in how we might seek to solve climate change in Manitoba. And, of course, there is the important work of reconciling the past and ongoing impacts with Indigenous communities that MH has had. And so it's a very, very important part of our provincial economy, our provincial society, the fabric of Manitoba. And so this committee seems like a very opportune time for us to be able to dive in and to see not only the impacts on ratepayers but, indeed, the impacts on all Manitobans.

* (09:10)

So, again, I found last year's committee to be productive and look forward to the same thing today and, again, just want to say good morning to everybody who's participating.

Mr. Chairperson: We thank the member.

Do the representatives from Manitoba Hydro-Electric Board wish to make an opening statement?

Ms. James? [*interjection*] Ms. Grewal.

Floor Comment: Can you hear me?

Mr. Chairperson: Yes, but I need to recognize you before you can start to speak.

Ms. Grewal, go ahead.

Ms. Jay Grewal (President and Chief Executive Officer, Manitoba Hydro): My camera keeps freezing, so I'm not quite sure what's wrong. We've had IT support on both sides working on it and it didn't happen 'til I got on this call, because other calls earlier today it was working fine. So, hopefully, it will come back.

So, before we begin, I would like to acknowledge that we are gathered on Treaty 1 territory and in the homeland of the Métis First Nation. Those joining us virtually from elsewhere in Manitoba are doing so from the traditional territories of other Indigenous peoples, including the Anishinabe, Cree, Oji-Cree, Dakota and Dene peoples.

Manitoba Hydro has a presence right across the province with a long history of interaction with many Indigenous communities. We value these relationships and will continue in our efforts to establish and maintain strong, mutually 'benefal'—beneficial relationships with these Indigenous communities.

Good morning. I'm pleased to be here today before the Standing Committee on Crown Corporations to answer questions on Manitoba Hydro's business operations. I would like to acknowledge my board chair, Marina James, who is here with me today, as well as the entire Manitoba Hydro-Electric Board, for their ongoing support and guidance.

While the focus of today's meeting is to consider the Manitoba Hydro-Electric Board's annual report for the year ended March 31, 2020, I would like to provide a brief overview of the last 15 months.

In the spring of 2020, as each and every one of us were rapidly adapting to the onset of COVID-19 pandemic, our goal at Manitoba Hydro was clear: to keep the lights on and the glass—gas flowing. We had to strategically and quickly adjust to ensure that our critical and essential services continued to be reliably provided to our customers, while ensuring the safety of our employees, customers and the public.

During those initial days and weeks, our focus was on making decisions and operational changes across our entire enterprise, including reviewing over 1,000 SAFE Work procedures while implementing new safety protocols for our field

operations and, where possible, moving to a virtual work environment.

Now, more than one year later, many of those protocols remain in place, and two thirds of our staff continue to work virtually as we do our part to be in line with all public health recommendations and reducing the risk of transmission to our employees, customers and the public.

I am very proud of each and every one of our employees who have demonstrated an ability to adapt quickly to new work methods and techniques in the field and within a virtual environment without any impacts to our customers. Throughout 2020 and 2021, they have continued to supply our essential services to support the province, our health-care system and every Manitoban who is working, living and going to school under different and, for some, challenging circumstances.

Our adaptation to the unexpected 'circumstances' presented by the pandemic continued to evolve through to the late fall, when we were able to return our focus to our 20-year long-term strategy, what we are calling a Strategy 2040, on the—and the ongoing organizational work that is critical as we seek to become a more customer-centred, efficient utility for the future.

We know that the energy landscape and our customers' needs and expectations are changing. Around the globe we have seen how the three Ds—digitization, decarbonization and decentralization—have begun to impact utilities in many different ways, and while I have referred to the three Ds on a few occasions, I want to be clear that decentralization is related to new entrants to the market based on new technologies that are becoming available at lower cost. I want to be clear, this has nothing to do with privatization. There are no plans to privatize Manitoba Hydro.

What our customers may soon have are additional energy choices to make, driven by new technologies such as local energy storage, rooftop solar, electric vehicles and public transit and other options. As an example, car makers continue to move away from internal combustion engines towards electric vehicles, with many stating they're stopping work on gasoline-powered platforms, with some as early as 2026. Manitoba Hydro is already well positioned to play an important role in shaping the changing energy landscape for the benefit of the province. We want to help the province and the country decarbonize.

As a vertically integrated utility, we are best positioned to take a holistic approach to managing the changing energy environment. Our goal is to be a trusted energy adviser to Manitobans today and tomorrow. Our new mission statement reflects that objective: help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage while ensuring safe, clean, reliable energy at the lowest possible cost.

To support and make this vision a reality, we completed a lot of behind-the-scenes work over the past eight months to review and revise our business model, including initiating the restructuring of certain areas to support building out and enhancing our capabilities in key areas, and that includes asset planning and delivery, enterprise risk management, customer service, digital technologies and other areas. The launch of Manitoba Hydro's new customer portal and a new Manitoba Hydro app for smart phones in the last few months is evidence that changes are already starting to occur as we seek to engage with our customers more effectively and in the manner they want.

Planning is under way for the development of our first ever integrated resource plan, which will include public and stakeholder input. It's also evidence that we are making fundamentally new approaches to engaging with our customer and other critical stakeholders. The integrated resource plan will seek to better understand Manitobans' perspectives on the changing energy landscape, their evolving energy needs and what they value when they consider their energy supply. This will inform our long-term financial forecast, which we will file as part of our first five-year general rate application in the winter of fiscal '22-23.

So, while we are only at the start of our multi-year journey on this front, I am confident that we will be successful as we build the Manitoba Hydro of tomorrow.

Despite challenges posed by the pandemic, the past year also saw great progress on our major projects and a number of significant announcements all related to Manitoba Hydro and our operations. I am pleased to share that the first of seven generating units at Keeyask came online and was connected to the Manitoba Hydro power grid on February 16th. A second unit was brought online at the end of April, and the project continues to track ahead of the control schedule and on the control budget of \$8.7 billion.

Spanning the full year, we not only started but completed construction on Birtle Transmission Project, a 230,000-volt transmission line from Birtle station to the Manitoba-Saskatchewan border, and it was on schedule and under control budget. Additionally, we were able to secure up to \$18.8 million in federal funding. This line enhances reliability of our grid and allows us to fulfill our export contracts to Saskatchewan, using that revenue to keep rates lower for all Manitobans.

As part of our effort to serve Manitobans in a changing energy landscape, Manitoba Hydro adjusted and reorganized the Manitoba Hydro International business model in January following an extensive and detailed review. This reorganization will allow us to focus on our core business to meet the evolving energy needs of Manitobans. It is not, as was characterized in some media outlets, privatization. Manitobans will continue to receive maximum benefit from Manitoba Hydro International made-in-Manitoba technology and experience.

* (09:20)

Manitoba Hydro will continue to own and operate Manitoba Hydro Telecom fibre-optic network, and permanent Manitoba Hydro International staff are being offered a minimum of a one-year position at Manitoba Hydro. Over the next year, Manitoba Hydro International staff who accept the offers will be fully integrated into Manitoba Hydro, providing greater synergies and efficiency to both organizations.

As I said, Manitoba Hydro International's technology products and services will continue to be marketed under the Manitoba Hydro International brand. The only part of the business being wound up is the international consulting arm known as Manitoba Hydro International Utility Services.

I do want to highlight that there will be no financial impacts on Manitoba Hydro as we will continue to honour the multi-year contracts on the consulting side that are in place.

Why did we choose to get out of the international consulting field? Firstly, this is a highly competitive field, dominated by large, international firms, and we were seeing decreasing financial returns—

Mr. Chairperson: The time for opening statements is—has expired.

Is it the will of the committee to allow Ms. Grewal to continue her opening statement? *[Agreed]*

Ms. Grewal: Thank you.

Why did we choose to get out of the international consulting field? Because this is a highly competitive field, dominated by large, international firms, and we were seeing decreasing financial returns and increased operational and security risk with operating the business.

Manitoba Hydro is focused on its core mandate, which is to provide reliable energy to its customers at an affordable cost. And so the decision was made to wind up the international consulting arm of Manitoba Hydro International, which has 12 permanent employees.

In the fall of 2020, we announced the sale of our interest in Teshmont consulting to Stantec. We purchased a minority stake in Teshmont in 2003 to ensure that local HVDC expertise was available to act as the owner's engineer for the engineering and construction of Bipole III transmission line and converter stations. Given that Bipole III went into service in mid-2018, we decided that this was the right time to divest ourselves of our minority stake in Teshmont—40 per cent. The sale had no impact on Manitoba Hydro's operations or jobs. So I want to just restate: the sale of our share of Teshmont was a business decision made by Manitoba Hydro's management in the best interests of our customer. Government had no role in this decision.

We—this sale of this 40 per cent interest does not in any way constitute privatization of Manitoba Hydro. Teshmont was a private company before we bought into it and remained a private company through our period of involvement. You can't privatize a company that was always private.

Another issue that garnered a lot of media attention this past year was Bill 35. Although I realize this legislation is currently before the Legislature and, as such, I'm unable to discuss it in any detail today, I will say that Manitoba Hydro supports this proposed legislation. The proposed amendments establish a multi-year rate-setting process where the Public Utilities Board approves electricity rate changes at five-year intervals. This will bring Manitoba Hydro's regulatory approach more closely in line with other jurisdictions in Canada and will result in lower costs to Manitoba Hydro customers.

Past regulatory applications for Manitoba Hydro have been twice the average of other Canadian utilities on a per-customer basis. Over the last 10 years, the average external third-party cost of electric and natural gas regulation by the PUB to Manitoba Hydro was approximately \$10 million a

year. We believe that setting rates for multiple years through a general rate application to the Public Utilities Board will allow customers to more effectively budget for their future energy costs while helping reduce expenses and therefore the level of rate increases needed for Manitoba Hydro.

With respect to net income, we do require a reasonable level of net income every year to help protect us against regular, reoccurring operational risk, such as those related to climate change, with drought, intensive winter storms and fires being an example. Additionally, we need to ensure that we make steady progress each year to meet the debt-to-equity targets outlined in Bill 35, helping us to be viewed as a financially self-sustaining entity. This is a 20-year journey and we feel the next five years is critical to get Manitoba Hydro on the right trajectory. A stronger balance sheet will also provide Manitoba Hydro with the flexibility to manage the changing energy landscape that we are preparing for with Strategy 2040. We believe all of this is in our customers' best interest in the years ahead.

We have always and continue to believe in the PUB process and we are in the process of getting ready for our first ever five-year rate application under Bill 35 which, as I already mentioned, we are planning to file in the winter of fiscal 2022-23. We recently responded to requests from the PUB for updated financial information in response to submissions from the Consumers Coalition. We have provided all available internal information to demonstrate that there has not been a substantial change in Manitoba Hydro's financial circumstances since the last general rate application.

However, we cannot supply documents or projections that, quite frankly, simply do not exist. This past week, interveners provided responses to our submissions and I want to make a few comments in response to those. Our submissions to the PUB provide a comprehensive picture of Manitoba Hydro's actual and budgeted financial position for the current fiscal year. The interveners did not dispute the information we provided supporting this fact. Rather, they focused on the fact that we did not provide—because we do not have it—an integrated financial long-term forecast.

We repeatedly clarified that a long-term financial forecast does not currently exist. Why? Because we are going through some significant changes and previous processes no longer exist. We no longer create documents like we used to do, and it was

actually offensive to suggest that Manitoba Hydro has defied orders and is concealing evidence. Manitoba Hydro clearly stated these documents do not exist.

Improvements to our processes are key and should not be taken as an indication of substantive change in our financial circumstances or incompetent management. Rather, there was and remains an obligation to advise the PUB that what was sought does not exist. Informing the PUB that a long-term financial forecast does not exist does not equate to concealing financial forecast content or an inferred admission of substantial change.

Simply put, at this point in time we do not have a 20-year forecast. Why? The energy landscape we are operating in is changing and, by that, supply and demand, which are key components of a long-term financial plan, are in a state of change. If we were continuing status quo, if this energy landscape was not changing, absolutely we would have a long-term financial forecast in place, as we have always in the past. But we are in a time of change where the key variables that are input into a long-term financial forecast are currently unknown and it would be imprudent and misleading for us to release a long-term forecast that does not reflect the changes that will be coming.

When we provide a long-term financial forecast, we want our customers to have confidence in our plans and to be able to make decisions based on that. Our next 20-year financial forecast is going to be informed by the new integrated resource plan which takes into account evolving energy needs and what customers value when considering their energy supply, and it will form the basis of our next general rate application, which will be filed in the winter of fiscal 2022-23.

* (09:30)

Finally, regarding the announcement that the new advisory panel has been named to oversee the implementation of the recommendations in the economic review of Bipole III and Keeyask from Commissioner Brad Wall, we look forward to working with members of the panel to implement the recommendation of the commissioner's port-report. We are always looking to serve our customers as efficiently and effectively as possible, including all decisions made that should be in their best interest. We view this as an opportunity to ensure we have the right processes and decision-making processes in place to enhance our operation in the years ahead as

we move to become the utility of the future that Manitobans expect and need us to be.

I thank the members of the committee for their time, and I look forward to questions.

Mr. Chairperson: Thank you, Ms. Grewal.

We seem to be experiencing some technical difficulties here this morning, and we're asking if it's all right with the committee members if we allow oral questions if the video is not available.

So we're asking committee members if it's all right, if we lose the video feed again for Ms. Grewal, if we just continue on with the audio responses. And, Ms. Grewal, if we lose your video again, if you could—if you're looking to respond to a question, if you could, instead of raising your hand, just address the Chair and identify yourself and we'll acknowledge you.

Is that the will of the committee? Agreed?

Some Honourable Members: Agreed.

An Honourable Member: No, no, no, no. No, no, no, no.

I had my hand up since you started speaking here, Mr. Chair.

Mr. Chairperson: Mr. Kinew.

Mr. Kinew: Yes, so just first of all, you didn't formulate it as a leave request until the very end, so my first question was going to be whether that was a leave request. And I'm not opposed—

Mr. Chairperson: Mr. Kinew, just give me a second here.

Okay, the floor is now open for questions.

Mr. Kinew: Yes, sorry.

I did want to return to the substance of what you just asked. My only concern is that the leave request was overly broad, and it would invite participation from anyone with their cameras off. I do want to be flexible to Mrs. Grewal's situation, so if you wanted to reformulate the leave request and say that it only applied to the CEO's video feed being off and her being able to participate just by audio, I would agree to that.

Mr. Chairperson: So we'll put that back to the committee.

If that's okay if the audio only applies to Ms. Grewal? Agreed? *[Agreed]*

Thank you.

The floor is now open for questions.

Mr. Kinew: Thanks for accommodating that request to revisit the leave.

I also want to thank the CEO for their opening statement and certainly far reaching, and I appreciate it because all those topics that were touched on are now scoped in for the discussion here at the committee this morning, and so certainly we'll definitely be following up on a number of points.

I do have a lot of specific questions, but I did just want to ask a point of clarification from the CEO to begin. It seems that the concluding thought in the opening statement contradicts the rationale for Manitoba Hydro's opposition to the PUB order. The PUB is currently trying to figure out whether there's been a substantial change in Manitoba Hydro's finances, and then the CEO effectively just said they will not provide further information to that PUB process in the form of a current integrated financial forecast because the determinants of the finances at Manitoba Hydro are currently in a state of change.

So the—it's contradictory within itself. On the one hand, MH is arguing that there's not been a substantial change, but then on the flip side, there's an argument that it is a—that there is currently a state of change.

So can the CEO explain that contradiction?

Floor Comment: My apologies. Am I waiting for the Chair to recognize me? Thank you.

Mr. Chairperson: Ms. Grewal, we are unable to see you, so you have to address the Chair and identify yourself when you're ready to speak.

So, go ahead, Ms. Grewal.

Ms. Grewal: So, in response to that question, a few things.

The financial information we submitted to the PUB demonstrates that there has not been a substantial change in our financial circumstances since the last GRA. That is the question at hand. We regularly provide the PUB with information on our operating cost, our major capital project, and the PUB has not expressed any concerns to us today that the circumstances have substantially changed.

The issues that were identified by the Consumers Coalition suggest there is a substantive change, and we've presented the information to demonstrate that that is not the case. And, specifically, when we presented the information in the filing back to the PUB, it demonstrates that our net income has

changed to the positive by only \$17 million. And in '19–2019–2020, this—the Consumers Coalition stated that a change of \$45 million in net income is not a material change for a utility the size of Manitoba Hydro.

Additionally, with respect to capital expenditures, very similar nominal change, with an annual difference ranging anywhere from 1 to 5 per cent on specific projects.

So the change—what is changing is the long-term financial forecast—20 years. But what we've demonstrated to the PUB is that in the near term, between the—what we filed and where we're currently this year and where we expect to be next year, there is no material change which would result in any change to rates.

Mr. Kinew: The role of the PUB in this instance is to ensure that rates are reasonable and just. Part of that determination needs to include the long-term financial forecast of Manitoba Hydro, which the CEO has just acknowledged both in the opening statement and in the previous answer are currently in a—quote—in a state of change.

So can the CEO explain to the committee how the long-term financial determinants of Manitoba Hydro, which would determine whether the rates that—adjudicated in 2019 and then revisited slightly in 2020—are reasonable and just? How can that be in a state of change and yet the utility assert that there's no substantial change in the finances?

Ms. Grewal: The key difference here is near term versus longer term, and rates are set for the near term.

As I stated earlier, Manitoba Hydro will be filing a five-year, comprehensive GRA in the winter of 2022-23, which will include a long-term financial forecast that reflects the evolving energy landscape where the PUB and all Manitobans will have an opportunity to understand the changes in the evolving energy landscape and how that relates to future rates.

Mr. Kinew: So, I'm sitting here as Leader of the Opposition; I don't have access to the documents the government has, so I need some help in understanding this.

In order for us to determine whether current rates are reasonable and just, it seems to me that we need to have an eye towards the long-term financial forecasts of the organization, right? Because the idea is sort of like, if there are steps up in rates, we want to keep the longer term picture in mind so that the near term—to

use the terminology of the CEO—so that the near term matches up with the overall trend or trajectory of where we're expecting to go in the long term.

* (09:40)

So, again, how is it possible that the CEO can assert that the long-term financial forecast of Manitoba Hydro is in, I quote again, a state of change, and yet, at the same time, try to assert that there is a no substantial change when it comes to the financial picture that the PUB ought to consider in determining whether the 2019 rates were reasonable and just?

Ms. Grewal: As I previously stated, we have submitted information to the PUB that demonstrates there is not a substantial change in our financial circumstances since the last GRA, which is what rates were developed and determined on, operating costs as well as major capital projects.

Thank you.

Mr. Kinew: The CEO has just said that there is no change in the financial situation of Manitoba Hydro and then, at the same time, tells us today that there is such a significant change in the financial environment of Manitoba Hydro that they can't share publicly an integrated financial forecast.

So I would like to know which one is true?

Ms. Grewal: As I previously stated, our net income is only changed to the positive by \$17 million, which the Consumers Coalition also recognized and stated that that is not a material change for a utility the size of Manitoba Hydro.

We are talking about near-term rates at this point in time. We are not talking about nor is the question raised by the coalition about rates 10 years from now, 15 years from now or 20 years from now.

Thank you.

Mr. Kinew: First of all, I just want to put on the record that it's not a compelling argument that the variation from that income disproves whether there is a substantial change in the financial situation of Hydro or not. For instance, net income could disguise severe variations in terms of revenue and expenditure; in so long as they stayed within a relatively similar band, the net income picture may be the same. So I just want to dispense of that argument right now because it's simply not compelling.

But I want to return to the question. Again, we know that whether rates are reasonable and just has to be considered within a longer term context. Yes, they

are set typically when a government doesn't try to legislate their way around the Public Utilities Board, anyway. We know that rates are set within, yes, a near-term time horizon, but that has to take into account the longer term situation, right. Because the reasonableness has to—the test of reasonableness in determining rates has to consider whether the amount that the rate is set at today is going to put undue hardship on the ratepayer tomorrow. And similarly, the justness test, I think, needs to be met within a similar balance of current, near- and long-term considerations.

So again, there are two competing arguments that the CEO has advanced here today: one, for the purposes of the Consumers Coalition process at the Public Utilities Board, the CEO is attempting to argue that there is no substantial change in the financial situation of Manitoba Hydro. And yet, conversely and contradictorily, in an attempt to try and not provide an integrated financial forecast to the Public Utilities Board, the CEO argues that there has been such a substantial change in the financial environment of Manitoba Hydro in the long term that such a document cannot be generated.

So with those two competing and, you know, mutually exclusive propositions advanced by the CEO today—one, that there is a substantial change such that an IFF can't be generated, or, two, that there is no substantial change, therefore the PUB doesn't need to inquire further—I would like to know which of those is true and which is accurate.

Ms. Grewal: Firstly, in response to the statement made—that net income is not the number to look at, absolutely agree. And therefore, the information we submitted to the PUB showed a line-by-line comparison of revenue and costs so that the PUB could assess, is there any material change in our business.

Secondly, as I've stated, we will be filing a five-year GRA in the winter of 2022. That five-year GRA is what our customers can look at to understand rates going forward in the future. And as I've stated, the processes for determining the long-term financial forecasts are changing, including the work we will be doing that will involve material consultation with all Manitobans around an integrated resource plan, and that will inform the long-term financial forecasts.

But what we are saying at this point in time is, in the nearer term, the financial circumstances have not changed: \$17 million in net income is the difference for a utility of our size and scale, which is not material.

Mr. Kinew: I just want to return to the question, because, again, the nearer term cannot be separated in terms of trying to determine the reasonable and justness of rates from the longer term context.

So the CEO advances one argument that says there is no substantial change, and that's why the PUB doesn't need to intervene, but then turns around and says there is so much substantial change that they cannot generate an integrated financial forecast. So I'd like to know which one of those is correct, because they are mutually exclusive.

Ms. Grewal: As I've said, in the near term there is no material change.

The integrated resource plan will help us identify how we [*inaudible*] energy landscape is changing, which will underpin our long-term financial forecasts. If we were continuing status quo, we would have that long-term financial forecast. We do not feel it's responsible to try to create a long-term financial forecast that does not reflect the reality that Manitobans and Manitoba Hydro would be facing. It would be potentially misinformation because it's not based on facts because that is the work that we will undertake in the integrated resource plan.

Mr. Kinew: CEO just said there, if we were continuing status quo. Reflect on that. That means the status quo is not continuing, right? That means there is a substantial change in the environment with which Manitoba Hydro operates. So it seems pretty clear to me, and I think any reasonable person watching or listening, that there is a substantial change at Manitoba Hydro. There's a substantial change in the financial determinants.

Manitoba Hydro, the opening statement of the CEO listed off many substantial changes in the operations of Manitoba Hydro, and yet the CEO, contradictorily—contradicting themselves, tries to advance the argument that there's no substantial change such as the PUB needs to investigate.

How does the CEO justify that?

Ms. Grewal: I am not contradicting myself. I have consistently said, firstly, in the near term net income is only changing by \$17 million and the PUB has line-by-line revenue and cost information to assess and determine if there is a change, and that—and the PUB will work that process through.

* (09:50)

What we are saying is that over the coming years the energy landscape will be changing, and as it

changes it needs to be reflected in a—the 20-year, long-term financial forecast, which we will be developing based on an integrated resource plan that involves consultation with all Manitobans on the energy mix that they would like to see in Manitoba. And that will underpin our five-year general rate application, which we will be submitting to the PUB.

Mr. Kinew: What communication did the CEO have with government about PUB order 5321?

Ms. Grewal: Could you please clarify what that order was? I'm sorry, I can't—I don't equate it back to the number.

Mr. Kinew: That would be the same order that we're discussing at this time, which is a PUB order trying to ascertain as whether there's a substantial change, what the CEO has effectively conceded in this line of questioning, I would say. But that was the PUB order on whether there's substantial change in response to the Consumers Coalition and taking into account the Manitoba Industrial Power Users Group.

So what communication happened with government between the CEO and them on that?

Ms. Grewal: I do not concede the point that there is material change what—in terms of our financial forecast in the near term.

Secondly, the decision on how we proceeded here was made by the management of Manitoba Hydro with the support of our board.

Mr. Kinew: Thanks for that additional information. The question, however, was unanswered and I will repeat it.

What communication did the CEO have with the government on PUB order 5321?

Ms. Grewal: Can you please clarify what you mean by communication?

Mr. Kinew: Yes, we're going into what-the-definition-of-is-is territory here, but I will indulge it: any written, verbal, email, direct message, Twitter DM, Instagram DM interaction between the government and the CEO on this PUB order.

Ms. Grewal: Thank you for that clarification.

As I stated earlier, this was decision made by the management of Manitoba Hydro in terms of our response after we had done the analysis which confirmed that the change in net income is only \$17 million.

As would be expected, we informed our owner of the action that we have taken.

Mr. Kinew: Just want to point out for the record that the owners of Manitoba Hydro are the people of Manitoba, who are being denied access to information by the government currently. However, I take the CEO's answer to mean that they informed the Treasury Board, the Cabinet, the government, perhaps the minister about these deliberations.

So can the CEO just provide detail on who did she mean by saying owner, and what was the nature of that communication?

Ms. Grewal: The protocol for Crown corporations is to inform the owner or the representative of the owner, which is elected officials and government, is—through a briefing note. So we drafted a briefing note that we then shared with Crown Services, which is the ministry we report to.

Mr. Sala: Appreciate the response from the CEO.

Is it possible to obtain any of the written communications relating to communication between government and the CEO?

Ms. Grewal: We will take that under advisement.

Mr. Sala: Thank you for that answer.

And I'd like to know, is there a—what were the—what was the content of the communication from government to the CEO, or were there any explicit directions to the CEO given regarding that PUB order?

Ms. Grewal: There were no specific communication or direction provided by government regarding the PUB order.

Mr. Sala: Could the CEO provide dates of communication between herself and government?

Ms. Grewal: We will take that under advisement.

Mr. Sala: I hope that there can be appreciation for why this is of such huge concern to us as the opposition.

There's serious concerns, I think, on the part of a lot of Manitobans about the fact that we're not getting transparency around Hydro's finances. So the concern is that that lack of transparency is feeding into this government's goal to put forward a bill that will ultimately prevent Manitobans to have independent oversight over rate setting. And I hope that the CEO can appreciate why this is important for Manitobans to have clarity about this government's role in

directing or in having any influence over this seeming lack of willingness to disclose or to share or to be transparent around these communications.

So we do appreciate that the CEO has offered to take this under advisement, but I would highlight that this is an incredibly important area of information that Manitobans do deserve to have clarity around, which is what exactly is the role of this government in directing this organization and directing the CEO in effectively avoiding accountability or avoiding transparency around this area.

So I'm going to move on here to another area of questioning. I'd like to ask about some important financial information that's held by the corporation.

Can the CEO describe for this committee the details of the most current or recent export price forecast?

Ms. Grewal: Could you please clarify export price forecast, because there's various components.

I'm assuming when you're saying export price, you're referring to the spot market.

Mr. Sala: This is referenced on page 106 of the annual report.

And I can further clarify that I was referencing—

Mr. Chairperson: Mr. Sala.

Mr. Sala: Thank you, Mr. Chair.

I can further clarify that I was referencing export sales—both spot sales and firm exports.

Ms. Grewal: So, there are two components that make up the price of energy that is sold in the export market. One is the spot market, which is something that we look at five different indicate—consultants who predict spot-market sales, and we take the average of that to determine what we believe in the coming fiscal would be the price of energy sales in the spot market.

And I'd like to—just to remind everybody, what Manitoba Hydro sells in the spot market is energy that is related to surplus water because of how we plan our system and plan how we deal with our revenue, which is we have to ensure that we have sufficient revenue domestically to meet all needs in a range of scenarios but particularly so that we ensure we meet the needs in winter, which is when we peak. So when we have greater water than average, relative to what we've planned, unless that energy is needed domestically, we sell it in the spot markets. So that is the process or

model that we use to determine pricing for spot as we forecast—recognizing, though, it is a forecast.

* (10:00)

Secondly, in terms of firm energy, those are the contracts that we have with various third parties because we are—we sell into four different markets in the US and to the west of us in Saskatchewan, and in those scenarios, those are contracts that are commercial contracts where we can't specifically disclose the pricing. But having said that, if you look at the last 10 years—nine years, from 2010 to 2019, export power contributed more than 22 per cent of our total electric revenue, and it was approximately \$4 billion, and rates would've been 20 per cent higher had we not sold surplus energy, both firm and in the spot markets.

Typically, we share more information when we are in the GRA, but what I can also say is that when we actually filed our last GRA, what we showed—what we shared there was contracts that were in place and signed as of 2016 would be providing revenue of approximately \$6 billion.

What I do want to clarify, though, and ensure everybody understands, is when I am talking about revenue, revenue is not profit, because there are costs associated with that energy, and those costs primarily relate to the assets that are used to generate this power, surplus power, not needed domestically, and that's generation, that's—and that's transmission lines.

So it is not 'provit'—profit, this extra-provincial sales revenue. But what it does do is help pay the cost for those assets that were built primarily to serve Manitobans, and what it does is it keeps—helps cover debt servicing costs, amortization costs, transmission costs, which keeps rates in Manitoba lower than they would be if we—than if we did not sell that energy.

Mr. Sala: I appreciate the answer.

Can the CEO describe to the committee the contents of the most current or recent prospective costs-of-service study?

Ms. Grewal: Could you specify if you're talking electricity or gas, because they're different studies.

Mr. Sala: Electricity.

Ms. Grewal: There was a prospective cost-of-service study where what we did was we provided a comparison of revenue cost-coverage ratios in the 2021 prospective cost-of-service study to scenarios that we'd filed with the PUB in 2017 GRA and our

2019-20 GRA. And that provided an indication of the level of class revenue cost-coverage ratios that would be expected once Bipole III was brought into service.

Mr. Sala: I thank the CEO for that response.

Can the CEO tell this committee the contents of the most current or recent power resource plan or load forecast that is being used by the corporation?

Ms. Grewal: Can you please repeat the question?

Mr. Sala: Absolutely.

I've requested that the CEO tell this committee the contents of the most current or recent power resource plan or load forecast that is being used by the corporation.

Ms. Grewal: I don't have the most recent load forecast available to me at this point.

Mr. Sala: The CEO endeavour to provide that at some point during the committee today?

Ms. Grewal: I'll take that under advisement.

Mr. Sala: The CEO stated yesterday in a news release that, quote, our submissions to the PUB provide a comprehensive picture of Manitoba Hydro's actual and budgeted 2021-2022 financial position. End quote. But there's no operating and admin forecast, there's no export price forecast, no power resource plan or prospective costs of service study that's been mentioned here.

How can Manitobans know what is the true state of affairs with Hydro's finances when this information is not currently within the view of the public?

Ms. Grewal: As I stated previously, we provided all information to the PUB in response that, to the question, is there a material change in the financials for Manitoba Hydro, and it—and that demonstrates through the line-by-line information we did share that net income is only changed \$17 million, which is not material for a utility the size of scale of Manitoba Hydro, and similarly with capex.

Mr. Sala: This is a background from the MIPUG submission that went into the PUB. The quote was, from MIPUG: There was no information on any of the three key financial ratio targets that Hydro has adopted; namely, interest coverage, capital coverage and debt-to-equity. There was also no information on the balance sheet at all. In a capital-intensive utility, the balance sheet and its evolution over time is among the most critical pieces of analysis for sufficiency of rates. Hydro provided no information on the level of

equity nor mention of the risks and variability it faces regarding the sufficiency of this equity. As some of the most notable changes inserted by the coalition relate to reductions in Hydro's risks and not necessarily to its immediate net income, information to assess risks is critical to the determination of whether the circumstances have indeed substantially changed.

Could the CEO provide a response to the quote from MIPUG?

Ms. Grewal: Well, I don't disagree. Balance sheets are important.

When the PUB looks at costs, they are in the income statement not the balance sheet. Secondly, debt-equity levels are reflected in our income statement as they show up in terms of interest costs associated with the debt that's on our balance sheet versus the equity. Thirdly, also in our O and A, our operating costs in our income statement, are the depreciation costs associated with these assets. And so when we peak, our—when Keeyask comes into service, which is going to be in 20—fully in service in 2022, our debt service costs, our interest costs are—and all are going to go up by \$1.1 billion. This is information that we do share.

*(10:10)

Having said that, though, the points that MIPUG is making relate to our longer term financial health. So a couple of points there. We—our debt will peak at \$25 billion. Currently, as of December 31st, 2020, our debt is \$23 billion. It will peak at just under \$25 billion when all units of Keeyask are in service, and debt servicing costs then will be \$1.1 billion, though these will all come into play and will be considered when we file our five-year general rate application in the winter of 2022 and will be included in the long-term financial forecast.

Mr. Sala: I'm sure that the CEO can appreciate that, at the time that this is suggested that it will be filed, that we will no longer have, as Manitobans, independent oversight over rate setting. And one, I think, important question that needs to be asked here, and I just would like to get the CEO's take on this question, is what is her thoughts around the role of a debt-to-equity ratio as a basis for determining rates?

Ms. Grewal: Utilities have various metrics that they use to assess financial health. What I look to, though, is what third parties who assess our financial health focus on.

And, most recently, Moody's issued, on May 4th of this year, 2021, their assessment of Manitoba Hydro's financial health, including looking at our debt-to-equity ratio. And from their perspective, they are concerned about the ongoing weak financial profile of Manitoba Hydro.

The debt rating agencies look at both short- and long-term credit ratings. And what I'd like to point out is that other utilities in Canada, including Crowns, also use the debt-to-equity ratio as a measurement of financial health. And so when we look at other utilities that are similar to us—so, for example, Quebec hydro, which, like Manitoba Hydro, are a fully integrated utility and primarily hydro energy—green, renewable, dependable power is the primary source of energy—their debt-to-equity ratio is 69 per cent, whereas we will peak at 86, 87 per cent.

And the second metric that is tied to debt equity is also how much of your revenue is used to pay interest costs. So if we look at that with other utilities, in Manitoba—for Manitoba Hydro, approximately 40 per cent of our revenues are used to pay interest costs. For Quebec hydro, it's 19 per cent; for SaskPower, it's 17 per cent; and for BC Hydro, it's 16 per cent.

So debt-equity ratios are important because those who assess our financial health, which then relates to the pricing for our debt—which, as I've already said, will be considerable, peaking at \$25 billion—it is an important factor.

Mr. Sala: Does tying rate setting to the debt-to-equity ratio create risks of Manitobans overpaying for electricity?

Ms. Grewal: Could you please provide a bit more context around your question?

Mr. Chairperson: Ms. Grewal, if you could just address your questions to—not directly to the individual as you. Bring your questions through the Chair or addressed to Mr. Sala. So you could say, could Mr. Sala please clarify the question, or—instead of could you please clarify the question.

And, Mr. Sala.

Mr. Sala: Appreciate the need for clarification, here.

The question relating to this concern about the risk of overpaying is that by attaching a rate setting, essentially, to a debt-to-equity ratio, we create this risk of Manitobans overpaying because there's questions to be asked about the need or the accuracy or the benefits to using a debt-to-equity ratio as a

measure of financial health of a government organization.

And, of course, the concern here is that when we talk about increasing the number on the equity side, we're actually talking about simply putting dollars into Hydro reserves, as I understand it. So socking away money into reserves, taking that off the—we'll call it the kitchen tables of Manitobans—to have that sit in Hydro reserve accounts is questionable when that shift or that increase in that equity number doesn't necessarily relate to any particular financial risk to the organization, given it's a government entity. And so some major differences there in terms of how a debt-to-equity ratio can be used in both a private and a government context.

So it would seem that tying rate settings to a debt-to-equity target like a 75-25 target where there's questions to be asked about the validity of using that type of measure in measuring the financial health of the government entity could create serious risks of Manitobans ultimately overpaying because, of course, rate increases will be designed to help us achieve those targets which, ultimately, are targets that will result in significant amounts of dollars coming out of Manitobans' pockets and ending up in Hydro reserve accounts.

So I guess just hopefully that provides some context. But that's the concern here, is that Manitobans could possibly overpay with using that debt-to-equity ratio as a target. So hoping for some commentary from the CEO around that question.

Ms. Grewal: Thank you, Mr. Sala, and my apologies for not using your name previously and saying you.

In terms of your question around overpaying, currently, I'd like to point out, for Manitoba Hydro, we are borrowing, including our working capital. And what do I mean by that? Right now, we are not only borrowing to fund the large, major projects, we are also borrowing to fund our ongoing investing activities—our typical annual business operating capital. And by that, what are some of those things? It's the funds that we pay to Efficiency Manitoba. It's the funds that we need to maintain our assets. Typically, a utility or any organization would want to use internally generated funds to pay for that, to demonstrate that they are self-sufficient. At this point in time, Manitoba Hydro is not.

Secondly, I'd like to point out the concept of reserves. Reserves are our equity. And what is our equity? It is on our balance sheet to help us assess and

deal with risk. But I want to be very clear: equity is not cash. That is why we are borrowing. Even though we have equity, it is not cash. We are borrowing.

And what is the issue here in terms of the debt-to-equity ratios and how that is framed? Which is—you mentioned risk. Risk is going to increase for Manitoba Hydro in the evolving energy landscape. And we, every single fiscal year, face a number of uncontrollable risk. They are inherent in our operating environment and they can result in significant variability year to year. And they are water flows; they are seasonal weather; it's interest rates; it's spot market prices; it's our customer behaviour and therefore consumption of energy; and it's also how and when rate increases are approved.

In any particular year, water alone represents variability for us of potentially \$450 million; \$120 million to the positive, if we have surplus water, but it's \$330 million to the negative if we have severe drought. And those are factors that are beyond our control that we face every year.

*(10:20)

Mr. Chairperson: So just to clarify, Ms. Grewal, so if you could put the questions to Mr. Sala through the Chair or your responses through the Chair and not directly to Mr. Sala. That's what we were trying to relay to you previously, so.

Mr. Sala: I'd like to ask the CEO how are—in terms of determining a 25-75 debt equity versus a 20-80, how are Manitobans more protected by a 25-75 target versus a 20 to 80 target? Is there a substantial increase in sort of de-risking or sort of—is there a substantial benefit to Hydro in that extra 5 per cent? What changes from a 20 to a 25 per cent target in terms of benefits to Hydro?

Ms. Grewal: Currently, Manitoba Hydro has a target debt equity ratio of 75 per cent to 25 per cent. Manitoba Hydro has not achieved that debt-equity target for years. Debt-equity targets are set to reflect the risk an organization is facing and dealing with, with equity being considered what can be looked at as support for that risk.

I look at debt-equity targets the same way, as I said earlier, based on a third party's view, which is a credit rating agency's, and what I would say is, in terms of debt-equity targets, every single Crown utility has set targets at 70-30 debt equity or lower, and they've also set the time frame to achieve that much quicker than the 20 years that is being considered for Manitoba Hydro.

The benefit is that we are considered self-sufficient by the debt rating agencies and therefore we can borrow at the lowest possible cost, recognizing even at 70-30 we will still be carrying a material amount of debt—amount of debt that we will be paying interest on, and those are costs that all go into the rates that Manitoba Hydro customers pay for their energy.

Mr. Sala: I appreciate the response from the CEO, and I hope that she can appreciate why this is so important, this question of that target and, you know, whether or not it's set appropriately and whether or not that transfers risks onto—actually onto Manitobans themselves, who may face risks of overpaying as a result of an overly aggressive target that doesn't necessarily relate or doesn't have a—any specific, you know, purpose or benefit, and I think it's an important question to be asked, which is, you know, is that number the right number that's being set, because ultimately that is what's going to drive rate setting for many years to come, as the CEO would know.

So I do appreciate some of her reflections on that, and I'd like to move on, here. I'd like to ask the CEO if she can provide the integrated financial forecast, capital expenditure forecast, respective cost study and the 2021-2022, and 2022-2023 forecast of next—net export revenue for each possible water flow condition.

Ms. Grewal: The information that Manitoba Hydro has has been shared and it is public, but it's been shared with the PUB.

Mr. Sala: Sorry, just to clarify. The integrated financial forecast, capital expenditure forecast, prospective cost study and the 2021-2022 and 2022-23 forecast of net export revenue for the each of the possible water flow conditions, is the CEO stating that those—that information has been provided to the PUB?

Ms. Grewal: With respect to the items that Mr. Sala has identified, what we have available relative to the question in front of the PUB, we have shared.

Mr. Sala: Would the CEO be able to provide that information to this committee?

Ms. Grewal: We will take that under advisement.

Mr. Sala: Was that information provided to Treasury Board as part of the last budget process?

Ms. Grewal: I do not—there was a longer list of items that were requested, so I would need to check. But I believe we provided detailed financial forecasts and capital for the current fiscal that we are in. I am not aware that we shared longer dated information, particularly anything that we do not have or did not

have at the time we submitted our budget and—to Treasury Board and responded to the questions there. But I'll take that under advisement in terms of getting clarification from the team.

Mr. Sala: Can the CEO provide clarity on what was given to Treasury Board?

Ms. Grewal: As far as I am aware, what we provided to Treasury Board was a detailed financial forecast and capital plan. I would have to check with our CFO to see what other information may have been provided with respect to any questions that we responded to from Treasury Board as they conducted their due diligence on both our operating and capital costs.

Mr. Sala: Page 49 of the 2019-20 annual report, under the heading, Outlook, Hydro writes, quote: "Compared to budget, the corporation is projecting a slight decrease in overall annual revenues of 2% primarily driven by an estimated reduction in domestic consumption for commercial and industrial customers. This decrease is partially offset by expected higher usage in the residential sector given COVID-19 impacts." End quote.

It's clear Hydro produces projections regarding revenue, regarding operating and admin costs, regarding consumption and projections, regarding exports.

Will the CEO provide the projections for 2020-21, '21-22 and '22-23 today?

Ms. Grewal: My understanding is we're here today to discuss specifically the annual report and the numbers in that annual report, but I will take under advisement Mr. Sala's request.

Mr. Sala: Again, on page 49, the annual report of Hydro states, the corp.—quote: "The corporation's earnings can fluctuate significantly due to various uncontrollable factors such as the amount of water inflows, weather, domestic load requirements particularly related to the usage of a small number of large industrial users, market prices for electricity and interest rates. Each year, the uncertainty related to water inflows has the greatest potential to impact expected earnings." End quote.

It's clear Hydro produces forecasts of a different—of the impact of different water flow conditions on revenue. So I'd like to ask if the CEO can provide this to the committee, the '22-23 forecasts of net export revenue and net income for each of the possible water flow conditions.

* (10:30)

Ms. Grewal: I will take that under advisement.

Mr. Sala: Okay, we do look forward to receiving that information.

Section 7(1) of The Crown Corporations Governance and Accountability Act requires Crown corporations like Hydro to produce an annual business plan, yet no plan has been produced for 2020-21 or for the current fiscal year.

Why has Hydro not complied with its statutory obligations?

Ms. Grewal: Manitoba Hydro continues to comply with its statutory obligations and submits, as required under the act, any materials required to our minister.

Mr. Sala: I'd just like to just ask the CEO, is it her understanding that Hydro is required to produce an annual business plan according to The Crown Corporations Governance and Accountability Act?

Ms. Grewal: Manitoba Hydro always prepares an annual business plan that is reviewed and shared with our board and submitted to our owner.

Mr. Sala: So, can the CEO confirm that a plan was produced, an annual business plan was produced for the 2020-21 year, or for the current fiscal year?

Mr. Wharton: Again, certainly appreciate the question from the member from St. James as well.

And, certainly, the business plan that the member is referring to is certainly outside the scope of what we're here to talk about today, the corporation's fiscal year ending March 31st, 2020. However, I will certainly indulge and provide the member and the committee members facts.

And the facts are clear: a report was provided to Crown Services, sent back for further clarification and is currently in that process.

Mr. Sala: Would the CEO provide a copy of that annual business plan to the committee?

Ms. Grewal: As noted by our minister, that will be shared by the minister once it has been finalized and approved by Crown Services.

Mr. Wharton: Again, thank Ms. Grewal for that too, as well.

And this will be shared publicly, as our government has and will continue to share documents of this nature, especially surrounding Crown corporations, particularly Manitoba Hydro, on a go-forward. Unlike the past, those reports are shared publicly so

Manitobans—the owner of Manitoba Hydro—fully are engaged.

Mr. Sala: I'd like to ask the CEO, when was the annual business plan submitted to the minister?

Ms. Grewal: The draft annual business plan was submitted at the end of March, and we are now making some updates to that based on feedback from our minister's office.

Mr. Sala: Has the Manitoba Hydro board had an opportunity to review the business plan?

Ms. Grewal: Management would never submit an annual business plan to government without the board have reviewed it and received feedback from the board on any proposed changes.

Mr. Sala: Appreciate the response.

So just to be clear, the 2020-21 annual business plan was submitted at the end of March? Just want to confirm that, and that is not the final annual business plan, it's a draft? Just want to confirm that with the CEO.

Ms. Grewal: The 2021-22 business plan was submitted to government. Government has asked Manitoba Hydro to look at some of the metrics that we report on, and that is something that we will be submitting before the end of this month with the updates.

Mr. Sala: I just want to highlight, you know, how concerning it would be, I think, for the average Manitoban to know that the annual business plan for arguably the most important Crown corporation in the province for this year has yet to be approved, ultimately. It sounds like it's still in draft form of some kind.

Can the CEO provide some commentary around her thoughts around whether or not she has concerns that the corporation is operating right now, as it seems, without a final approved business plan for this year?

Ms. Grewal: The core of the annual business plan is supported. What we have been asked to do is to look at providing additional metrics that both the board and Crown Services will use to assess our performance relative to achieving what's in the business unit plan.

Mr. Sala: Okay. Going back to the 2020 annual business plan, has that report been finalized? So this is the previous year.

Ms. Grewal: That business plan would have been at a time when we were initially—COVID had appeared

on the horizon and, therefore, it was difficult for us to assess how it was going to impact our business, and, therefore, we were not required to submit anything for that fiscal. Having said that, with—for management, we did have a plan in terms of our core business, our core focus, our core operations, but it was not submitted as a formal plan to Crown Services.

Mr. Sala: I'd just like to get clarity. The CEO mentioned that they were not required to submit one, and I just want to understand how that balances with The Crown Corporations Governance and Accountability Act, which requires that Hydro produce an annual business plan that is finalized prior to the end of the fiscal. Again, just seeking some clarity around what she said there, which was that she was not required to provide an annual business plan for that 2020 fiscal.

Ms. Grewal: We were in unprecedented circumstances, and our ability to actually understand and predict what would be happening in our business was more difficult and—as has been evidenced. We did have a business plan, but we did not submit it through the formal process. Our board did have the business plan.

Mr. Sala: So there was no directive from government to support what was stated by the CEO, that she was not required to submit an annual business plan?

Ms. Grewal: That is correct. As I stated, we were all, as Manitobans, operating in very uncertain times, uncertain waters.

* (10:40)

Mr. Sala: I can absolutely appreciate that from the CEO. It certainly was uncertain times, and I would argue that's often when these plans become most important. And so it is concerning to know that that plan was held back and this does appear to have been in violation of The Crown Corporations Governance and Accountability Act. I just want to put that on the record.

Floor Comment: Mr. Chair.

Mr. Sala: I am finished my response, Mr. Chair, so you can please go ahead and acknowledge the CEO.

Mr. Chairperson: Thank you for that.

Ms. Grewal: My apologies. I've just been corrected: we did submit the plan to Crown Services, but it was unaltered for COVID.

Mr. Sala: I appreciate that clarification from the CEO and would like to ask when that plan was submitted to Crown Services?

Ms. Grewal: As I stated, we did submit a plan, but it was unaltered for COVID so, therefore, wasn't a final plan. But I believe we submitted it in around the same time frame, which have been February, March 2020.

Mr. Sala: Would the CEO be able to endeavour to provide us with a copy of that annual business plan that never made it past the minister's office?

Ms. Grewal: We will take that under advisement.

Mr. Sala: I'd just like to repeat it there just to ask: When the CEO comments that she's taking that under advisement, does that mean that she will be working to provide that to the committee?

Ms. Grewal: When I state under advisement, I'm not committing one way or another, as we would need to go back and check what is available, in what form and if that information is public information.

Mr. Sala: Appreciate the response, and I hope that the CEO can appreciate why Manitobans would like to be able to have access to and have clarity and transparency around annual business plans for an organization as important as Hydro.

I'm going to move on here and ask, you know, Hydro's set to profit \$111 million this year and is forecasted to profit \$190 million in '21-22, according to the government's 2019-20 budget. These are huge jumps in profit from what was originally forecasted for this year and the coming year. In the Q3 report, Hydro attributed this to Keeyask and the pandemic for the current year.

Can the CEO explain why there is a substantial jump in profit this past year and what the anticipated jump in profits this current fiscal are attributable to?

Ms. Grewal: A financial forecast for Manitoba Hydro reflects positive net income of \$111 million for a fiscal that will end March 31st, 2021. The increase here is primarily due to the delay in the in-service of the first generating unit at Keeyask.

While, as I stated earlier, Keeyask is ahead of control schedule, last year at this time we were anticipating an earlier in-service date for the first unit before the pandemic hit. We had initially assumed that it would be June 1st, 2020. It was actually—the first unit came online in February of 2021, which still is ahead of the control schedule. The impact that had was positive in terms of net income because—by

\$97 million because there was lower interest and depreciation in our operating costs.

But I want to be clear, it's not that the \$97 million in costs did not exist. Those costs are being capitalized, and they will be expensed once the generating units are operational.

In addition to this positive impact of the \$97 million from the delay in the first unit, there was also a \$78-million decrease to our net income, and that was from the result of impacts of COVID-19, reduction in commercial and industrial usage that we appoint to the pandemic, changes in spot market prices for surplus energy as well as bill collections. Additionally, we placed debt earlier in the market, as early in the pandemic early last summer there were concerns about liquidity, so there were some carrying costs there.

Those increases in costs, though, of \$78 million, were partially offset by \$30 million in savings that were part of our pandemic response reduction measures.

Mr. Sala: The 2021-2022 fiscal, the profit is set to jump to \$190 million.

Can the CEO just clarify whether or not the same causes are attributable to that significant jump for the following fiscal, or help to explain why we see an even further jump in expected profits for that fiscal?

Ms. Grewal: Well, we are projecting \$190 million for 2021-22, which is a \$79-million increase over a year. But I want to highlight and remind Mr. Sala of the variability that we have in our net income, because these numbers can change and they do fluctuate significantly and are dependent on weather and water. Weather and water conditions have a significant impact on us throughout the year.

And why is that having such a big impact for Manitoba Hydro versus, perhaps, a Quebec hydro or BC Hydro? Because our reservoirs are seasonal reservoirs. They are not multi-year reservoirs. So we are always dependent on precipitation and so we are constantly monitoring and managing that and updating our cash flows based on that.

So as I said earlier, there—the highest and lowest range is actually not \$450 million, it's \$475 million, and it's—in low-water years that's \$355 million, severe drought conditions. So at this point in time for this year, hydraulic generation is expected to be below average based on the current precipitation, but there is

uncertainty, and it's very dependent on the summer rainfall heading into the fall.

Terms of the changes here, besides water, there's the export revenue which is expected to be higher. Why? Because of the commissioning of the units at Keeyask. So what is also happening is the finance expense and depreciation also go up. So as much as we have an increase in export due to additional energy being produced by Keeyask, we also have the finance expense and depreciation coming in.

Domestic revenues are expected to also be higher because we will have a full year of a 2.9 per cent electric rate increase, which was what was approved by the PUB and was effective December 1st, 2020. We also are assuming, as we have previously in terms of submissions to the PUB, are looking for or assume a 3 and a half per cent increase both on the electric and non-gas-rate side. And we—our assumption is that's effective October 1st, 2021.

In addition, we have the positive impact of that we are no longer amortizing the major capital reserve, which is—reserve is revenue we collected in prior years, but it was placed into a reserve by the PUB to be recognized in future years.

Mr. Sala: Really appreciate the information from the CEO.

Can I ask for some clarity around why she's assuming a 3.5 per cent rate increase effective October 1st, 2021?

* (10:50)

Ms. Grewal: And to clarify, that is an assumption. It isn't something we formally have approval for, and if you look historically at what we typically have asked for in rate increases, in our last rate application we asked for 3 and a half per cent, and we believe 3 and a half per cent is prudent in terms of also setting the trajectory to achieve the debt-equity targets—even the 75-25, which is a target that is currently in place for Manitoba Hydro.

Mr. Sala: So just to dig into that a bit further, so it's clear that there—this is at this point an assumption, and I appreciate that clarification from the CEO, but I am hoping that she can provide some clarity as to why it's being assumed that the rate increase will happen on October 1st.

Was this raised by Hydro and suggested to government that this rate increase needed to occur on that date, or had government provided some direction that this was a possibility?

Ms. Grewal: As Manitoba Hydro, whenever we are preparing forecasts and budgets, we make assumptions on future rate increases.

When we enter and submit a five-year GRA, all Manitobans will have certainty on what rate increases will look like over a five-year period. And we know from our customers, particularly our major industrial customers, that that is very important for them from a budgeting process perspective.

In terms of for Manitoba Hydro, the 3 and a half per cent is something that management determined through our analysis that a 3 and a half per cent rate increase effective October 2021 is important. This is something that was submitted to Treasury Board in August of 2020, when we were doing our initial forecast, but, again, as I said, it is assumption that Manitoba Hydro management believes is the rate increase required to set the trajectory to achieve the current 75-25 debt-equity target that we are to reach.

Mr. Sala: I thank the CO for that information.

The CO alluded to the fact that analysis had been done which spoke to the need for a creeping of 5 per cent rate increase, or why that would be a benefit in helping the corporation to achieve that debt-to-equity target. Could that information be provided to the committee?

Ms. Grewal: We will take that under advisement.

Mr. Sala: You know, it's very—it's unclear to me how it's possible that Manitoba Hydro is in a position to determine, you know, this needed rate increase and to perform this analysis, but is unwilling to provide the Public Utilities Board with an opportunity to provide independent verification of the need for said rate increase, especially given the impacts on Manitobans.

It's obviously really important that Manitobans can have confidence that rate setting is done in a way that preserves their interests and protects their interests. We know that a 1 per cent rate increase is equivalent to about \$15 million a year out of the pockets of Manitobans. We just experienced a 2.9 per cent increase in December, as the CEO knows.

So I guess the concern here is that we're learning, yet again, of an assumed rate increase that's to come and which will be imposed upon Manitobans, but Manitobans have no opportunity at this point to confirm through independent analysis conducted by the Public Utilities Board that that rate increase is actually required.

And this not—in no way intended to offend the CEO, but we're being asked to just take the corporation on its word. And I think, you know, if we look back to one rate request that had been put in—I believe it was for 7.9 per cent a couple years back, where the Public Utilities Board actually ended up delivering Hydro only a 3.5 per cent rate increase, I believe—it's clear that there are times where the analysis done by Hydro doesn't exactly align to the analysis that was performed by that independent body.

So my question to the CEO is, assuming this rate increase does go forward in October 1st, as has been suggested, how can Manitobans be confident that they're not being asked to overpay again, especially thinking back to some of the previously overly aggressive rate increase requests that Hydro has put in to the Public Utilities Board?

Ms. Grewal: I can't speak to rate increases that were put forward prior to my time here. What I would say, though, is rate increases of 7.9 per cent are unprecedented in regulatory models and environment. What we are—the rate increase that we've presented will allow Manitoba Hydro, over the longer term, to move towards being able to start to generate net income to be able to pay down its debt and to get closer to achieving that 75-25 debt-equity target.

Secondly, when you look at rate applications and rates that have been approved by the PUB over the last 10, 15 years, they are typically within the 3 per cent range, 3 and a half per cent range, and we believe modest—or increases—I won't say modest—any increases make these important for our customers, and we take that very, very seriously, but increases that are not resulting in rate shock but will still allow us to move forward to achieve our debt equity target is key.

Mr. Sala: I can certainly appreciate that increasing revenues for Hydro will help Hydro to meet its debt-to-equity targets. The concern here is that the burden is being shifted onto current ratepayers instead of ensuring that that burden is shared for future ratepayers and over a longer period of time. And this concerns, of course, are we asking people at this point in time to carry too great a portion of those costs.

And, again, I just want to highlight that the CEO is stating here that, you know, historically, that we've seen rate increases that are approximately 3 per cent or in that range, and that, therefore, that makes this request or this amount acceptable. And yet Manitobans have no ability to confirm that that is, in fact, the case, because independent analysis, which would normally be performed through the

Public Utilities Board, is not forthcoming, and we've seen serious concerns regarding these questions. Obviously, they have been put forward recently in those comments by the Consumers' Association and by MIPUG and others.

So, again, I want to ask the CEO one more time, how can Manitobans be confident that they are not being asked to carry too great a portion of those cost burdens now? How can we have that confidence without an independent review by the Public Utilities Board?

Ms. Grewal: As I pointed out earlier, Manitoba Hydro's debt is going to peak once all Keeyask units come into service at \$25 billion, and we will have a debt-equity ratio that is the highest amongst all utilities in Canada, including all Crown corporations.

Secondly, the debt servicing costs that will be hitting our income statement are going to peak at approximately \$1.1 billion. We know for certain our costs are going up, driven by these projects coming into service, and that assets will now be depreciated and amortized.

As I've also pointed out earlier, we've had a review done by an independent third party, not the PUB, but the debt rating agencies, and given the risks that we face that are uncontrollable, whether it's the variability from year to year in water flows, whether it's seasonal weather—the last storm that we faced, the unprecedented storm in 2019, costs are still being finalized—it's 100 to 110 million dollars. You add to that the \$350 million in water variability to drought, you add to that potential changes and risk from an interest rate perspective from the spot market prices for our surplus energy, rate increases are needed.

* (11:00)

I'd also like to point out, as I said earlier, that we are—we need to ensure that the regulatory bodies continue to believe and see Manitoba Hydro as being self-sufficient, and Moody's has stated they are concerned about our ongoing weak financial performance.

As I said, we are borrowing our working capital. We are borrowing to fund Efficiency Manitoba, to fund business operations, to fund maintenance capital. That's independent of the major capital projects like Keeyask and Bipole III.

Typically, you would want to be considered financially sound, to use internally generated funds to pay for those ongoing operating and maintenance

costs. We are not in that state at this point in time. A rate increase will help us move forward on that front.

Mr. Sala: I appreciate the response, and I'd like to ask the CEO: has there been any communication between herself and government regarding this proposed potential rate increase?

Ms. Grewal: As I stated earlier, we've included that in a submission to Treasury Board, as we were trying to look forward to anticipate both this year and next year.

Mr. Sala: Did Treasury Board or the minister provide any comments relative to that proposed rate increase?

Mr. Chairperson: Would the minister please let us know when he's ready to comment?

Mr. Wharton: Certainly appreciate the question. And, absolutely, Manitoba Hydro provided information, of course, to support Manitoba Hydro's request.

Mr. Sala: I'd like to ask the CEO for clarity—and I think she can appreciate how important this is for Manitobans, especially given she's alluded to the importance of having that certainty going forward, not just for big businesses but also for regular Manitobans.

Has Treasury Board approved a 3.5 per cent rate increase?

Ms. Grewal: Treasury Board has not approved a 3.5 per cent rate increase.

Mr. Sala: Does the \$190-million projection for profit for next year in any way include an assumed 3.5 per cent rate increase in October?

Ms. Grewal: As I stated earlier, in addition to the other changes, the \$190 million also includes the assumption of a 3 and a half per cent electric and non-gas rate increase, effective October 1st, 2021.

Mr. Sala: Can the CEO provide any clarity on what was approved by Treasury Board in any submissions relating to this rate increase?

Ms. Grewal: As I stated, nothing has been approved by government in terms of our projected \$190-million net income for coming fiscal.

Mr. Sala: Did Hydro assume that government supported a 3.5 per cent rate increase given their lack of response to that specific question?

Ms. Grewal: The 3 and a half per cent rate increase was an assumption that Manitoba Hydro put forward

as a potential rate increase based on the analysis we did, based on the risks identified earlier, the fact that our cost structure is increasing materially with Keeyask coming into service.

Mr. Sala: I guess I just need some clarification because this is slightly confused here.

How can the rate increase not have been approved if that figure was included in budget projections that was ultimately presented to the Legislature that we as legislators voted on? If that wasn't approved, I think there would be reason to have some serious concerns here about how we as legislators were presented information that ultimately, according to the argument being put forward here, that was never approved or actually validated by Treasury Board or government.

So can you clarify for me—or, I'd like the CEO to clarify, how could it possibly not have been approved if it was included in budget projections that were presented to the Legislature?

Ms. Grewal: What was presented to Treasury Board for formal approval was only for the current fiscal that we are in. We did not ask, nor was part of the process, for Treasury Board to approve budgets and forecasts for the coming fiscal which are still being worked on at this time. It was an assumption made by Manitoba Hydro, but we submitted, formally, approval solely for, as per the processes in place, the current fiscal that we are in.

Mr. Sala: The proposed or the assumed rate increase, which has been stated for October 1st, 2021, is in the current fiscal. So why would that not have been included in what was submitted to TB—or Treasury Board, I apologize.

Ms. Grewal: Treasury Board approved our cost structure, but they did not approve a 3 and a half per cent rate increase for this fiscal.

* (11:10)

It is subject to review by Treasury Board—their determination—if that 3 and a half per cent is appropriate and justifiable, and it is also subject to the appropriation act passing.

But as I said, it was submitted as an assumption. We understood and were aware that it is—not been approved at this point in time.

Mr. Sala: I'd like to ask the CEO, is it fair to state that if those increases in revenues were reflected in the expected profits for next year, that it was assumed that

government was supportive of the rate increase—of the proposed rate increase?

Mr. Wharton: Last hour and 10 minutes, there's been a lot of assumptions being thrown out by the member from St. James. I think we know that there are no assumptions in Navigating Change and Challenges with Action—in Manitoba Hydro-Electric Board's 69th annual report for March 31st, 2020.

I would assume that, at some point this morning, the member from St. James will move to the report at hand that we have allotted two hours and 50 minutes to discuss, to move forward with Manitoba Hydro's March 31, 2020 report. Certainly, I would love to indulge the fact that—the reasons why Manitoba Hydro are having the challenges that the CEO have—related to—in the last hour and a half to two hours, and I certainly hope had the opportunity to do that with a number of roll-the-dice scenarios that the former government and this member, particularly, wants to continue on with respect to the status quo.

So I would expect the committee would appreciate, and Manitobans would appreciate, to understand the electric board's 69th annual report for the year ending March 31st, 2020. I would expect the member from St. James to move forward with that process, as we are running a little short on time and Manitobans certainly deserve to understand what's in the March 31st, 2020 report.

Mr. Sala: I appreciate the minister would much prefer us to be doing a line-by-line of the report and its detailed financials, but I'm also sure that he can appreciate why Manitobans would be very interested to know that his government was apparently aware of a proposed 3.5 per cent rate increase that is forthcoming and that has been baked into budgetary forecasts by his government. Clearly, that is of top level of importance to all Manitobans, given the impact on their wallets.

We'll proceed here. I'd like to ask, on page 22 of the annual report, it explains that, quote, construction of the Birtle Transmission Project will begin summer 2020, with a target in-service date of June 2021. By 2022, Manitoba Hydro will be exporting up to 315 megawatts of electricity to SaskPower. End quote.

The line was completed ahead of schedule in March of 2021.

Have exports started to flow to Saskatchewan? And what is the total value of the firm export contracts relating to that?

Ms. Grewal: The—Mr. Sala is correct that the—Mr. Sala is correct that Birtle was completed two months in advance of the committed in-service date of June 1st, 2021, and the project came in, under the approved control budget of \$69.3 million, at \$55 million. In addition, we were able to secure federal funding for the project under the Investing in Canada Infrastructure Program.

In terms of the power that will be flowing, the—we have two agreements with SaskPower. There was an initial agreement for 100 megawatts, and then there was a second agreement that was—that we made public when we signed the term sheet, I believe, in August—or in 2018. So this line will allow us to fulfill our power purchase agreements with SaskPower, and that will start in 2022, in terms of energy flowing through the Birtle line to SaskPower, with total exports to SaskPower being up to 350 megawatts.

In terms of the question about the specific revenue associated with that, these are commercially sensitive contracts and we are unable to share that specifically in terms of SaskPower, but we do publicly share when we are submitting information to the B-U-PUB the total export revenue that we are generating.

Mr. Sala: It's our understanding that Hydro has signed \$5 billion in contracts and firm export sales with Saskatchewan, but the financial number has never been confirmed publicly by Hydro.

Will the CEO confirm the total value of the firm export sale contracts with Saskatchewan?

Ms. Grewal: As I've stated previously, the—two things.

Firstly, there will be \$5 billion in energy sales to Saskatchewan, but those energy sales occur over a full 30 years and it's from two contracts.

Secondly, I'd like to remind those here today that this is revenue, it is not profit. It's extraprovincial sales revenue that helps pay for the costs we've incurred to build a facility that was designed primarily to serve Manitobans, but until that energy is needed in Manitoba, this revenue is used to cover debt servicing costs, transmission costs, amortization costs, and it allows us to keep rates in Manitoba lower than they would otherwise be.

Mr. Sala: I'd like to ask the CEO why the total value of firm export sale contracts with Saskatchewan wasn't revealed to the public.

We know that, in the past, the total value of export sale contracts has always been released by Hydro, but

why was this financial information not given to Manitobans?

Ms. Grewal: I want to be clear and remind those here that we issued a news release October 29th, 2018, when we signed the term sheet which was the basis for this power sale, so it was made public, as well as power sale agreements have been on our website for several years and we report the revenue in our—on extraprovincial sales both in our quarterly and our annually—annual reports.

Mr. Sala: An internal Hydro source stated in the Winnipeg Free Press on March 23rd, '21, that, quote: The utility always wanted to make the announcement. This was huge news for us, but we knew it was not consistent with the current government's attempts to make the previous government look bad over the construction of Keeyask and Bipole. We can only assume the Saskatchewan power sale was deliberately covered up because it didn't serve their political purposes. End quote.

I'm wondering if Ms. Grewal could explain what she thinks about this statement from an internal source?

Ms. Grewal: I can't comment in terms of the internal source, but what I can clarify and confirm is that we were never directed by any party or government to withhold any information on these contracts and sales.

As I said, they are made public on our website, as well as we did issue a news release in October of 2018 to announce the term sheet for this sale—that it had been signed.

Mr. Sala: So, just to clarify: were there any communications, directions, emails, phone calls of any kind that directed the CEO of Hydro to suppress information relating to that sale?

I understand—and just to go further, I understand that a news release was issued regarding the term sheet in 2018. That's kind of old news. But of course this revelation of this gigantic sale is clearly of huge importance to Manitobans for a number of reasons.

* (11:20)

Can she provide any clarity over why this was not celebrated appropriately, given the impact on Manitobans, and did she—or, were there any forms of direction offered to her, given to her, from government to suppress that information?

Ms. Grewal: To restate: a news release was issued when the term sheet for this sale was signed in October 2018.

Secondly, I can categorically confirm that there was no direction in any form in any way from government to withhold information on this transaction.

Mr. Sala: Hydro has publicly stated that there's been no substantial change in Manitoba Hydro's finances.

So why did Hydro then demand layoffs and wage reductions for its employees in May and June of 2020 if there's been no substantial change to its finances?

Ms. Grewal: A year ago, we were facing unprecedented times and we knew that there would be impacts, as I've shared earlier, of the pandemic on Manitoba Hydro, from a revenue perspective as well as increased costs associated with managing the pandemic.

Secondly, we, at Manitoba Hydro, in respect of our customers who suffered and continue to as a result of the pandemic, did everything possible to reduce our cost structure so that it would have less of an impact on our customers. We contributed to the province's response to COVID-19 and the pandemic.

Mr. Sala: How does that square—I'd like to ask the CEO how that squares with the, you know, increase in profits that we've seen from budget.

You know, I understand that there was a lot of uncertainty a year ago. This is absolutely the case, but at that time, just to confirm, the CEO states that we did face this uncertainty and that there was a desire to reduce costs in sort of preparation or to—in anticipation of potentially a challenging year—I just want to clarify: at that point when those decisions were made, there was no awareness or no sense of ultimately this potential increase in profits from the budget that had been put forward last year?

Ms. Grewal: As I stated previously, a primary driver behind our profit increasing to \$111 million this past year was the delay of the in-service of the first generating unit at Keeyask. It was assumed that that would have come in service June 1st, 2020, which would have resulted in \$97 million of cost, interest and depreciation hitting our income statement. The unit did not come online until February 21, 2021.

That was the primary driver for the increase in our profitability and, as I pointed out earlier, the \$97 million in costs did not disappear. They are

continuing to be capitalized and those costs will be expensed once the generating units are operational.

Mr. Sala: Hydro has publicly stated that there's been no substantial change in Manitoba Hydro's finances, but why did Hydro then demand that IBEW workers be held to the unconstitutional provisions of bill 28, which was the two years of zeros, just—when there's no substantial change?

Mr. Wharton: Again, another 15 minutes where Manitobans are not going to have the opportunity to understand the Hydro-Electric Board's 69th annual report.

The member—I've—suggest the member and the committee would probably respect the fact that we should at least spend the last 20 minutes trying to share with Manitobans some of the good things and some of the challenges that Manitoba Hydro continue to navigate with changes as they go forward and with respect to March 31st, 2020.

And I would expect the member from St. James would move down that path in the time that the committee has left, for the betterment of Manitobans.

Mr. Sala: I can appreciate that the minister doesn't appreciate my priorities in questioning here, and we'll continue to ask those questions that we believe are of serious importance to Manitobans.

Earlier this year, the Wall report was released, and one of the most notable recommendations made by Mr. Wall was to sell off non-core divisions and subsidiaries of Hydro. I'd like to give Ms. Grewal an opportunity to explain what non-core means.

Ms. Grewal: As stated in our mission which drives Strategy 2040, our job—our mission is to help all Manitobans efficiently navigate the evolving energy landscape, leveraging their clean energy advantage while ensuring safe, clean, reliable energy at the lowest possible cost. That includes ensuring a reliable supply of renewable electricity and clean-burning natural gas.

Anything that contributes to this, this mission, is a core part of our business and a core asset. Other components of our business, even if they continue to provide value to the business, would be considered non-core.

Mr. Sala: I do appreciate that explanation and that was quite clear.

And so I'd like to just follow up and ask the CEO: What are some examples of what might be considered non-core, using the definition that was just provided?

Ms. Grewal: The two assets that Manitoba Hydro has considered non-core are, firstly, our 40 per cent stake in Teshmont, which was a consulting company that we've already talked about, that was a private-sector entity; and secondly, Manitoba Hydro International utilities consulting, which is part of Manitoba Hydro International, which consults in international markets where the market conditions are changing, and we were becoming less and less competitive and, therefore, we will be unwinding that over the coming years where there are 12 employees.

That being said, those 12 employees will be offered employment within Manitoba Hydro, where we have 300 vacancies, typical average turnover, where they'll have the opportunity, as these consulting contracts in place wind down, to look for other opportunities within the Manitoba Hydro company.

Mr. Sala: Does Manitoba consider Centra Gas as a non-core division?

Ms. Grewal: Centra Gas always has been and will continue to be core to Manitoba Hydro's business in serving Manitobans with clean, reliable electricity and gas.

Mr. Sala: Is Manitoba Hydro Telecom considered non-core?

Ms. Grewal: The Manitoba Hydro Telecom model is shifting as a result of the world broadband RFP.

Mr. Sala: And just to clarify, is that to state that, from the perspective of the CEO, that Manitoba Hydro Telecom is indeed a non-core division of Hydro?

Ms. Grewal: That is not what I stated. That is incorrect.

* (11:30)

Mr. Sala: I appreciate the need for clarity and precision here, so I'll just ask again: Is Manitoba Hydro Telecom considered non-core according to the definition that you provided of what a non-core division would constitute?

Ms. Grewal: As I stated, the Manitoba Hydro Telecom model is shifting as a result of the rural broadband RFP. Surplus fibre, which represents approximately 10 per cent of the Manitoba Hydro infrastructure, is being made available via Xplornet to support broadband and capability in rural, northern, Indigenous communities.

Manitoba Hydro, via Manitoba Hydro Telecom, will continue to own and manage this fibre-optic network. Xplornet will have access to it, but we own those assets and they will remain core to Manitoba Hydro. And the employees of Manitoba Hydro Telecom who will become employees of Manitoba Hydro will be engaged in managing and supporting the optimization of our fibre network.

Mr. Sala: Relating to those employees of Manitoba Hydro Telecom, we understand that there is going to be some transfer of—well, there will be an outright transfer of all contracts from Manitoba Hydro Telecom to Xplornet, and that that will probably be taking up a significant amount of the time for remaining MHT staff, Manitoba Hydro Telecom staff.

When that's finished, can we expect that there will be a reduction in the total number of Manitoba Hydro Telecom staff working with Manitoba Hydro?

Ms. Grewal: At this point in time, we anticipate, and I believe it's 16 employees that were offered employment with Manitoba Hydro, will be required to manage the fibre-optic capacity used by Xplornet as well as our own operations.

Mr. Sala: Relating to MHI, it's my understanding that in addition to the strategic review that had been conducted and that had been contracted by Hydro executive, that there was another strategic review that had been contracted by the employees of MHI. That strategic review was conducted by Shawna Pachal with input from Grant Thornton consultants.

So I'm hoping that the CEO can confirm whether or not she was aware of the existence of this other strategic review.

Ms. Grewal: I am aware that MHI did an analysis itself on the viability of the four distinct operating lines of business.

But as I pointed out earlier, the only change for MHI and the four lines of business is one line of business—international consulting, which saw greater competition, reducing profitability and greater risk for our employees given the jurisdictions they were operating in—we will be unwinding.

All other parts of the business will continue, including the technology that's been developed in Manitoba by MHI, and Manitoba Hydro will continue to deliver value and benefits to Manitobans.

Mr. Sala: Can the CEO share what the costs of the Shawna Pachal-led review were?

Ms. Grewal: That work was undertaken by MHI without the knowledge of Manitoba Hydro, and we do not have—I do not have any access or awareness of what the cost of that study was.

Mr. Sala: My understanding is that that report cost about \$240,000, so that is a significant amount of money for the CEO to not be aware of that expense, especially given its importance relative to the MHI review.

I'm wondering if she can share how the results of the Shawna Pachal-led review, specifically tied to the international consulting line of business, how they contrasted with the strategic review that was conducted by Hydro executives.

Ms. Grewal: As the CEO of Manitoba Hydro, I pay attention to all of our costs, but at times it is difficult for me to get to that level of granularity when you understand the cost structure of Manitoba Hydro is \$3.1 billion.

Secondly, in terms of the study that was conducted, we rely on third-party expertise that looked at the data and the markets, and the analysis that we had was data-driven. And that was the basis upon which Manitoba Hydro made this decision to exit international consulting given the risks, reducing profitability, increased competition.

And I'd also like to point out that other Crown entities, such as BC Hydro, Quebec hydro who had, years and years ago, some decades ago, operated in those markets, have also exited those markets. It is not aligned with our core mission and focus to deliver dependable, renewable energy to Manitobans at the lowest possible cost. We are focusing on our core business today and in the future.

Mr. Chairperson: Mr. Sala? Sorry, Mr. Wharton?

Mr. Wharton: Thank you, Mr. Chair, and I would ask the member, for the benefit of the committee today, the member from St. James, if he would be willing to table that information so that Manitobans also would have the opportunity to do a deeper dive into this contract that he alluded to in his last question to the CEO. I think it would be helpful to the members to be able to get that information in hand.

You know, as the member knows, we have been very transparent, and I would expect that the member from St. James and his party would be transparent as well and table that information for the benefit of everyone today that's on line.

Mr. Chairperson: Just for the record here, Mr. Sala is not required to produce this. It is a public document, so it is available, but it is up to Mr. Sala if he would like to produce this.

Mr. Sala: I appreciate that, Mr. Chair, and I'll take that request under advisement. But I'll also remind the minister that, in fact, it is he who is sitting in government and has access to this report, this information and the total costs associated with it. So I assume, being that he is the minister responsible for Hydro, that he should be able to access that information very easily on his own accord. But I will take his request under advisement.

I'm going to move on to questions here regarding broadband, and I'd like to ask: So, who will be the point of contact for third-party service providers who will utilize the fibre? And will that be Xplornet or will that be Manitoba Hydro Telecom or, I guess, Hydro?

Ms. Grewal: Xplornet Communications will be the party that will provide broadband to the rural, northern, Indigenous communities, as well as those that have existing contracts in place with Manitoba Hydro Telecom. Manitoba Hydro Telecom employees who will become Manitoba Hydro employees will support that interaction for Xplornet in terms of access to the network, the fibre-optic network, and any requests that come on how they will access *[inaudible]*

Mr. Sala: So, for clarity, will Xplornet be selling the services—fibre services, or will it be Manitoba Hydro?

Ms. Grewal: For clarity, it will be Xplornet.

* (11:40)

Mr. Sala: Relating to that, what does that mean for the last-mile businesses, and I'm referring to, you know, Manitoba ISPs who currently work with MHT. Will all of their service agreements be honoured?

Ms. Grewal: I can confirm that all existing service agreements where MHT was the party will be honoured by Xplornet.

Mr. Sala: Will Xplornet have the ability to choose who they work with, or will that be up to Manitoba Hydro?

Ms. Grewal: Manitoba Hydro will continue to own and manage the fibre-optic network. Xplornet will be the party that will build out the broadband in the rural, northern and Indigenous communities, and they will be the party that will be working with all entities and

organizations who are looking for service in those areas.

Mr. Sala: What protections will be in place for last-mile service providers if they have to purchase from Xplornet in terms of quality of service and price protections?

Ms. Grewal: I am not at the table and therefore I can't respond to what is being put in place in the contract that is being drafted with government and Xplornet, but I am assuming there would be provisions of that nature, which is typical in any commercial transaction of this type.

Mr. Sala: The stop-sell order has greatly hindered the last-mile service providers' ability to provide communities with much needed Internet. When will services begin to be sold again?

We understand that as a result of the stop-sell that was imposed on Manitoba Hydro Telecom that there are many, many northern communities and, in fact, other organizations that have had their service delayed as a result of that stop-sell, so this is, I think, a really important question, when can we expect services to begin to be sold again?

Mr. Grewal: The reason why we provided and issued a stop-sell order was to ensure transparency while the provincial RFP for rural broadband proceeded. There are a total of 170 new customer requests that did come in since August 25th, 2020, and those—MHT is now looking to work with those providers and Xplornet to provide a smooth transition so they can engage with Xplornet for the services that they're looking for in terms of the fibre-optic network.

Mr. Sala: It's obviously incredibly important that we help Manitobans to connect to broadband, and especially in the world that we're—what we're increasingly heading into, and we know that there's a massive digital divide in a number of northern communities, especially our Indigenous communities here in the province.

My question to Ms. Grewal is: Why was it assumed that Manitoba Hydro Telecom was not able to effectively provide that connectivity? Were there concerns about their business performance? Were their concerns about business risk? Why was it assumed that Manitoba Hydro Telecom as a publicly owned subsidiary of Hydro, whose profits go back to us as ratepayers—why was it assumed that they were not able to deliver on that need for Manitobans?

Ms. Grewal: We were asked by government to support this initiative to improve broadband service and connectivity to northern, rural and Indigenous communities, and we see it as very positive.

In terms of—specifically about MHT, I've already spoken earlier to the leverage that Manitoba Hydro will face upon the completion of Keeyask. In order to provide this kind of connectivity and capability would have additionally required that Manitoba Hydro, through MHT, invest material capital.

As I stated earlier, our focus is on our core business and maintaining reliable energy—green, dependable—at the lowest possible cost for Manitobans. We are using the capital that we do have to ensure we maintain that reliability, particularly at a time when we are facing aging infrastructure where greater capital will be required to ensure that reliability and safety.

Mr. Sala: Is it reasonable to assume that Manitobans will be forced to pay higher costs for broadband as they'll be purchasing it ultimately through a private intermediary instead of directly from a government-owned subsidiary?

Ms. Grewal: It would be inappropriate for me to make any assumptions on the operations of Xplornet.

Mr. Sala: Has the contract with Xplornet been finalized?

Ms. Grewal: It is my understanding that the contract has not yet been finalized, though it is being worked on.

Mr. Sala: Just like to talk at the highest level here relating to the strategy—the 2040 Strategy information that was released and the—there was some information that had come forward in the form of excerpts from a presentation that had been delivered internally to Hydro employees.

The—my question to the CEO is: Is it of concern that Hydro has developed a 20-year strategy in the absence of a provincial energy policy—and I'll just say a little further, given the possibility that an energy policy may suggest directions or directives or a strategic direction that may be misaligned with what Hydro has produced in their 20-year strategy?

Ms. Grewal: Energy policy is the umbrella under which Strategy 2040 will move forward. We consulted with government as a stakeholder in the development of Strategy 2040 and they had input into the strategy as we developed it. Just as government—we consulted with government on the development of

Strategy 2040, we will be consulted by the Province in the development of energy policy. So the two are interrelated.

And I would like to point out is—though our board has approved the Strategy 2040, we've not formally taken it yet to government for approval, as government is proceeding to think through energy policy. So it can still be adjusted, though Strategy 2040 has been built through broad stakeholder consultation, through a very thorough analysis of the evolving energy landscape, through a development that identified where the opportunities were as well as the threats and a robust strategy that's based around the five pillars. We are at this time continuing to develop the initiatives that would need to be in place for us to successfully execute on it.

Directionally, I do not believe there will be a change to Strategy 2040, but there might be some finessing as a result of the development of energy policy. Having said that, the key bodies of work that we are undertaking are ones that will not change and, for example, I'll refer back to the Integrated Resource Plan. Manitoba Hydro has never developed an integrated resource plan and we're engaged in planning the process to develop that where all Manitobans will have the opportunity to, through consultation, to engage in terms of the energy landscape, energy solutions, energy supply and inform one-load forecasts in energy demand.

Mr. Sala: I'll apologize in advance for bouncing around. I do appreciate the CEO's flexibility in talking about these differing areas here.

I'd like to talk a bit about the strike. And during the strike, we had several—

* (11:50)

Mr. Chairperson: As per our previous agreement by committee, the hour being 11:50, I will now put the question on the report.

Mr. Sala: Mr. Chair, 11:55 was the agreed-upon time.

Mr. Chairperson: The agreement was actually to put the question at 11:50 and rise at 11:55.

Mr. Sala: Okay. I apologize.

Mr. Chairperson: I will now put the question.

Annual Report of the Manitoba Hydro-Electric Board for the fiscal year ending March 31st, 2020—pass.

The hour being 11:51, what is the will of the committee?

Some Honourable Members: Committee rise.

Mr. Chairperson: Committee rise.

COMMITTEE ROSE AT: 11:51 a.m.

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